

POST GRADUATE DIPLOMA IN FINANCIAL
MARKET PRACTICE

Term-End Examination

December, 2013

MFP-4 : CURRENCY AND DEBT MARKETS

Time : 3 hours

Maximum Marks : 100

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

1. What do you understand by 'Foreign Exchange' ? Discuss the features of foreign exchange markets and explain the differences between foreign exchange markets and other financial markets.
2. What do you understand by nominal, real and real effective exchange rates ? Discuss the economic factors that affect these exchange rates.
3. What are 'Forward Rate Agreements' (FRAs) ? Explain how can FRAs be used to hedge currency risk ?
4. What are currency futures ? Explain the trading, clearing and settlement processes for currency futures.
5. Distinguish between :
 - (a) Commercial Paper and Bills of Exchange
 - (b) Repo rate and Call Money Rate
 - (c) Housing Rate Bonds and Fixed Rate Bonds
 - (d) Coupon Rate and Yield.

6. Differentiate between the following :
 - (a) Yield based and price based auction
 - (b) Competitive and Non-competitive bidding
 7. What is Bond duration ? How is modified duration calculated ?
 8. What are Interest Rate Futures (IRF) ? Explain the product features of an IRF.
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