Question #1 of 43

With respect to exchange rate regimes, crawling bands are *most likely* used in a transition toward:

A) a monetary union.

B) floating exchange rates.

C) a fixed peg arrangement.

Question #2 of 43

The spot rate for Chinese yuan per Canadian dollar is 6.4440. If the Canadian interest rate is 2.50% and the Chinese interest rate is 3.00%, the 3-month no-arbitrage forward rate is *closest to:*

A) 6.436 CNY/CAD.

B) 6.475 CNY/CAD.

C) 6.452 CNY/CAD.

Question #3 of 43

In which of the following exchange rate regimes can a country participate without giving up its own currency?

A) Crawling peg or formal dollarization.

B) Target zone or conventional fixed peg.

C) Monetary union or currency board.

Question #4 of 43

The spot rate for Japanese yen per UK pound is 138.78. If the UK interest rate is 1.75% and the Japanese interest rate is 1.25%, the 6-month no-arbitrage forward rate is *closest to:*

A) 138.10 JPY/GBP.

B) 138.44 JPY/GBP.

C) 138.95 JPY/GBP.

Question #5 of 43

In the currency market, traders quote the:

A) base currency rate.

B) nominal exchange rate.

C) real exchange rate.

Question #6 of 43

A country's central bank announces a monetary policy goal of a stable exchange rate with the euro, which it defines as deviations of no more than 3% from its current exchange rate of 2.5000. The country's exchange rate regime is *best* described as a:

A) fixed peg.

B) target zone.

C) crawling band.

Question #7 of 43

Spot and one-month forward exchange rates are as follows:

	Spot	1-month forward
EUR/DEF	2.5675	2.5925
EUR/GHI	4.3250	4.2800
EUR/JKL	7.0625	7.0075

Based on these exchange rates, the EUR is *closest* to a 1-month forward:

A) premium of 1% to the GHI.

B) premium of 1% to the DEF.

C) discount of 1% to the JKL.

Question #8 of 43

Currency depreciation is *most likely* to affect the balance of trade when a country's imports are goods that:

A) have close substitutes.

B) have relatively inelastic demand.

C) represent a small proportion of consumer spending.

Question #9 of 43

If the exchange rate value of the CAD goes from USD 0.60 to USD 0.80, then the CAD:

A) appreciated and Canadians will find U.S. goods cheaper.

B) depreciated and Canadians will find U.S. goods more expensive.

C) depreciated and Canadians will find U.S. goods cheaper.

Question #10 of 43

The spot exchange rate is 0.6243 USD/GBP and the 1-year forward rate is quoted as 3.016%. The 1-year forward exchange rate for USD/GBP is *closest to*:

A) 0.6054.

B) 0.6431.

C) 0.6544.

Question #11 of 43

The exchange rate for Australian dollars per British pound (AUD/GBP) was 1.4800 five years ago and is 1.6300 today. The percent change in the Australian dollar relative to the British pound is *closest to*:

A) depreciation of 10.1%.

B) depreciation of 9.2%.

C) appreciation of 10.1%.

Question #12 of 43

The tendency for currency depreciation to increase a country's trade deficit in the short run is known as the:

A) J-curve effect.

B) absorption effect.

C) Marshall-Lerner effect.

Question #13 of 43

If the CAD is trading at USD/CAD 0.6403 and the GBP is trading CAD/GBP 2.5207, the USD/GBP exchange rate is:

A) 1.6140.

B) 0.6196.

C) 3.9367.

Question #14 of 43

Which of the following would least likely be a participant in the forward market?

A) Traders.

B) Arbitrageurs.

C) Long-term investors.

Question #15 of 43

Given an exchange rate of USD/CAD 0.9250 and USD/CHF 1.6250, what is the cross rate for CAD/CHF?

A) 0.5692.

B) 1.7568.

C) 1.5032.

Question #16 of 43

If the no-arbitrage forward exchange rate for a euro in Japanese yen is less than the spot rate, then the interest rate in:

A) Japan is the same as in the eurozone.

B) Japan is less than in the eurozone.

C) the eurozone is less than in Japan.

Question #17 of 43

Participants in foreign exchange markets that can be characterized as "real money accounts" *most likely* include:

A) hedge funds.

B) insurance companies.

C) central banks.

Question #18 of 43

Under the absorption approach, which of the following is *least likely* required to move the balance of payments towards surplus?

A) Increased savings relative to domestic investment.

B) Decreased domestic expenditure relative to income.

C) Sufficient elasticities of export and import demand.

Question #19 of 43

Other things equal, a real exchange rate (stated as units of domestic currency per unit of foreign currency) will decrease as a result of an increase in the:

A) domestic price level.

B) foreign price level.

C) nominal exchange rate (domestic/foreign).

Question #20 of 43

The Marshall-Lerner condition suggests that a country's ability to narrow a trade deficit by devaluing its currency depends on:

A) national saving relative to domestic investment.

B) capacity utilization in the domestic economy.

C) elasticity of demand for imports and exports.

Question #21 of 43

The sell side of the foreign exchange markets primarily consists of:

A) retail investors.

B) accounting firms.

C) multinational banks.

Question #22 of 43

The difference between Country D's nominal and real exchange rates with Country F is *most* closely related to:

A) the risk-free interest rates of the two countries.

B) the ratio of the two countries' price levels.

C) Country D's inflation rate.

Question #23 of 43

The Japanese yen is trading at JPY/USD 115.2200 and the Danish krone (DKK) is trading at JPY/DKK 16.4989. The USD/DKK exchange rate is:

A) 6.9835.

B) 0.5260.

C) 0.1432.

Question #24 of 43

Assuming no changes in the prices of a representative consumption basket in two currency areas over the measurement period, changes in the nominal exchange rate:

A) are equal to changes in the real exchange rate.

