Exchange rate (example on slides)

1. What is the Exchange rate? 🡺 18.90/0.92 = 20,54348
2. What will bet he Exchante rate after one year if the concept of PPP is adopted?

🡺 (18.90\*(1+0,012))/(0.92\*(1+0,045)) = **20,54348** (the price in Czech Republik after one year/ the price in USA after one year)

Cross rate quotation

USD/JPY = 104.78

USD/CHF = 1.0505

CHF/JPY = ?

Solution: (USD/JPY)/( USD/CHF) = CHF/JPY 🡺 104.78/1.0505 = **99,74298**