

# Lecture 14: Exchange Rate Arithmetic: Forward Rates

## Short Questions:

1. Suppose USDJPY Spot rate is USD110.25/USD. How much is one pip for 100,000 JPY and how much one pip worth 100,000 USD?
2. The spot USDINR bid and ask rate is given as 47.6730-47.6754. If the 3 month-bid-ask in points are 55-65, then what would be INRUSD 3-month rate in outright quotations. If the bid-ask points reverses i.e, 65-55, then would be INRUSD 3 month rate in outright quotations.
3. Spot rate USDINR is as follows: If the 3 month forward bid-ask point is 105-123, then what will be the 3-month outright forward quotations? If the 3 month forward bid-ask point is 123-105, what would be the outright forward quotations.
4. The following rates are given. If a bank wants to quote a forward rate to a company wanting to take a forward cover on October 27<sup>th</sup>, what would be the bid-ask rate in outright form?

Cash/Swap rates in points			
USDINR	Maturity Date	Bid Rate	Ask Rate
Spot	July 14 <sup>th</sup>	47.0725	47.0745
3 month	October 14 <sup>th</sup>	90	97
4 months	November 14 <sup>th</sup>	100	109