

International Economics



Chapter 10 Exchange Rates and The Foreign Exchange Market

Main Contents

-  Exchange rates and international transition
-  The foreign exchange market
-  The demand for foreign currency assets
-  Equilibrium in the foreign exchange market

Key terms

appreciation

depreciation

exchange rate

rate of appreciation

forward exchange rate

spot exchange rate

interbank trading

interest parity condition

liquidity

risk

rate of return

vehicle currency

real rate of return

interest rate

arbitrage

I . Exchange rates and international transition

i . Foreign Exchange

Dynamic definition

Static definition

ii . Exchange rate

a. Conception: P329

b. Two kinds quotations

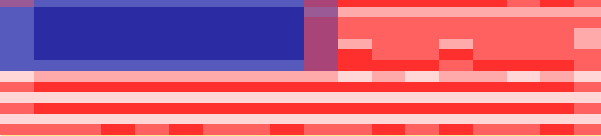


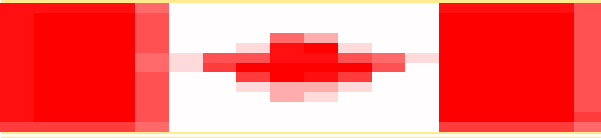
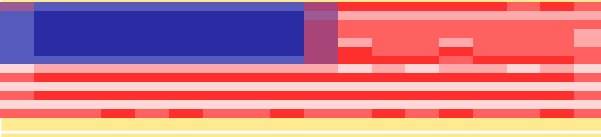
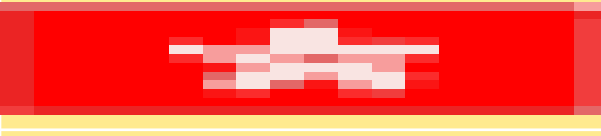


Direct quotation

\$ 0.009198 per yen

Indirect quotation

¥ 108.72 per dollars

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	幣別	價格
美元		32.186
人民幣		3.889
澳幣		25.028
加幣		27.115
英鎊		61.659
港幣		4.140
日圓		0.313
歐元		42.858

How to calculate cross rate?

Suppose 3 currencies: A, B and C.

$$(A/C)/(B/C) = A/B$$

For example, someday on New York foreign exchange market,

1 French Franc = 0.25 dollar,

1 French Franc = 0.57 DM

Then,

$$1 \text{ dollar} = 0.57 \text{ DM} / 0.25 \text{ dollar} = 2.28 \text{ DM}$$

or

$$1 \text{ DM} = 0.25 \text{ dollar} / 0.57 \text{ DM} = 0.44 \text{ dollar}$$

c. Two changes in exchange rate

Appreciation: *A rise in the pounds in terms of dollars is an appreciation of the pound against the dollar.*

Depreciation: *A fall in the dollar price of pounds is a depreciation of the pound against the dollar.*

\$ 1.50 per pound \longrightarrow **\$ 1.25 per pound**

pound: depreciation

dollar: appreciation

\$ 1.50 per pound \longrightarrow **\$ 1.75 per pound**

pound: depreciation

dollar: appreciation

d. Classification of exchange rate

{ **Basic rate**(key currency, pegged currency)
Cross rate

{ **Buying rate**
Selling rate
Middle rate=(buying rate+selling rate) \div 2

{ **Spot rate**
Forward rate

交叉匯率表	美元	英鎊	加幣	日圓	法郎	瑞郎	馬克	歐元	澳幣	台幣	人民幣
美元	-	0.522	1.187	102.750	4.923	1.137	1.468	0.751	1.286	32.186	8.276
英鎊	1.913	-	2.271	196.570	9.421	1.913	2.809	1.436	2.464	61.659	15.854
加幣	0.842	0.440	-	86.540	4.147	0.957	1.236	0.633	1.083	27.115	6.972
日圓	0.010	0.005	0.012	-	0.056	0.011	0.014	0.007	0.013	0.313	0.081
法郎	0.142	0.095	0.217	16.221	-	0.232	0.000	0.153	0.261	6.538	1.681
瑞郎	0.879	0.460	1.044	90.400	4.330	-	1.291	0.661	1.131	28.308	7.279
馬克	0.496	0.331	0.808	69.970	0.000	0.774	-	0.512	0.876	21.925	5.638
歐元	1.331	0.696	1.581	136.850	6.553	1.514	1.954	-	1.712	42.840	11.020
澳幣	0.777	0.406	0.923	79.899	3.828	0.884	1.142	0.584	-	25.028	6.435
台幣	0.031	0.016	0.037	3.192	0.153	0.035	0.046	0.023	0.040	-	0.257
人民幣	0.121	0.063	0.143	12.415	0.595	0.137	0.177	0.091	0.155	3.889	-

