

From: "jeffrey E." <jeevacation@gmail.com>

To: "Jabor Y." <[REDACTED]>

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Just like with equity market hedging, prior to the wide acceptance of ETFs the only way to hedge a non-U.S. investment was to use currency forward contracts, options and futures. I know Shabaz is very familiar . Your uncle might not like or be familiar with the vast numbers of forwards, alternatives etc. Also, the would typically need to hold the positions to maturity. Like [interest rate swaps](#), which i know he has done before, (or at least shabaz) they allow one party to assume the risk of a [long position](#) and the other party to assume a [short position](#) in a currency to hedge or merely bet. By design, your uncle would not have needed to take physical possession of the currency position and might have chosen to cash out at the ending value based on the closing currency exchange rate. During the life of the forward contract, no money would have been exchanged and the valuation is typically based on the appreciation/depreciation of the swap or held at cost. Now that [ETFs have entered currency hedging](#), your uncle can invest in shares of funds like **PowerShares DB U.S. Dollar Index Bullish** to take a long U.S. dollar position to hedge against this vast portfolio. Just like substituting futures and options in the equity and bond market, the levels of accuracy when matching his portfolio's value to the hedged position is up to he and shabaz . But thanks to the liquidity of ETFs and their lack of maturity dates,they could easily make minor adjustments as our information and intuition changed over the period.

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