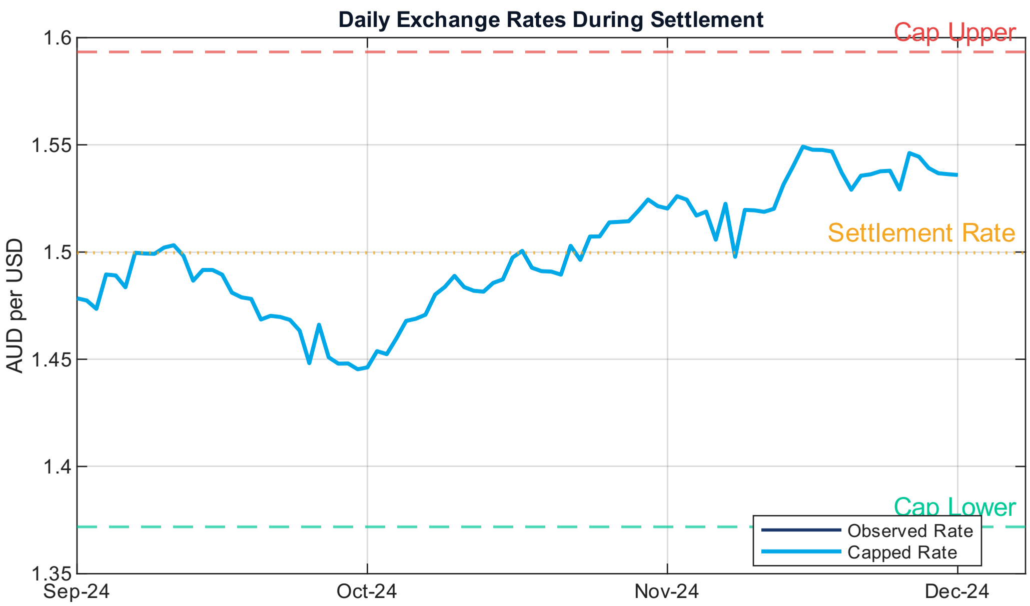
FAIR TRADE FX

Financial Shock Absorber for Exchange Rates | Statmechs Pty Ltd

CASE STUDY 1: AUSTRALIAN MINING EQUIPMENT IMPORTER

An Australian mining company imports $500,000 USD of drilling equipment from the United States, payable over 90 days.

Currency Pair	Contract Period	Notional Value	Industry
USD / AUD	**Sep 2024 to Dec 2024**	**USD $500,000**	**Mining & Resources**



KEY METRICS

Spot Rate at Inception	1.4784
Cap Upper Bound	1.5933
Cap Lower Bound	1.3718
Settlement Rate (Capped Avg)	1.4997
Annualised Volatility	6.3%
Forecast Risk Reduction	76.9%
Days Cap Activated	0 / 92
Actual Vol Reduction	0.0%

FINANCIAL IMPACT (AUD)

FairTradeFX Settlement	Uncapped Average	Worst-Case Single Day	Best-Case Single Day
AUD $749,827	**AUD $749,827**	**AUD $774,576**	**AUD $722,663**

Protection vs Worst-Case: AUD $24,749 saved

Methodology:

FairTradeFX uses a GARCH(1,1) volatility model fitted to 720 days of historical exchange rate data sourced from XE.com. The model forecasts conditional volatility over the contract horizon and establishes 95% confidence bands that serve as immutable cap and floor rates.

During the settlement period, each daily observed rate is clipped to the cap bounds before being included in a running average. The final settlement rate is the mean of all capped daily rates, providing dual protection: (1) daily cap limits protect against extreme single-day moves, and (2) averaging across the full period smooths residual volatility within the bands.

All figures in this case study are back-calculated using actual historical market rates — not simulations.