

TY 13ms

21/03/2013

Int Finance

preliminary

March 2013

- 2 -

Questions:

1. What are different measures to attract foreign fund inflow into the country.
2. Has the rupee has appreciated or depreciated and by how many basis points.
3. Define Corresponding Bank
4. What was the INR/USD quote on Friday.
5. Define Forward Contract

SECTION - II

Q3(a) The following quote is given in Mumbai (5 marks)

1USD = Rs, 54.7250-00

Is it a direct or indirect quote

Find the Mid Rate, Spread and the Spread Percentage

Calculate the inverse quote

Q3(b) A bank in London quotes GBP/SGD 2.6783-95 and Bank in Singapore quotes USD/SGD 1.4318-28 (5 marks)

then what should be the derived GBP / USD Quote?

If Bank in New York quotes GBP / USD 1.8668 - 78

then establish arbitrage, if any, assuming capital GBP 1 million.

Q4(a) Given EUR / CHF 1.4982 (5 marks)

219 days forward rate 1.4918

CHF interest rate 1.35% p. a

Calculate EUR interest rate.

Q4(b) Spot USD/CAD 1.1285 -95 (5 marks)

CAD interest Rates 4.00 - 4.25 % p.a.

USD Interest Rates 3.00 - 3.25% p.a

Calculate 3 months forward SWAP point.

Q5(a) Define Balance of Payment. What are the components of Balance of Payment Account? (5 marks)

Q5(b) Distinguish between GDR / ADR. (5 marks)

Q6(a) Define Offshore Market? What are the characteristics of Offshore market. (5 marks)

Q6(b) Define Hedging? What are the different types of external hedging (5 marks)

Note: (1) All questions in Section I are compulsory. (2) Attempt any three questions from Section II (3) Use of simple calculator is allowed.

SECTION – I

Q 1. Explain in Brief

(10 marks)

- a) Vehicle Currency
- b) Synthetic Mechanism
- c) Principle of Interpolation
- d) Principle of Novation
- e) Greenfield investment

Q2 (a) Calculate the Inverse Quotes for the following

(5 marks)

- i) USD / DKK 6.4270 – 70
- ii) GBP / NZD 2.0397 – 07
- iii) USD / INR 54.3335 – 85
- iv) EUR / AUD 1.5700 – 10
- v) EUR / SEK 7.0005 – 05

Q2(b) Read the following case and answer the questions given below: (10 marks)

Budget expectations pushed Rupee to over 1 week High

The rupee strengthened to its highest level in over a week on Monday boosted by dollar sales by custodian/corresponding banks, positive sentiments ahead of the upcoming budget and heavy dollar selling in the non-deliverable forwards market. Investors are increasingly hopeful the government will, in its budget on Thursday, announce measure to attract more foreign fund flow in to the country.

The rupee closed at 53.8650/8750 per dollar, after touching 53.86, its strongest since February 15. The unit had closed at 54.1750/1850 on Friday.

Net inflows into the equity market have been a key determinant of the rupee's fortune in recent years. Foreigners have so far this year bought \$8.4 billion worth of local shares "I expect a positive week for the rupee and think it will appreciate towards 53.50 this week." Said Samir Ladha, of Q Market Solution.

"Pre budget expectation build-up will help on the domestic front" he added.

Traders said gains in the domestic share market also helped the rupee. Indian shares ended marginally higher after touching the lowest in 2013 intra-day as technology firms gained on" hopes the budget would provide incentive to exporter. The spot non-deliverable forward was mostly stronger than onshore spot rate through the session, dealer said. – Reuters

P.T.O.