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# Voyages Soleil: The Hedging Decision case

# Introduction

The Voyages Soleil case deals with a Canadian based travel company actually struggling with the fluctuations in foreign exchange rate. Existing in the context of a highly competitive industry, Voyages Soleil sells vacations mainly to the Canadian clientele who travels internationally.

# Currency Risk

Leading tourism company Voyages Soleil is at crossroads in deciding its policy on hedging its foreign exchange risk. The company, their revenue is in CAD and expenses are in other foreign currencies with diversities different from the CAD.

# Hedging Strategies

The case examines the four major hedging techniques that are forward contracts, currency options, and natural hatting. These contracts enable Voyages Soleil to guarantee a certain rate of exchange which guarantees but eliminates the ability to change the decision if the associated currency gains value.

# Conclusion

For Voyages Soleil, it can be suggested that the best course of action is to split the approach in between – use forward for the most important cost items and options for the flexibility. It could offer assurance that is often accompanied by no gains while on the other hand the firm may be in a position to enjoy if the currency moves in a certain direction.

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