

**PG DIPLOMA IN FINANCIAL MARKETS  
PRACTICE**

**Term-End Examination**

**June, 2011**

**MFP-4 : CURRENCY AND DEBT MARKETS**

*Time : 3 hours*

*Maximum Marks : 100*

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*Note : Answer any five questions.*

*All questions carry equal marks.*

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1. What is a bid - ask spread ? How is a direct quote different from an indirect quote, and what is the meaning of forward rate premium and discount ?
2. Explain the concept of Real Effective Exchange Rate and the factors that impact exchange rates.
3. What is the purpose of hedging ? Describe the risks associated with hedging instruments.
4. What are different types of currency contracts ? How are forward contracts booked and cancelled ?
5. What are the different types of government securities ? Explain the features of the Government securities.

6. What are Repurchase agreements (REPO) ?  
Explain their role in the money market. Discuss the process of pricing a REPO.
  
  7. (a) Explain and illustrate the principles of bond valuation.  
(b) Explain the Day Count Conventions.
  
  8. What are Interest Rate Futures ? What are their benefits to the users ?
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