UNITED BUSINESS INSTITUTES

BA PROGRAM - THIRD YEAR

FINANCE III - SPRING 2020

CURRENCIES - NOTE ON THE EXERCISES

Please find attached three exercises on currencies. **You shoul give me your written answers on Thursday March 26 (session 13)**

IMPORTANT REMARKS
(1)You should respect **strictly** all the rules I have specifie in my "note on currencies/foreign exchange and financia derivatives", including the rules as regards the numbers o decimals.

(2) Please note that, for each question, **there is only one se of correct answers**. Any deviation from these correct answer will be penalized.

(3) **You should use all the tools available to check that (a all your answers make sense, and (b) they are consistent wit each other**.

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Attachments: mentioned

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CURRENCIES – EXERCISE ONE – QUESTION

Please complete the following table of "cross spot rates" as o
February 17, 2020.

	USD	EUR	JPY	CHF	AUD	HKD
USD						
EUR	0.92205					
JPY	109.86497					
CHF	0.98166					
AUD	1.48710					
HKD	7.76648					

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CURRENCIES - EXERCISE TWO - QUESTION

What are the appreciation/the depreciation between January 29, 2019 and February 17, 2020:

(a) Of the INR against the EUR.
(b) Of the EUR against the INR.

The exchange rates as of January 29, 2019 were as follows:

INR/USD = 71.099927
EUR/USD = 0.874476

Please prove the consistency between your answers (a) and (b) using the formula linking them.

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CURRENCIES - EXERCISE THREE - QUESTION

On February ~~17~~ 9, 2020, what were the "bid/offer spreads" (expressed in percentages with two decimals) for (a) the USD/EUR exchange rate, (b) the JPY/EUR exchange rate, and (c) GBP/EUR **for banknotes** ?

Jean Bellemans

Markets

Cross Rates

Currency data is 5 minutes delayed (times in ET) and based on the Bloomberg Generic Composite rate (BGN). See full details and disclaimer.

Overview

	USD	EUR	JPY	GBP	CHF	CAD	AUD	HKD
USD	-	1.0788	0.0089	1.2879	1.0163	0.7541	0.6616	0.1285
EUR	0.9270	-	0.0083	1.1938	0.9420	0.6990	0.6133	0.1191
JPY	112.0600	120.8903	-	144.3221	113.8821	84.5034	74.1389	14.4025
GBP	0.7765	0.8376	0.0069	-	0.7891	0.5855	0.5137	0.0998
CHF	0.9840	1.0615	0.0088	1.2673	-	0.7420	0.6510	0.1265
CAD	1.3261	1.4306	0.0118	1.7079	1.3477	-	0.8773	0.1704
AUD	1.5115	1.6306	0.0135	1.9466	1.5361	1.1398	-	0.1943
HKD	7.7806	8.3937	0.0694	10.0206	7.9071	5.8673	5.1476	-

Americas

	USD	PEN	MXN	BRL	ARS	CLP	COP	EUR
USD	-	0.2949	0.0531	0.2277	0.0162	0.0012	0.0003	1.0788
PEN	3.3913	-	0.1801	0.7723	0.0549	0.0042	0.0010	3.6585
MXN	18.8306	5.5526	-	4.2883	0.3048	0.0233	0.0055	20.3145

EXERCISE ON CURRENCIES - APPRECIATION/DEPRECIATION

Questions

What are the appreciation/depreciation between May 9, 2018 and February 9, 2019:

(1) Of the GBP against the EUR.

(2) Of the EUR against the GBP.

Important remarks

(a) Please take into account all the requirements specified in my "note on currencies/foreign exchange".

(b) Please do the "verification" specified in that note.

Jean Bellemans

Attachment: exchange rates on May 9, 2018.

EXERCISE ON CURRENCIES - APPRECIATION/DEPRECIATION

Exchange rates on May 9, 2018

GBP/USD = 0.736337
EUR/USD = 0.843007

GBP/EUR = 0.736337/0.843007 = 0.873465
EUR/GBP = 0.843007/0.736337 = 1.14487

Exchange rates on February 9, 2019

GBP/USD = 0.772773
EUR/USD = 0.883324

GBP/EUR = 0.772773/0.883324 = 0.874847
EUR/GBP = 0.883324/0.772773 = 1.14306

****

Appreciation/depreciation

(1) Of the GBP against the EUR **(use the EUR/GBP exchange rates)**

$$\frac{1.14306 - 1.14487}{1.14487} = \mathbf{-\ 1.58\%\ (depreciation)}$$

(2) Of the EUR against the GBP **(use the GBP/EUR exchange rates)**

$$\frac{0.874847 - 0.873465}{0.873465} = \mathbf{+\ 1.59\%\ (appreciation)}$$

Verification

(1 + 1.59%) x (1 - 1.58%) = 1.0159 x 0.9842 =

= 0.999849 **Verified**

Jean Bellemans

Foreign currency exchange rates – banknotes

February 9, 2020

United States
Dollar
USD
You buy at : 1,075
You sell at : 1,114

United Kingdom
Pound
GBP
You buy at : 0,833
You sell at : 0,864

Japan
Yen
JPY
You buy at : 117,6
You sell at : 122,0

Canada
Dollar
CAD
You buy at : 1,431
You sell at : 1,480