NCFX

CASE STUDY: INVESTOR global

Optimising Hedge Dates to Reduce Currency Hedging Costs

The Challenge

Global investors seeking to hedge foreign currency exposures typically buy forward contracts. While effective, this strategy introduces cost and execution challenges:

Inefficient month-end rolls – A popular practise for rolling hedges is to use the month-end date. Market participants have typically crowded into this date where they are often met with skewed pricing and wider bid/offer spreads. The practise was initially driven by the pursuit of operational efficiency in an analogue world. In the information vacuum of poor forwards data, the operational benefits were obvious, and the costs were hidden. That changed when we introduced our Forwards365 data.

The Solution

Working with a large global 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 $83 savings 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 $83 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.