

Optimising Hedge Dates to Reduce Currency Hedging Costs

The Challenge

A large European asset manager seeking to hedge foreign currency exposures typically buy forward contracts. While effective, this strategy introduces costs and execution challenges:

Many investors roll their hedges at month-end, a long-standing convention originally designed for operational convenience in a pre-digital world. Over time, this practice has become crowded, leading to skewed pricing and wider bid/offer spreads. Today, clients are increasingly seeking transparent and reliable data to better understand forward pricing and be able to roll their hedges with confidence to broken dates — avoiding the liquidity squeeze and hidden costs of the month-end crowd. Our Forwards365 data makes this possible, delivering continuous, independent forward rates across the full curve and enabling smarter, more cost-efficient hedging strategies.

The Solution

Working with this large European asset manager, we introduced a strategic hedge date optimisation framework designed to retain structure while unlocking flexibility. The key principle:

- Adjust roll dates strategically to reduce execution pressure and capture more efficient pricing.
- Maintain discipline – Any deviation from a month-end roll must revert to the next month-end cycle, preserving consistency in the hedge program.
- This approach allows investors to reduce costs, mitigate market impact, and still operate within a clear, rules-based structure.

Case Study: July 2024 – January 2025

We tested the optimised hedge date approach over a six-month period and compared it to the standard benchmark of rolling month-end to month-end.

Benchmark: Conventional month-end roll.

Optimised approach: Tactical adjustments to roll dates based on liquidity and pricing efficiency.

Key Results

We identified potential savings of EUR75 per EUR 1 million hedged over six months.

Reduced execution slippage by avoiding overcrowded month-end trades.

Annualised improvement of ~2 basis points in portfolio performance.

Strategic Advantage

By adopting this approach early, investors gain:

- First-mover advantage – Capture inefficiencies before the broader market adapts.
- Flexibility within structure – Align with compliance standards while enhancing efficiency.
- Improved liquidity access – Ability to diversify liquidity providers and avoid the most congested trading windows.

Conclusion

This case study demonstrates how granular data enables hedge date optimisation and can directly enhance returns. A saving of EUR75 per EUR 1 million hedged across six months compounds into meaningful performance improvements at scale. Beyond cost savings, the approach improves market execution, strengthens liquidity relationships, and positions early adopters to stay ahead of evolving market dynamics.