

Economia i comerç internacional (International Economics)

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Grup 1
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1. The current spot exchange rate is 0.50\$/SF. The forward rate at 180 days is 0.52\$/SF. It is also expected that the forward rate at 180 days is 0.51\$/SF. Is it possible to speculate with a forward contract for the exchange rate ?

2. In the Gold standard, the price of the gold in the USA was fixed at 20.67\$ per ounce, and in the United Kingdom at 4.2474 Pounds per once:

- What was the fixed exchange rate US/Pounds in the Gold standard?
- How could it be possible to perform an arbitrage if the exchange rate (in the market) was 4 US dollar to a Pound ?
- If so, which effects may such operation produce in the exchange-rate market ?

3. Consider the international currency experience for the Bretton Woods era from 1944 to the early 1970s.

- What type of exchange rate system was Bretton Woods? How did it operate?
- What country was central to the system? What were the economic causes if its decline?
- Let us go back to the 60s: below you find some historical data on currency's parities

Spanish peseta	
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Date	# pesetas = \$1 US
17 July 1959	60
20 November 1967	70

French franc	
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Date	# francs = \$1 US
27 December 1945	119.11
26 January 1948	214.39
18 October 1948	263.52
27 April 1949	272.21
20 September 1949	350
10 August 1957	420
27 December 1958	493.71
1 January 1960	4.9371
10 August 1968	5.48

- Compute the spot cross exchange rate Spanish peseta/ French Franc on January 1st 1960 and January 1st 1968. Which of the two currencies is depreciating?

- On September 1st 1967, a Spanish entrepreneur receives a payment of 1000\$. He is expected to make a payment in dollar of the same amount one year later. In the meanwhile, he would like to invest that capital for getting extra earnings. He gets two proposition from his bank:
 - a) Invest in Pesetas at 6% rate per-year
 - b) Invest in French Francs at 3,5% rate per-year.

For sake of simplicity let us assume that there are no differences in transaction costs between investing in home country and abroad. Moreover, the Spanish entrepreneur can only invest the whole amount in one of the two offers. Which is the best choice for the Spanish entrepreneur?