

Tutorium International Economics and Trade

Worksheet for Part Krüger

- 1) What is the effective exchange rate of the Euro?

Period	2018	2019	2020
Exchange rates (fx/EUR)			
USD	1.1	1.41	1.23
JPY	145	112	117
CNY	0.127	0.128	0.13
CHF	0.887	0.921	0.923
Trade in %			
US	34	40	34
Japan	15	7	10
China	33	32	40
Switzerland	18	21	16

- 2) The spot rate is 1.1 GBP/EUR, the Euro interest rate is 2%, the british pound interest rate is 3%. Calculate the 3-months forward rate.
- 3) a) Domestic companies export goods worth € 200 billion. 70 % of the invoice amount is in this period and 30% only in the next period due.
- b) Residents inherit a foreign company worth € 10 billion.
- c) Domestic companies deliver under a development aid agreement goods worth € 15 billion.
- 4) An investor is of the opinion that the euro will strengthen against GBP over the next six months and chooses to take a position with a value of 1,000,000 GBP by purchasing futures contracts at 0.7792 GBP/€. The current spot rate in the market is 0.7491 GBP/€. Considering four different scenarios, profit calculation will be as follows:
- Purchasing euros – The spot rate after six months is 0.80 GBP/€.
- Purchasing euros – The spot rate after six months is 0.73 GBP/€.
- Purchasing Futures – The spot rate after six months is 0.80 GBP/€.
- Purchasing Futures - Spot rate after six months is 0.73 GBP/€.
- 5) a) If the Price of a Big Mac in the Euro area is €3.52, and the Price of a Big Mac in the United States is \$3.16, what is the implied PPP?
- b) Assume that the actual exchange rate is \$1,0960/€. Is the Euro overvalued or undervalued based on the implied PPP? By how much?