

IN-CLASS QUIZZ 03

A forward trade for 90 days on the pair CZK/EUR was concluded at the exchange rate of 25 CZK/EUR. At what exchange rate at the maturity of the contract will the long position (buying EUR) be in profit?

- a) 23 CZK/EUR
- b) 24 CZK/EUR
- c) 25 CZK/EUR
- d) 26 CZK/EUR

What does hedging mean in the foreign exchange market?

- a) A bet on a certain development of the exchange rate
- b) elimination of possible losses from unfavourable development of the exchange rate
- c) setting up a fixed-rate term deposit in a foreign currency
- d) taking advantage of differences in foreign exchange rates

How many currencies are involved in triangular arbitrage?

- a) 2
- b) 3
- c) 4
- d) 5

Which currency is often used in the carry trade for borrowing capital?

- a) AUD
- b) USD
- c) JPY
- d) SEK

The yield of a bond in CZK is 6%, the yield of an identical bond in EUR is 3%. What should be the exchange rate trend according to interest rate parity?

- a) The EUR should appreciate by 3%
- b) the exchange rate should remain unchanged
- c) CZK should appreciate by 2%
- d) EUR should depreciate by 3%