



Derivatives hedging, geographical diversification, and firm market value

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Abstract

This paper examines the value effect from different aspects of hedging activity and foreign operations, using a sample of Swedish firms over the period 1997–2001. A main finding is that there seems to be a positive value effect from hedging transaction exposure, but that translation exposure hedging does not add value. Further, the results suggest that firm value is positively related to geographical diversification and firms' net long positions in foreign currency. The latter may be caused by the depreciation of the Swedish currency during the sample period.

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JEL classification

F31; G39

Keywords

Hedging; Derivatives; Firm value; Geographical diversification

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