Granular Corporate Hedging Under Dominant Currency

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This paper shows that, in a world dominated by vehicle currencies, firms engaging in international operations retain currency risk and hedge it real and financially. We employ a unique dataset covering the universe of trade credit, international trade, foreign currency debt, and FX derivatives contracts with firms' census data in Chile (2005-2018). We document that operational hedging is quantitatively limited, as different maturity, frequency, and amount of FX operations make it difficult to net these exposures. The granular firms complement real hedging using FX financial instruments, which improve their cash flow management and promote their trade and growth.