

To put it into practice I

- CAD/GBP 2.3134 - 2.3180
 - (a) What does the above quote mean?
 - (b) What is the ask rate for CAD?
 - (c) What is the bid rate for GBP?
- A bank quotes the following rates. Compute the EUR/JPY bid/ask cross-rate

| | Bid | Ask |
|---------|------|-------|
| EUR/CAD | 0.64 | 0.645 |
| CAD/JPY | 0.01 | 0.012 |

To put it into practice II

- A bank is currently quoting the spot rates of EUR/USD 1.3043-1.3053 and NOK/USD 6.15-6.30. What should be the bank's bid/ask rates for the NOK in terms of EUR?
- From a Canadian's point of view, which of each pair of quotes is the direct quote? Which is the indirect quote?
 - (a) CAD/GBP 2.31; GBP/CAD 0.43
 - (b) USD/CAD 0.84; CAD/USD 1.18
 - (c) CAD/EUR 1.54; EUR/CAD 0.65
- EUR/GBP 1.5015-1.5040
 - (a) What does the above quote mean?
 - (b) What is the bid price for EUR in terms of GBP?

To put it into practice III

- For each pair of conditions, which one refers to futures? Which one to forwards?
 - a. Standardized/ Tailor made
 - b. Mark-to-market risk/ Settlement risk
 - c. Fixed maturities/ Several available maturities
 - d. Less liquid secondary market/ Liquid secondary market
 - e. OTC traded/ Traded on regulated markets
 - f. For hedgers/ For speculators

To put it into practice IV

- On 15th April 201X, you sold ten futures contracts for 100,000 CAD each @ USD/CAD 0.75. Assume that the daily settlement prices are shown in the table below:

| DAY | 16 | 17 | 18 | 19 | 22 | 23 | 24 | 25 |
|-------|-----|-----|-----|-----|-----|-----|-----|-----|
| Price | .74 | .73 | .74 | .76 | .77 | .78 | .79 | .81 |

- What are the daily cash flows from marking to market?
- What is the total cash flow from marking to market?
- If you deposit USD 75,000 into your margin account, and your broker requires USD 50,000 as maintenance margin, when will you receive a margin call and how much will you have to deposit?