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**POST GRADUATE DIPLOMA IN FINANCIAL
MARKETS PRACTICE**

Term-End Examination

December, 2017

MFP-004 : CURRENCY AND DEBT MARKETS

Time : 3 hours

Maximum Marks : 100

Note : Attempt any five questions. All questions carry equal marks.

1. What are 'Forex Markets'? How do these markets differ from other segments of the financial markets? Which are the major intermediaries that participate in the currency markets in India?
2. Write short notes on :
 - (a) Real Effective Exchange Rate (REER)
 - (b) Dollarisation of Economy
3. What are Currency Swaps? Explain how it is used to reduce cost of borrowing?
4. Explain the following :
 - (a) Black Scholes Model
 - (b) Delta Hedging

5. What are 'Repurchase Agreements' (REPOs) ? Identify the different types of REPOs and discuss the various uses of REPOs.
 6. Explain the issuance process of debt securities in the primary market. Discuss how government securities are traded in the secondary market.
 7. What is meant by 'Duration' of a bond ? How is the duration and modified duration of a bond calculated ?
 8. What is 'interest rate risk' ? What are the sources and effects of this risk ?
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