

Seminar 5

Michala Moravcová
Department of Finance, Masaryk University

International Finance

FX Forward calculator app

- Write FWDS in the search bar
- Write FX of your interest (e.g. EURGBP=)
- Calculate FX Forwards from rates
- Select your dates for calculating swap points and outright
- You can get deposit rate calculations from forwards and compare them with market interest rates
- Click on pause to stop the data update
- You can rewrite data
- Calculate rates from forward – notice spread between EUR implied deposit and EUR deposit

- Write EURFWD in the search bar (FX Polls – FX FWD curve)

Forward contracts specifications:

- Read the specification of the FX forward contract on the website: <https://www.kdbbank.eu/forward-rate-quotation>
- ON (Over Night), SN (Spot Next), SW (spot week), TN (Tomorrow Next)
- SN = T+3
- TN = buy tomorrow and sell next day
- ON = buy today, sell tomorrow
- SW =. Buy today, sell 1 week later

Problem Solving 1

Carla Heinz is a portfolio manager for Deutsche Bank. She is considering two alternative investments of EUR10,000,000:

- 180-day euro deposits or 180-day Swiss francs (CHF) deposits.
- She has decided not to bear transaction foreign exchange risk. Suppose she has the following data:
 - 180-day CHF interest rate, 8% p.a.,
 - 180-day EUR interest rate, 10% p.a.
 - spot rate EUR1.1960/CHF
 - 180-day forward rate, EUR1.2024/CHF.
- Which of these deposits provides the higher euro return in 180 days? If these were actually market prices, what would you expect to happen?

Problem Solving 2

- You have 1 million EUR to invest
- Go to Refinitiv and figure out what is the more profitable transaction:
- Invest in a 1-Year German state bond (DE1YT=RR)
- Invest in a 1-Year Polish state bond (PL1YT=RR), for a 1-year forward rate of EURPLN you can use FWDS app.

Source

- <https://learningcentre.refinitiv.com/courses/fx-forward-calculator-fx-forwards-from-fx-forwards>
- Or go to: <https://www.refinitiv.com/en/learning-centre>
- Click on Watch videos and write FX Forwards Calculator App into the search bar