Homework 2 (Week3-Week4)

1. Comparison of techniques for hedging Receivables.
   a. Assume that Soochow Co. expects to receive S$500,000 in one year. The existing spot rate of the Singapore dollar is $.60. The one-year forward rate of the Singapore dollar is $.62. Soochow created a probability distribution for the future spot rate in one year as follows:

Future spot rate	probability
$.61	50%
$.63	20%
$.67	30%

   b. Assume the following money market rates:

	U.S.	Singapore
Deposit rate	8%	5%
Borrowing rate	9%	6%

   Given this information, determine whether a forward hedge, money market hedge, or a currency options hedge would be most appropriate. The compare the most appropriate hedge to an unhedged strategy, and decide whether Soochow should hedge its receivables position.

2. Assume the following information is available:

	Taiwan	Demark
Real rate of interest required by investor s	2%	2%
Nominal interest rate	15%	11%
Spot rate	-	$5.13
One-year forward rate	-	$4.97

Use (1) the differential in expected inflation and (2) the differential interest rates to forecast the percentage change in the Denmark kroner over the next year.

3. Assume the one-year-free rate in U.S. is 5.5%, and in the Euro area is 4%. Now, the spot rate is US$1.22/€. So according to the International Fisher Effect, what is the expected change in the spot rate in one year?

4.請解釋國際貿易中的 *J* 效果，不可以全文照抄，請列出你找的書本、作者與頁數，或是參考的網址。