

Q4. Spot \$/£ 0.9630 / 0.9680

3M swap pts 130 / 110

$$\therefore 3MF \quad \$/\pounds = \frac{0.9630 - 0.013}{0.9680 - 0.0110} = \frac{0.9500}{0.9570} \quad 0.9570$$

• Application of Swap Points

Only came in Exam

Shopping wala sum [Cross rate + Shopping + Forward]

Q1. CHF/USD
Spot ~~USD/CHF~~
3 month
6 month
Swap pts

Bank A
1.4650 / 55 ✓
5 / 10
10 / 15

Bank B
1.4653 / 60

Spot ~~GBP/USD~~ USD/GBP 1.7645 / 60
3 months 25 / 20
6 months 35 / 25

1.7640 / 50 ✓

CHF/GBP ask rate?

1. Step 1 : Buy £ against USD from Bank B @ 1.7650

Step 2 : Buy USD against CHF from Bank A @ 1.4655

Step 3 So, we have \$/£ 1.7650
CHF/\$ 1.4655

$$\therefore CHF/\pounds = 1.7650 \times 1.4655 = 2.5866$$

∴ Minimum CHF required to buy £ 1 million

$$= 1m \times 2.5866$$

$$= \text{CHF } 2.5866 \text{ million}$$

ii

CHF/£	CHF/\$	\$/£	Implied CHF/£
Spot	1.4650/1.4655	1.7645/1.7660	1.4650/1.4655
			1.7645/1.7660

$$= 2.5850/2.5881$$

3 month ^{5/10} swap points 25/20
Swap pts.

$$\therefore 3M \text{ Forward } 1.4655/1.4665 \quad 1.7620/1.7640 \quad 2.5822/2.5869$$

$$\therefore 3m \text{ Implied Swap points } = 28/12$$

Q2. Gross Forward rate with Margin

Q2

Angly

$$\left(\begin{array}{c} \text{ask} \\ \text{£/\$} \\ \text{margin} \\ \text{adjust} \end{array} \right) / \left(\begin{array}{c} \text{SAD/\$} \\ \text{bid} \end{array} \right)$$

Q2.

Importer wants to buy S60 500,000 forward for 30th Oct against £.

implied

$$\text{So, } \star \text{ forward } (\text{£/SAD}) \text{ ask} = \frac{F(\text{£/\$}) \text{ ask with margin}}{F(\text{SAD/\$}) \text{ bid}}$$

$$= \frac{49.3800 + 0.1300 + 0.05}{1.7058 + 0.0096}$$

$$= \frac{49.5600}{1.7154}$$

$$= 28.8912 / \text{SGD} \quad (\text{Ans})$$

Pls remember

- Agar Cross Forward rate nikalna hai and margin diya hua hai toh pehle margin ko $\times$ wale rate pe lagaiye uske baad cross rate ka formula .

Or Exam
Example

Odd dated forward Contracts $\times$ forward Premium/Discount
based on Average rate

CASE STUDY 1

	Particulars	Bid rate	Ask rate
a)	$\text{₹}/\text{\$}$ Spot	74.1234	74.5678
b)	2m Swap Pts.	120	150
c)	3m Swap Pts.	250	300
d)	Incremental Swap Pts for 3rd month (c-b)	130	150

Q1. Swap Pts for 2months $\times$ 15 days?

$$\text{For MCQ} = \frac{120+250}{2} \mid \frac{150+300}{2}$$

$$= 185 \mid 225$$

For Descriptive Particulars	bid rate	Ask rate
a) Spot (£/\$)	74.1234	74.5678
b) 2 month swap Pts	120	150
c) 3 month swap Pts	250	300
d) Incremental Swap Pts for 3rd month		75
e) Incremental swap points for 15 days of 3rd month = $d/2$	65	
f) Swap points for 2 month 15 days (b+c)	185	225
g) $\therefore$ forward rate for 20th jun	74.1234 + 0.0185	74.5678 + 0.0225
	= 74.1419	74.5903
h) Average rate $(a+f/2)$ $(\frac{F+S}{2})$	$\frac{74.1234 + 74.1419}{2}$ = 74.1327	$\frac{74.5678 + 74.5903}{2}$ = 74.5791
i) Annualised forward premium = $(\frac{F-S}{S} \times 100 \times \frac{12}{2.5})$	$\frac{0.0185}{74.1327} \times 100 \times \frac{12}{2.5}$ = 0.1198%	$\frac{0.0225}{74.5791} \times 100 \times \frac{12}{2.5}$ = 0.1448%

Note: If it is not given that you have to find out based on average rate, then what is the solution —

$$\begin{aligned}\text{Spot mid rate} &= \frac{74.1234 + 74.5678}{2} \\ &= 74.3456\end{aligned}$$

$$\begin{aligned}\text{Forward mid rate} &= \frac{\text{bid} + \text{ask}}{2} = \frac{74.1419 + 74.5903}{2} \\ &= 74.3661\end{aligned}$$

$$\therefore \text{Annualised Forward Premium on \$} = \frac{f - s}{s} \times \frac{100 \times 12}{n}$$

$$= \frac{74.3661 - 74.3456}{74.3456} \times \frac{100 \times 12}{2.5}$$

$$= 0.1324\%$$