

# Pixonix case essay sample

[Economics](#), [Currency](#)



Pixonix is a graphic design company out of Toronto, Canada. Mikayla Cain is the chief financial officer of this company. The major issue in this case is high exchange rate fluctuations between the U. S. and Canadian dollar.

Historically, there have been sharp increases and decreases of the value of one currency to the other. In the early 1970s, the Canadian dollar was valued higher than the US dollar. In 2002, the Canadian dollar valued at an all-time low at US\$0. 6179. In 2007, Canada's economic welfare increased as that of the US decreased. The two currencies were trading at parity for the first time since 1976. RBC forecasts that the Canadian dollar will appreciate to \$1. 08 before declining below parity in the second half of the following year. The biggest issues in this case are the timing and degree of change to which exchange rate fluctuations occur. In the past few years, the Canadian dollar has been showing strength compared to the US dollar. Most believed this increase was due to the high price of Canadian commodity exports, primarily oil. Despite the recent trend of Canadian dollar strength and the tough economic times in the US, Cain should be worried about the upcoming exchange rate fluctuation for a number of reasons:

1. The US markets are continuing to rally back after the crisis.
2. The largest international trader in Canadian dollars, RBC, has raised its outlook on the US dollar, and predicts soon the two currencies will be at parity (trading at the same price or equivalent value).
3. In the past 30 years the Canadian dollar has traded stronger than the US dollar two separate times, 1974 and 2007. Each separate occasion of Canadian dollar strength compared to US dollar was met abruptly by a sharp decrease in value for the Canadian currency.
4. Cain's company, Pixonix, while based in Toronto, Canada, was part of an

organization that was based in the US, even though all of Pixonix's revenues were denominated in Canadian dollars. This meant that each year Pixonix received their payment for services and proprietary software in US dollars and also had to pay significant portion of their expenses in US dollars as well. This forced Pixonix to convert their service revenues and expenses from Canadian dollars to US dollars every year. This final reason shows that Cain should be very concerned with hedging her currency exposure in the next few months as the Canadian dollar is expected to lose value compared to the US dollar.