

# [H.17] CURRENCY MARKETS

EXCHANGE RATE - PRICE OF 1  
CURRENCY IN TERMS OF  
ANOTHER CURRENCY

- SPOT RATE - IMMEDIATE  
EXCHANGE

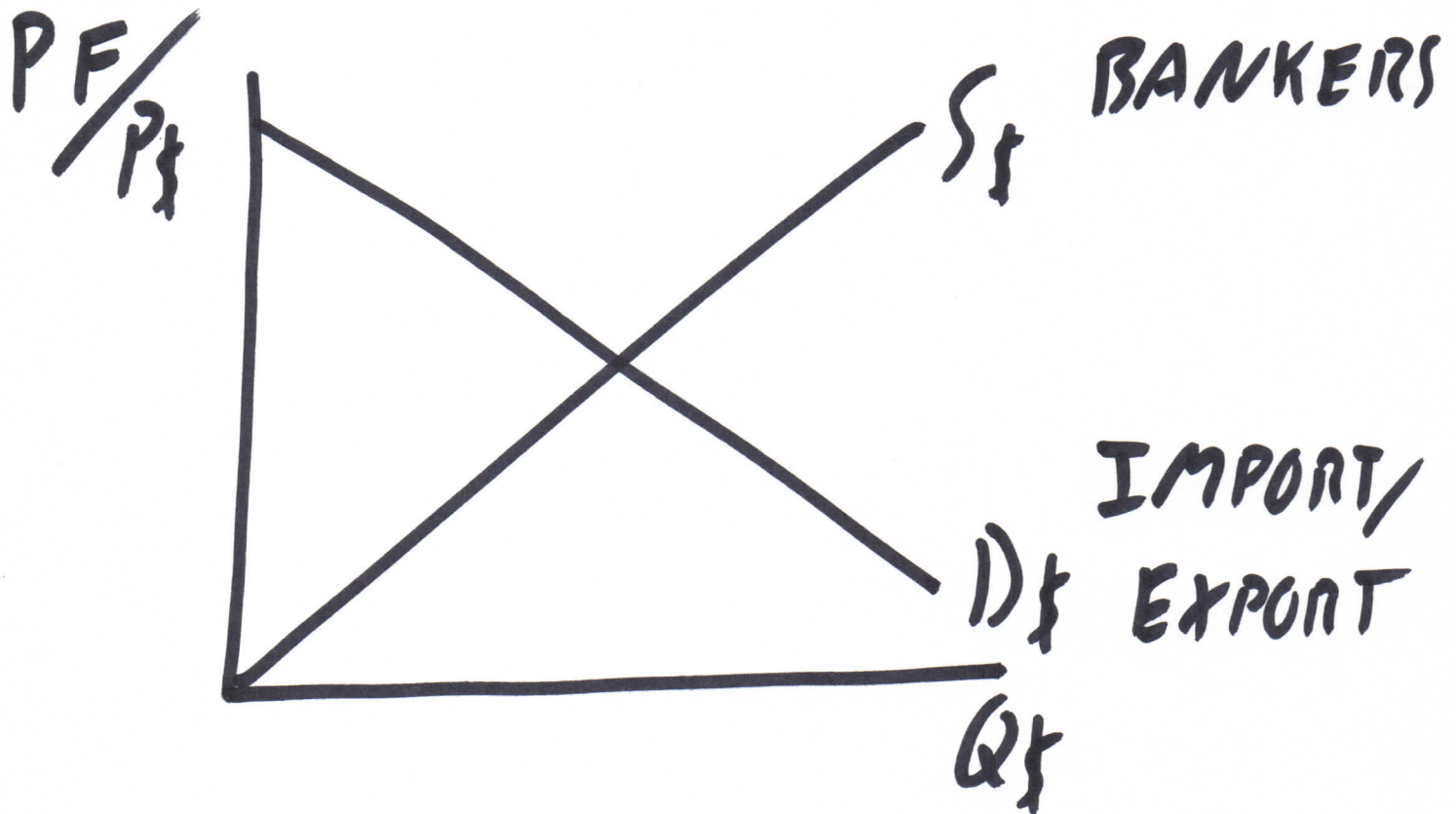
- FORWARD RATE - PRICE SET  
FOR SOME TIME IN FUTURE  
1 WEEK, 1 MONTH, 3 MONTH,  
6 MONTH

- SWAP - 1 SPOT + 1 FORWARD

# MARKET

- 24 HOURS A DAY
- \$10,000 MINIMUM TRADE
  - COMMERCIAL TRADERS (10%)
  - IMPORTERS + EXPORTERS
- \$1,000,000 MINIMUM TRADE
  - INTERBANK TRADERS (90%)
- MAKE PROFIT FOR FIRM  
ARBITRAGE
- MEDIAN TIME ON 2013  
TWO WEEKS
- ZERO SUM GAME
- ALL STOK MARKET VOLUME IN  
WORLD  $\times 10$  (\$2.5 TRILLION  
PER DAY)

# FOREIGN EX. EQUILIBRIUM (70's)



US EXPORTS  $\uparrow \rightarrow$  MAY HAVE  
NO IMPACT

$\rightarrow$  IF FOR. NEED \$,  $D_¥ \uparrow$

US IMPORTS  $\uparrow \rightarrow$  IF U.S. NEED  
FOR. EX,  $D_¥ \downarrow$

US EXP?

95% IN \$  
5% IN FOR. EX

US IMP

80% IN \$  
20% IN FOR EX

$\swarrow$  IN  
US  
ONLY