

Exchange rate (example on slides)

1. What is the Exchange rate? → $18.90/0.92 = 20,54348$
2. What will be the Exchange rate after one year if the concept of PPP is adopted?
→ $(18.90*(1+0,012))/(0.92*(1+0,045)) = \mathbf{20,54348}$ (the price in Czech Republic after one year/
the price in USA after one year)

Cross rate quotation

USD/JPY = 104.78

USD/CHF = 1.0505

CHF/JPY = ?

Solution: $(\text{USD/JPY})/(\text{USD/CHF}) = \text{CHF/JPY} \rightarrow 104.78/1.0505 = \mathbf{99,74298}$