

Lecture: 25 Currency Swaps

Model Questions

1. Discuss with examples and diagram the features of Currency Swap
2. You enter into a 5-year fixed-for—fixed currency swap to receive a cash flow stream in British pounds and to pay cash flow stream in US dollars. The swap is an at-market swap based on a notional principal of \$1 million. What are the cash flows of the swap if the 5-year market yields are 5.50% for US\$ and 9% for British pounds and the spot Fx rate is currently 1.50 dollar per pounds.