

GENERAL COMMENTS

We will keep it relative brief this week – just the review questions for the exam and the readings from Salvatore and Easterly. Below are questions for you to review the material on Chapter 11; however, I will not expect you to hand these in on Tuesday. This week they are optional.

REVIEW QUESTIONS

Prepare for Quiz #2 using the practice quiz posted online.

EASTERLY: THE WHITE MAN'S BURDEN

1. Finish reading pp.269-338.

QUESTIONS FROM SALVATORE, CHAPTER 11

1. What determines the supply curve in the market for foreign exchange?
2. What determines the demand curve in the market for foreign exchange?
3. What is a spot exchange rate?
4. What is a forward (exchange) rate?
 - a. What is a forward discount?
 - b. What is a forward premium?
5. What is a cross exchange rate?
6. What are foreign exchange futures?
7. What are foreign exchange options?
8. What are currency swaps?
9. What is foreign exchange or currency risk?
10. What is hedging? Name three ways to hedge foreign exchange risk.
11. What is covered interest arbitrage?
12. What is uncovered interest arbitrage?