

Rose Co expects to receive €750,000 from a credit customer in the European Union in six months' time. The spot exchange rate is €2.349 per \$1 and the six-month forward rate is €2.412 per \$1.

The following commercial interest rates are available to Rose Co:

	Deposit rate	Borrow rate
Euros	4.0% per year	8.0% per year
Dollars	2.0% per year	3.5% per year

Rose Co does not have any surplus cash to use in hedging the future euro receipt.

Required:

(a) Evaluate whether a money market hedge or a forward market hedge would be preferred on financial grounds by Rose Co. (5 marks)