



INTERNATIONAL FINANCIAL MARKETS

Normal Period 2015-2016

9/June/2016

NAME _____

You have 120 minutes to complete the exam.

It must be written in English and in ink.

(3) 1. Identify and explain three components of the bid-ask spread.

(2) 2. Assume the following hypothetical situation:

- interest rate on pounds sterling is 8%
- interest rate on euros is 3%.

If the euro is selling at a one-year forward premium of 10 percent against the pound, is there an arbitrage opportunity? Explain.

