

FOREX Management

Course Objectives

1. To understand how the foreign Exchange Market operates
2. To understand the principles of Currency valuation
3. To explain techniques that can be used to hedge foreign exchange risk
4. To create an understanding on foreign exchange Management in India

Module 1

Foreign Exchange, concepts, significance of foreign exchange- FOREX RESERVES- Exchange rates- inter banks and Merchant rates- spot and forward rates-TT rates- computations-FOREX Markets—derivates in the FOREX markets- Futures, Swaps, Options and Arbitrage- Forex dealers and Speculators Organisations of the FOREX market.

Module 2

Exchange rate fixation- Purchasing Power Parity Theory- Interest Rate Parity Theory- Flow Model- Asset market models-forecasting of exchange rates- Nominal Effective Exchange Rates and real Effective Exchange rates- Hedging against Exchange rate fluctuations.

Module 3

Forward Exchange Contracts-relevance-types- forward exchange rate computation – factors influencing forward RATES- extension and cancellation of forward contracts- Futures-features vs Forward contracts-Options- types and Mechanisms-risk Management through forward contracts.

Module 4

FOREX Risk management – transaction risk exposure risks- internal strategies- shifting of risk- sharing of risk- exposure netting and offsetting- External strategies – money market Hedge- currency swaps- interest rate swaps- Economic consequences of exchange rate changes- Managing Risk .

Module 5

FOREX Management in India- Fixed and fluctuating rates-rupee convertibility- NOSTRO-VOSTRO-LORO Accounts- Exchange control Measures- relevance- Foreign Exchange reserves of India- composition and Management- monetary and Fiscal policy and its impact on foreign exchange reserves in India.

References

1. Multi National Financial Management..... Alan C Shapiro
2. ABC of Foreign Exchange..... Clare C Gump
3. Guide to Foreign Exchange Regulations..... Krishnamoorthy S
4. Principles of Foreign Exchanger..... Chaterjee A K
5. Foreign Exchange Management..... RAjwadi
6. Financial Derivatives.. Keith Red Head