Sample	
Name: anon anon	
Start Time: Oct 08, 1999 13:49	**Time Allowed:** 120 min
Number of Questions: 21	

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Question 1 (1 Grade)

If Credit Suisse quotes you spot Swiss Francs at 1.4780-92 per US dollar, how much would it cost to purchase 4 million Swiss francs?

1. $2,704,164.41
2. $2,706,359.90
3. 5,912,000.00
4. 5,9168,000.00
5. None of the above

Save Answer

Question 2 (1 Grade)

Wong, a FX trader at Hong Kong & Shanghai Bank(HK), has $1 million to trade with and the following information:
the current spot exchange rate is Yen106.00/$;
the 180-day forward rate is Yen103.5/$;
the Eurodollar rate is 8.00% per annum;
the Euroyen rate is 4.00% per annum.
Is there a chance for Covered Interest Arbitrage? If yes, how much is the profit?

1. $0.00
2. $2,319.00
3. $4,638.00
4. $6,957.00
5. $9,276.00

Save Answer

Question 3 (1 Grade)

You have gone to work for Nike in the company's pension department. One morning you walk in and the new Fund Manager asks, "How much would it cost us to hedge the rand? What's the forward discount, in percent per annum, on three-month South African rand? There's some kind of crisis down there, and we may have to hedge our S.A. bonds." Although you cannot find a quote for 3-month rand, you are able to get the following: Spot: 4.93 rand per dollar Eurodollar 3-month interest rate: 5.85% Eurorand 3-month deposit rate: 12.77% What's the forward discount (estimated to the nearest basis point)?

Answer:

Save Answer

Question 4 (1 Grade)

Assume China adopts a "currency board" at 8.3 Yuan for one US dollar. If its trade deficit doubles, what will likely happen to the exchange rate and the money stock in China?

- [ ] 1. The Yuan will appreciate
- [ ] 2. The Yuan will depreciate
- [ ] 3. The money stock will increase
- [ ] 4. The money stock will decrease
- [ ] 5. None of the above

Save Answer

Question 5 (1 Grade)

The central bank of Indonesia, Bank Negara, invests its reserves in US and German treasury bills. On one day in early 1996, the US Dollar and Deutsche Mark rates shown below were quoted on the Reuters screen. Where should Negara invest its spare cash? Can you identify a covered interest rate differential, in other words a deviation from interest-rate parity? What factors might account for this deviation from parity?

3-month interest rates	**Treasury-bill rate**	
New York (US dollar)	5 7/16 - 5 5/16	
Frankfurt (Deutsche mark)	3 7/16 - 3 1/4	
Exchange rates against dollar	**Spot**	**3-month forward points**
Deutsche mark	1.4769-1.4777 DM/$	0.73-0.69 pfennigs discount

Save Answer

Question 6 (1 Grade)

The Hong Kong dollar is fixed against the US dollar. If Hong Kong doubles its export surplus, what is likely to happen to the money stock in Hong Kong?

1. The Hong Kong dollar will appreciate.
2. The Hong Kong dollar will depreciate.
3. The Hong Kong money stock will decrease.
4. The Hong Kong money stock will increase.
5. None of the above.

Save Answer

Question 7 (1 Grade)

Southwestern Bell needs to hedge a royalty payment from Mexico. If the dollar is trading at a spot price of 8.27 and the 6-month Eurodollar and EuroPeso rates are 7.57% and 20.16%, per annum, respectively, then what should the 6-month peso-dollar forward exchange rate be? (Calculate to two decimal points, like 8.25)

Answer:

Save Answer

Question 8 (1 Grade)

What of the following is NOT a difference betweent the forward and futures contract?

1. Customized terms and conditions of forward contracts vs. standarized futures contracts.
2. Dispersed trading in forwards vs. centralized trading of futures contracts.
3. Variable risks with forwards vs. standarization of counterparty risk with futures written against the Clearinghouse.
4. Only the futures contracts can be used effectively for hedging.
5. None of the above.

Save Answer

Question 9 (1 Grade)

The following table provides information about futures on the Canadian dollar at the Chicago Mercantile Exchange.

Canadian Dollar (CME) - 100,000 dlrs.; $ per Can $								
	Open	High	Low	Settle	Change	LifeHigh	LifeLow	Open Interest
Mar	0.6984	0.705	0.6982	0.7048	0.0066	0.767	0.6807	59050
June	0.7005	0.706	0.7001	0.7059	0.0067	0.747	0.6825	7162
Sept.	0.702	0.7065	0.6994	0.7069	0.0068	0.7463	0.6845	2220
Dec.	0.703	0.7065	0.703	0.7078	0.0069	0.74	0.686	1013
Mr99				0.7087	0.007	0.7247	0.6875	390

(*WSJ, 02/20/98)*

Based on the quotations in the table, how much would a corporate foreign exchange trader at the 3M Company have gained or lost if she had shorted 10 nearby Canadian dollar futures contracts the day before?

1. +$6,600
2. -$6,600
3. -$1,750
4. +$3,125
5. None of the above

Save Answer

Question 10 (1 Grade)

Suppose a foreign exchange rate wants to hedge a forward transaction. Which one of the following does NOT work?

1. Currency options
2. Money market hedge: borrow in the currency that the trader is long in, convert to the other currency in the spot market and invest in the money market.
3. Offsetting forward contracts.
4. Offsetting currency futures transaction.
5. None of the above. (They all work.)