iii. Exchange rate and international transition

a. Domestic and foreign prices

$$(\$ 1.50 / \pounds) \times (\pounds 50) = \$ 75$$

$$(\$ 1.25 / \pounds) \times (\pounds 50) = \$ 62.50$$

$$(\$ 1.75 / \pounds) \times (\pounds 50) = \$ 87.50$$

Conclusion: P331-332

b. Exchange rates and relative prices

Table 13-2

Conclusion

II. The foreign exchange market

i. Conception P333

ii. The actors

a. commercial banks

b. corporations

c. non-bank financial institutions

d. central banks

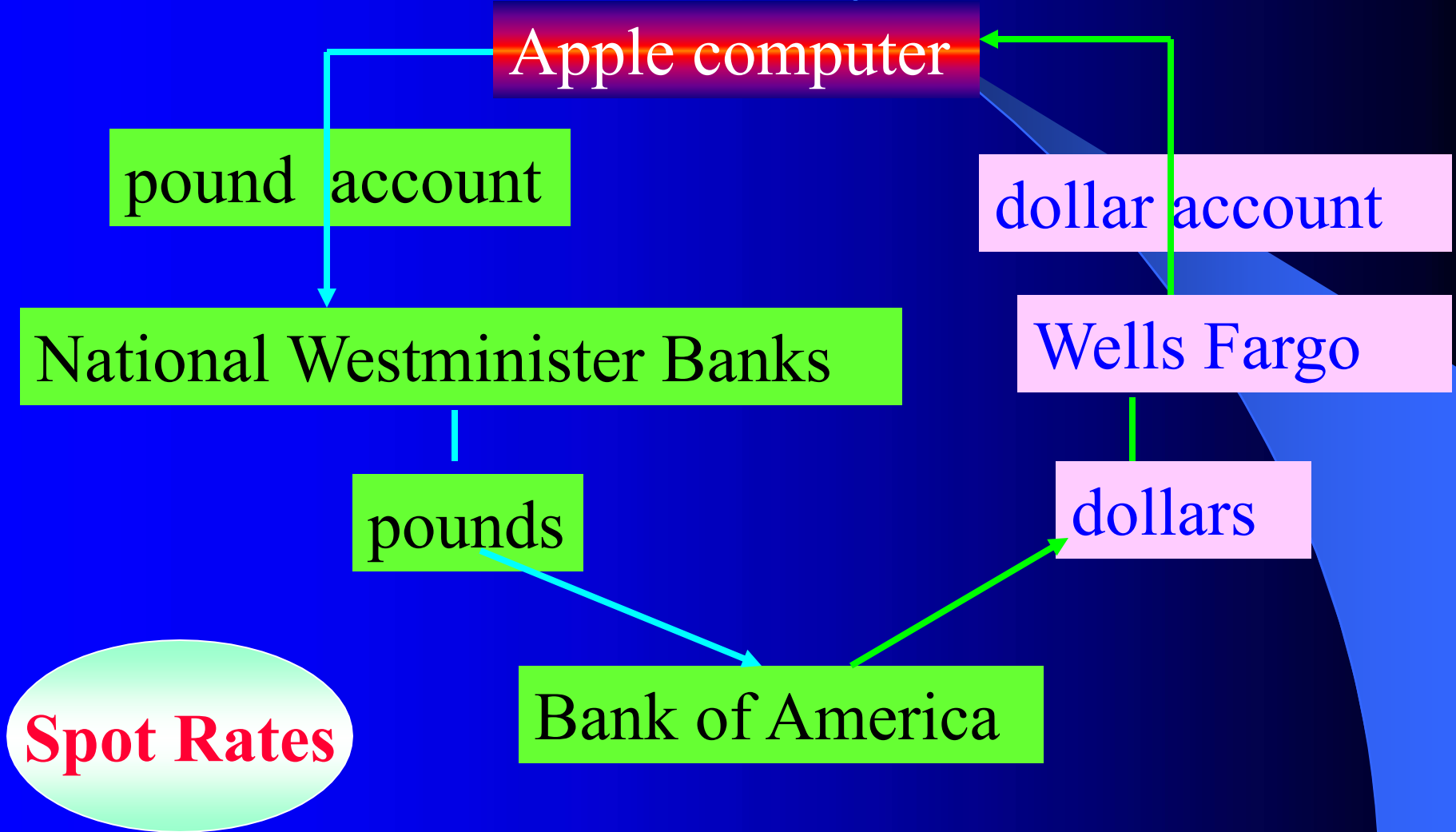
iii. Characteristics of the market

a. two conceptions: arbitrage; vehicle currency

