Lecture: 9 Foreign Exchange Contracts: Spot and Forward Contracts

Short Questions:

1. What is the difference between trade date and value/settlement date?

2. What is the difference among Ready/Tom/Spot forex contracts?

3. Why traders roll over spot contracts? How these rollover contracts are settled?

4. Explain why forward/futures/option contracts are zero-sum game?

5. In which situation a company would like to enter into fully optional forward contract?

6. Today’s spot price is INR 46.75. India’s interest rate 7.25% per annum while US interest rate is 5.5% per annum. Find out the theoretical price for contracts maturing on 6th month and 8th month from today.