United states dollar and arbitrage opportunity

Countries, United States

Questions

1. What is the difference between the retail or client market and the wholesale or interbank market for foreign exchange?
2. Who are the market participants in the foreign exchange market?
3. What is meant by a currency trading at a discount or at a premium in the forward market?
4. Why does most interbank currency trading worldwide involve the U. S. dollar?
5. Banks find it necessary to accommodate their clients' needs to buy or sell FX forward, in many instances for hedging purposes. How can the bank eliminate the currency exposure it has created for itself by accommodating a client's forward transaction?
6. A CD/$ bank trader is currently quoting a small figure bid-ask of 35-40 when the rest of the market is trading at CD1. 3436-CD1. 3441. What is implied about the trader's beliefs by his prices?
7. What is triangular arbitrage? What is a condition that will give rise to a triangular arbitrage opportunity? Problems 1. Using the American term quotes from Exhibit 5. , calculate a cross-rate matrix for the euro, Swiss franc, Japanese yen, and the British pound so that the resulting triangular matrix is similar to the portion above the diagonal in Exhibit
8. Restate the following one-, three-, and six-month outright forward European term bid-ask quotes in forwarding points.
9. A bank is quoting the following exchange rates against the dollar for the Swiss franc and the Australian dollar: SFr/$ = 1. 5960-70 A$/$ = 1.

7225-35. An Australian firm asks the bank for an A$/SFr quote. What cross-rate would the bank quote?

10. Given the following information, what are the NZD/SGD currency against currency bid-ask quotations?

11. Doug Bernard specializes in cross-rate arbitrage. He notices the following quotes: Swiss franc/dollar = SFr1. 5971? $ Australian dollar/U. S. dollar = A$1. 8215/$ Australian dollar/Swiss franc = A$1. 1440/SFr Ignoring transaction costs, does Doug Bernard have an arbitrage opportunity based on these quotes? If there is an arbitrage opportunity, what steps would he take to make an arbitrage profit, and how would he profit if he has $1, 000, 000 available for this purpose.

12. Assume you are a trader with Deutsche Bank. From the quote screen on your computer terminal, you notice that Dresdner Bank is quoting €0. 7627/$1. 00 and Credit Suisse is offering SF1. 1806/$1. 00. You learn that UBS is making a direct market between the Swiss franc and the euro, with a current €/SF quote. Show how you can make a triangular arbitrage profit by trading at these prices. (Ignore bid-ask spreads for this problem.) Assume you have $5, 000, 000 with which to conduct the arbitrage. What happens if you initially sell dollars for Swiss francs? What €/SF price will eliminate triangular arbitrage?

Energy: $5000 per day Capital cost: $10000 per day

- (a) What is the labor productivity per labor-hour for these tires at Upton Manufacturing?
- (b) What is the multifactor productivity for these tires at Upton Manufacturing?

- (c) What is the multifactor productivity if Upton can reduce the energy bill by $1000 per day without cutting production or changing any other inputs?

Q2. The monthly sales for Telco Batteries, Inc. were as follows: Month Sales Jan 20 Feb 21 Mar 15 Apr 14 May 13 June 16 July 17 Aug 18 Sep 20 Oct 20 Nov 21 Dec 23 Forecast January.

Sales using each of the following:

- a) A 3 – month moving average
- b) A 6 – month weighted average using 0. 1, 0. 1, 0. 1, 0. 2, 0. 2 and 0. 3 with the heaviest weights applied to the most recent months.
- c) Exponential smoothing using an ? = 0. 3 and a September forecast of 18
- d) A trend projection With the data given, which method would allow you to forecast next March sales?

Q3. Income at the law firm Smith and Wesson for he period February to July was as follows: Month Feb Mar Apr May June July Income 70. 0 68. 5 64. 8 71. 7 71. 3 72.

- (a) Use trend-adjusted exponential smoothing to forecast the law firm’s Aug income. Assume that the initial forecast for February is $65000, and the initial trend adjustment is 0. The smoothing constant selected are ? = 0. 1, and ? = 0. 2.
- (b) Resolve the problem with ? = 0. 1, and ? = 0. 8.
- (c) Compute the MAD and MAPE.
- Which forecasting, part (a) and part (b) performs better? Why?

Q4. Attendance at Los Angeles’s newest Disneylike attraction, Vacation World, has been as follows: Quarter/year 2007 2008 2009 Winter 73 65 89 Spring 104 82 146 Summer 168 124 205 Fall 74 52 98 Compute seasonal indices using all of the data.