



LISBON
**SCHOOL OF
ECONOMICS &
MANAGEMENT**
UNIVERSIDADE DE LISBOA

Case Studies in Financial Engineering

CASE 4

2012 Fuel Hedging at Jetblue Airways

**Darden School of Business, University of Virginia,
Case No. UV6683, Rev. March 1, 2016**

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1. Given the price of jet fuel at the end of 2011, should Jetblue hedge its fuel costs for 2012?
2. Present a hedging strategy to be implemented by Jetblue at the end of 2011, by using derivatives.
3. Perform a backtest of this hedging strategy.
4. Characterize the main option contracts available at the market to implement the hedging strategy.
5. Estimate the volatility to be used in the pricing of these option contracts by using two different methodologies and value one of these options accordingly.
6. What type of information could you extract from the prices of oil derivatives about the future behavior of the underlying asset.
7. Present the main features of a structured product a bank could present to Jetblue for hedging purposes.