**FIN333 Global Finance**

Homework Assignment 3

Please submit your homework on CourseSite in a single file in .pdf format with file name as ‘your last name FIN333HW3.pdf’. The deadline is Dec 10th, 2023 11:59 pm.

*\*You need to show your work to get credit.*

*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*

1. (30 points) Assume today’s settlement price on a CME EUR futures contract is $1.30/€. The contract is written on €125,000 and you have a **short** position in one contract. The initial performance bond is $6,500, and the maintenance performance bond is $4,000.
2. On day 1, the settlement price became $1.29/€, what is your performance bond account balance at end of day 1?
3. On day 3, the settlement price became $1.32/€, you decide to close your position. What is your **total** gain or loss?
4. (70 points) From the perspective of the **writer** of a put option written on €62,500. If the exercise price is $1.55/€, and the option premium is $0.03.
5. At what exchange rate do you start to lose money (i.e. break-even exchange rate)?
6. What is your maximum profit?
7. What is your maximum loss?

1. If the spot exchange rate is $1.54/€ calculate the intrinsic value and the time value of the put option.
2. Draw your profit graph for this put option