Save Answer

Question 11 (1 Grade)

Solvay, a Belgian company, needs to fund a U.S. investment. It obtains the following quotations:
3-month domestic funds in the United States 5.6125-5.6625 percent, 3-month EuroBFr. 3.70-3.71. The $/BFr spot rate is 0.02695 -0.027 and the 3 month forward points for the dollar are .00010-.00015. What is the cost of funding through the EuroBFr. market? Express your results in percentage points and keep two decimal points (e.g 4.05).

Answer:

Save Answer

Question 12 (1 Grade)

The relationship between domestic and Eurodeposit interest rates
is best explained by

1. exchange rate expectations.
2. the forward premium or discount.
3. relative regulatory costs.
4. relative risks, as perceived by depositors.
5. none of the above.

Save Answer

Question 13 (1 Grade)

If the dollar is trading at a spot price of Yen130, and the 6-month Eurodollar and Euroyen rates are 10% and 7.5%, per annum, respectively, what is the 6-month yen-dollar forward-exchange rate?

1. 127.045
2. 131.567
3. 128.452
4. 133.023
5. 127.5

Save Answer

Question 14 (1 Grade)

What of the following statements are true about the Eurocurrency market?

1. This market is for deposits of European currencies that are deposited outside Europe.
2. This market is for deposits of non-European currencies that have been deposited in Europe.
3. Words like "Eurodollar" and "Euroyen" are oxymorons--they do not make sense.
4. When companies need foreign exchange, they seldom go to the Eurocurrency market. Instead, they always go to the home country of that currency.
5. None of the above.

Save Answer

Question 15 (1 Grade)

You work for Citigroup in London. You are considering selling a bond to a Russian client. It is a European Investment Bank triple-A Yen-denominated Eurobond at a discount from par of 2.5%. The bond has an annual coupon of 0.5% and will mature in exactly 5 years and 3 months. You offer him five bonds, each with a face value of Y500,000.

How much money changes hands if you sell the bond? State the amount to the nearest yen. (Example: 12345)

Answer:

Save Answer

Question 16 (1 Grade)

Which of the following are key features in differentiating Eurobonds from domestic bonds?

- ☐ 1. Eurobonds are issued in bearer form.
- ☐ 2. Eurobonds are underwritten by non-domestic investment banks.
- ☐ 3. Eurobonds are issued by borrowers outside their home country
- ☐ 4. Unlike the domestic market, the Eurobond market is largely unregulated
- ☐ 5. The bond issues are structured in such a way that interest is not subject to withholding taxes
- ☐ 6. Eurobond issues are given the form of private placements rather than broadly advertised in public markets
- ☐ 7. Eurobonds are placed through syndicates made up of issuing houses and banks in many countries who sell the bonds, often to nonresident investors
- ☐ 8. Eurobonds are sold principally in countries other than that of the currency in which they are denominated

Save Answer

Question 17 (1 Grade)

Assume Unilever issues a Euro 300 million Eurobond. In the underwriting of the bond, if it is issued at par (100), and the management fee, underwriting fee and selling concession are 0.38, 0.30 and 0.70 respectively, what is the price paid by Hamburger Landesbank, a member of the underwriting group?

State your answer as a percent of 100 to two decimal points, eg simply 78.50)

Answer:

Save Answer

Question 18 (1 Grade)

Which of the following provide linkages between the markets for Eurobonds denominated in different currencies?

- 1. The Eurocurrency market
- 2. The spot foreign exchange market
- 3. The market for currency swaps
- 4. The forward foreign exchange market
- 5. The private placement market.

Save Answer

Question 19 (1 Grade)

Clarient, the specialty chemicals company, engages in a five year interest-rate swap paying 11% annual, receiving 6-month LIBOR+0.25% semi-annual. Three years later the two year swap rate has fallen to 9%. Is Clarient's swap "in the money" (positive value) or "out of the money" (negative value)? By how much?

- 1. "in of the money" by 1.75% per annum
- 2. "out of the money" by 2.25% per annum
- 3. "in of the money" by 1.35% per annum
- 4. "out of the money" by 1.75% per annum
- 5. None of the above

Save Answer

Question 20 (1 Grade)

Anglo American, the global natural resources company, has to raise a lot of money to invest in gold mines in Africa. It has three choices. Which is cheapest?

	USD swaps vs 6-month LIBOR	CHF Swaps vs 6-month USD LIBOR	Exchange rates, CHF/USD
Spot	-	-	1.620
1 year	7.82-7.86	4.80-4.86	1.578
2 years	7-90-7.95	4.83-4.89	1.525
3 years	7.86-7.92	5.10-5.14	1.490

1. Issue a 3-year Swiss franc foreign bond at 5% with 0.75% fees
2. sell a 3-year floating-rate medium-term note at US$ LIBOR - .25% and swap into Swiss francs
3. sell a 3-year fixed rate U.S. dollar MTN at 8.00% annual and convert to Swiss francs via the forward-exchange market.
4. both 1. and 2.
5. None of the above

Save Answer

Question 21 (1 Grade)

Niigata Life, a Japanese life insurance company, has been offered a newly-issued 7-year Republic of Korea Eurobond at par. The bond, denominated in U.S. dollars, pays an annual coupon of 9.55%. The total amount of the issue is $3 billion, and each bond has a face value of $5,000. Total issuance fees are 1.35%.

Niigata is interested in buying $5 million of the paper, and using a currency swap to create a synthetic yen floating-rate note. If the US dollar 7-year swap rate is 6.20% and the corresponding Japanese rate is 1.5%, what spread (in basis points) over quarterly yen Libor can Niigata expect to achieve if it buys the bond?

1. 350
2. 402.5
3. 322
4. 292.5
5. None of the above

Save Answer

Finish