

# A course on Open Economy Macroeconomics: Problem Set 1 Solutions

March 17, 2019

1. How to read the table: one unit of row currency buys column currency. Euro rates from ECB 17,3,2019.

USD	GBP	CHF	JPY	CNY
USD	1.324	0.995	0.009	0.149
GBP	1	0.752	0.007	0.113
CHF		1	0.009	0.149
JPY			1	0.060
1 € buys				
1,1308\$	0.85415£	1.136CHF	126.16JPY	7.5922CNY

2. Data on 1 and 3 month's forward exchange rates  $F$  for euro - US dollar, euro - Japanese yen and euro - pound sterling as well as the corresponding spot exchange rate quoted on the same day. Calculate the corresponding forward premia  $(F - S)/S$ . The calculations are illustrative. Once again rates are expressed as foreign currency forward price of one euro.

	1mF	3mF	1mFP	3mFP
F\$	1,094	1.090	-0.032	-0.036
F£	0.851	0.840	-0.004	-0.016
FJPY	126,07	126.07	-0.001	-0.001