b. characteristics

iv. Deals on the foreign exchange market

a. Spot rates and forward rates



¥ 9000

\$ 100

30 days later

\$ 0.0105/yen

$$9000 \times 0.0105 = 94.50$$

+\$5.50

\$ 0.0115/yen

$$9000 \times 0.0115 = 103.50$$

-\$3.50

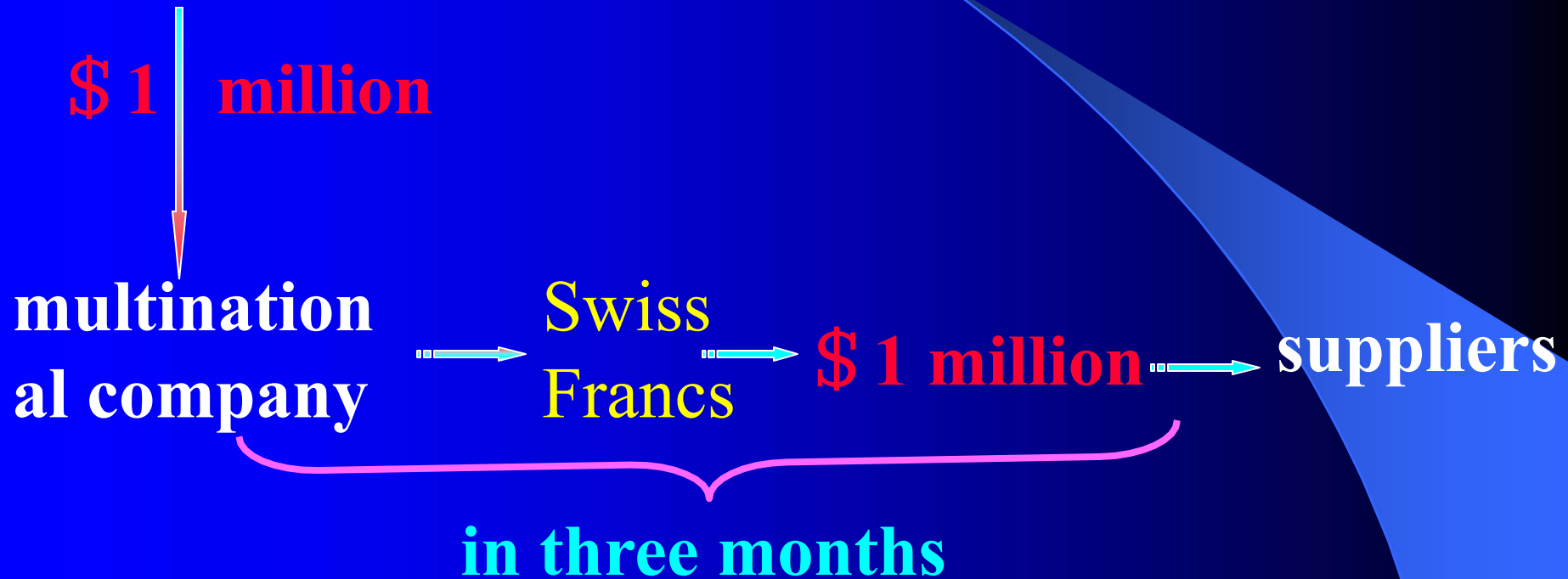
\$ 0.0107/yen

$$9000 \times 0.0107 = 96.30$$

+\$3.70

Forward Rates

b. Foreign exchange swaps



c. Futures and options { put option
call option

Hedging { Long Hedge / Buying Hedge
Short Hedge / Selling Hedge



Speculation

以上内容仅为本文档的试下载部分，为可阅读页数的一半内容。如要下载或阅读全文，请访问：<https://d.book118.com/525201112241011342>