

00612

**POST GRADUATE DIPLOMA IN FINANCIAL
MARKETS PRACTICE**

Term-End Examination

June, 2016

MFP-4 : CURRENCY AND DEBT MARKETS

Time : 3 hours

Maximum Marks : 100

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

1. What are the features of foreign exchange markets and how do they compare with other financial markets ?
2. Discuss the various theories of Exchange Rate Determination and elaborate on the major factors that influence currency volatility.
3. What are Forward Rate Agreements (FRA) ? Explain how FRA can be used to hedge currency risk.
4. Explain the following :
 - (a) Delta Hedging
 - (b) Black Scholes Model
5. What is Money Market ? Describe the different types of money market instruments and briefly discuss the guidelines for the issuance of commercial paper.

6. What are Government Securities ? Discuss the different types of government securities and explain their distinguishing features.
 7. What is interest rate risk ? Explain the interest rate sensitivity policy and discuss its broad parameters.
 8. What is meant by 'Duration' of a bond ? How is the duration and modified duration of a bond calculated ?
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