**International Finance (All Formulas / Notes)**

1. Inverse Formula:

USD/GBPbid = 

USD/GBPask = 

1. % Spread = 

 = 

 = 

1. USD/GBPbid = 

USD/GBPask = 

1. In 2 point/3 point Arbitrage

Let the capital be 1 million BC.



1. 

Note:- In two way quotation in calculation of Bid take D.R. of V.C and L.R. of B.C.

Note:- In two way quotation in calculation of Ask take L.R. of V.C and D.R. of B.C.

1. 3m fwd USD/GBP -

Spot USD/GBP - .

Difference

= Forward Margin

= Swap Points

**Note:** If difference is positive it represents premium on Base currency. Premium Swap points are written in increasing order.

**E.g**. 78 – 117

and vice versa.

1. AFM = Rv – Rb
2. AFM = 

**Note:** AFM is calculated on ASK rates

1. 

Then no arbitrage exist.

1. 

Then arbitrage exist

Borrow in Variable Currency & invest in Base Currency.

1. 

Then arbitrage exist

Borrow in Base Currency & invest in Variable Currency.

1. Amount Payable = 
2. When Borrow in Variable Currency then divide by Spotask & multiply by Fwdbid.
3. When Borrow in Base Currency then multiply by Spotbid & divide by Fwdask.
4. When two way quotation are given use Case 1 & Case 2 method to calculate Arbitrage Gain.
5. Borrowing Decision



**Note:** Lowest Interest option is recommendation

1. Investment Decision



**Note:** Highest Interest option is recommendation

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