

FINC 623/ECON623
Homework Assignment—Swap ‘Til You Really Drop
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Maximum team size: 3 persons

The current exchange rate between the euro and the U. S. dollar is: € 1 = \$1.45. The following yield curves prevail for the two currencies.

Maturity (years)	U. S. Par Yields Yield to Maturity	Euro Par Yields Yield to Maturity
1	0.070	0.0510
2	0.075	0.0545
3	0.080	0.0580
4	0.090	0.0610

1. Complete the following table.

Time to Expiration (years)	Forward FX Rate
1	
2	
3	
4	

2. Assume that a swap is initiated with a notional value of \$50,000,000 and that there is an initial and terminal exchange of notionals. The swap has a tenor of 4 years with annual payments, and it is a floating-for-floating swap. Complete the following table.

ALL Cash Flows on the Swap Denominated in the Currency of Payment					
	Years to Maturity				
	0	1	2	3	4
\$ Pays					
€ Pays					