B) can be converted to the real exchange rate using interest rates.

C) can be extrapolated to calculate interest rates.

Question #25 of 43

A currency exchange rate that is set today for an exchange to be made 90 days in the future is *best* described as a:

A) real exchange rate.

B) forward exchange rate.

C) spot exchange rate.

Question #26 of 43

The exchange rate for Japanese yen (JPY) per euro (EUR) changes from 98.00 to 103.00 JPY/EUR. How has the value of the EUR changed relative to the JPY in percentage terms?

A) Appreciated by 5.1%.

B) Depreciated by 4.9%.

C) Appreciated by 4.9%.

Question #27 of 43

If the AUD/CAD spot exchange rate is 0.9875 and 60-day forward points are −25, the 60-day AUD/CAD forward rate is *closest to*:

A) 0.9870.

B) 0.9850.

C) 0.9900.

Question #28 of 43

The exchange rate of the Athelstan riyal (ATH) with the British pound is 9.00 ATH/GBP. The exchange rate of the Mordred ducat (MOR) with the U.S. dollar is 2.00 MOR/USD. If the USD/GBP exchange rate is 1.50, the ATH/MOR cross rate is *closest to*:

A) 3.00 ATH/MOR.

B) 12.00 ATH/MOR.

C) 6.75 ATH/MOR.

Question #29 of 43

If the current spot exchange rate for quotes of JPY/GBP is greater than the no-arbitrage 3-month forward exchange rate, the 3-month GBP interest rate is:

A) less than the 3-month JPY interest rate.

B) greater than the 3-month JPY interest rate.

C) equal to the 3-month JPY interest rate.

Question #30 of 43

In the foreign exchange markets, transactions by households and small institutions for tourism, cross-border investment, or speculative trading comprise the:

A) real money market.

B) retail market.

C) sovereign wealth market.

Question #31 of 43

The spot exchange rate for United States dollars per United Kingdom pound (USD/GBP) is 1.5775. If 30-day interest rates are 1.5% in the United States and 2.5% in the United Kingdom, and interest rate parity holds, the 30-day forward USD/GBP exchange rate should be:

A) 1.5762.

B) 1.5621.

C) 1.5788.

Question #32 of 43

The spot exchange rate for CHF/EUR is 0.8342 and the 1-year forward quotation is −0.353%. The 1-year forward exchange rate for EUR/CHF is *closest to*:

A) 1.2029.

B) 0.8313.

C) 1.2022.

Question #33 of 43

If we compare the prices of goods in two countries through time, we can use the price information in concert with the quoted foreign exchange rate to calculate the:

A) nominal exchange rate.

B) real exchange rate.

C) interest rate spread.

Question #34 of 43

If the spot exchange rate between the British pound and the U.S. dollar is GBP/USD 0.7775, and the spot exchange rate between the Canadian dollar and the British pound is CAD/GBP 1.8325, what is the USD/CAD spot cross exchange rate?

A) 1.42477.

B) 0.42428.

C) 0.70186.

Question #35 of 43

Given the following quotes, GBP/USD 2.0000 and MXN/USD 8.0000, calculate the direct MXN/GBP spot cross exchange rate.

A) 4.0000.

B) 0.2500.

C) 0.6250.

Question #36 of 43

The exchange rate for Chinese yuan (CNY) per euro (EUR) changed from CNY/EUR 8.1588 to CNY/EUR 8.3378 over a 3-month period. It is *most accurate* to state that the:

A) EUR has appreciated 2.19% relative to the CNY.

B) CNY has depreciated 2.19% relative to the EUR.

C) EUR has appreciated 2.15% relative to the CNY.

Question #37 of 43

Country G and Country H have currencies that trade freely and have markets for forward currency contracts. If Country G has an interest rate greater than that of Country H, the no-arbitrage forward G/H exchange rate is:

A) less than the G/H spot rate.

B) greater than the G/H spot rate.

C) equal to the G/H spot rate.

Question #38 of 43

The spot exchange rate for Canadian dollars (CAD) per Swiss franc (CHF) is 1.1350 CAD/CHF and the 12-month forward exchange rate is 1.1460 CAD/CHF. The forward quote is a:

A) premium of 110 points and the CAD is at a forward discount to the CHF.

B) discount of 110 points and the CAD is at a forward discount to the CHF.

C) premium of 11 points and the CAD is at a forward premium to the CHF.

Question #39 of 43

The spot CHF/EUR exchange rate is 1.2025. If the 90-day forward quotation is +0.25%, the 90-day forward rate is *closest to*:

A) 1.2000.

B) 1.2055.

C) 1.2050.

Question #40 of 43

An exchange rate at which two parties agree to trade a specific amount of one currency for another a year from today is called a:

A) real exchange rate.

B) spot exchange rate.

C) forward exchange rate.

Question #41 of 43

An analyst observes that the exchange rate for Mexican pesos is MXN/USD 8.0000, and the exchange rate for Polish zlotys is PLN/USD 6.0000. The MXN/PLN exchange rate is closest to:

A) 14.0000.

B) 1.3333.

C) 0.7500.

Question #42 of 43

The spot exchange rate is 1.1132 GBP/EUR and the 1-year forward rate is quoted as +1349 points. The 1-year forward exchange rate for GBP/EUR is *closest to*:

A) 1.2481.

B) 1.1267.

C) 1.2634.

Question #43 of 43

The USD/EUR spot exchange rate is 1.3500 and 6-month forward points are −75. The 6-month forward exchange rate is:

A) 1.3425, and the USD is at a forward discount.

B) 1.3575, and the USD is at a forward discount.

C) 1.3425, and the USD is at a forward premium.