Financial risk report example

[Business](), [Company]()

MML Company being a mining and extraction company for Gold and Copper is under the threat of financial risk from losing the value of the commodities in which the company operates. By value of the commodities, I mean, that with changes in the copper price over the coming months, the company might have to face losses, if the price turns downside (it is expected that copper price will fall, following the trend given in CME Website).

For Instance, it is reported that the company will extract 500000 pounds of copper. However, since the copper pricing is affected by the number of factors as:

- Demand for residential as well commercial construction.
- Overall trend in cyclical industries, such as construction and industrial machinery manufacturing, as well as to political situations in countries where copper mining is controlled by the government.

Thus, on a global scenario, copper prices are affected by number of factors and courtesy these factors, we can expect significant fluctuation in copper prices which can expose the company to financial risk of losing their profits to decrease in copper prices.

b)

In order to offset the financial risk, the company can enter into hedging contracts as copper futures. In Australia, CME Group is offering copper futures which can be used as tools of hedging the financial risk by the investors. As for MML, if the company enters into copper futures contracts, they can lock in a certain price for the selected month copper future and can thus avoid the likelihood of price movements in the copper.

Works Cited

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