

Time: Wednesday May 4th, 2011 3:30pm
Location: Buchanan A203

Hedging strategies for Canadian Oils
Paul Obour, University of Calgary

We study pricing and hedging of Currency Translated Options (CTOs). Motivated by the applicability of these contracts for Canadian oil producers who wish to hedge (- an investment to limit loss) their production risk with futures contracts denominated in US dollars.

CTOs are denominated in Canadian dollars and provide various levels of currency protection depending on the payoff structure chosen.

We describe the performance of linearly delta hedging a Quanto option and discuss the pricing implication of the more efficient hedge driven by a Levy process.