Walmart

Finance

ASSIGN BUSTER

Wal-Mart Affiliation a) Wal-Mart outlets in China would use spot markets in the foreign exchange in various ways. The spotmarket could be used in the immediate physical delivery of specified commodity or it could be concerned with a forward market. In the case of a forward market, the delivery of Wal-Mart's specified commodities would be made at a later date. Forward transactions would consist of contracts for exchanging the Chinese Yuan for the US Dollar at the specified future date (Mehrling, 2005).

b) Wal-Mart might utilize the international money market when it is establishing other Wal-Mart stores in Asia through various ways. First, Wal-Mart would connect to the values international money market and foreign exchange contracts. It will also use it to trade the excess earnings through foreign exchange. The international money market exchange would be used for trading the extra earnings in the local currencies of various Asian countries as well as in initiating interest rate future contracts and options (Mehrling, 2005). This will be done with a view of avoiding shocks caused by unexpected devaluation of the respective local currencies within the specified Asian countries.

c) Wal-Mart could use the international bond market to finance the establishment of new outlets in foreign markets by selling foreign bonds to foreign borrowers (Mehrling, 2005). Since the foreign bonds are designated in local currency, Wal-Mart could target borrowers within the targeted regions/countries where the new outlets are to be established. This will raise the amount required to finance the new outlets. Once established and wishes to establish more outlets within a specific country, it can act as domestic borrower and issue local bonds to raise funds for more outlets within the same country.

Reference

Mehrling, P. (2005). Fischer Black and the revolutionary idea of finance. John Wiley and Sons.