

FINC5090 - Finance in Global Economy

Week 4: Weekly Assignment Outline

Foreign Exchange Markets

Semester 2, 2023

1 Instructions

1. Read the instructions carefully.
2. This assignment forms part of your individual assignment.
3. The DUE DATE is **10 SEPTEMBER 2023** as a part of your individual assignment. The submission link will stop accepting submissions at **23:59** on the submission date. DO NOT send your work via email if you miss the deadline.
4. Plagiarism is a serious academic offense and will result in zero marks and disciplinary action.
5. Make sure you write your *correct* Student Id as the page header. Student Id uniquely identifies an author, and it is important that the marker knows the author of an assignment.
6. Submit your assignment in PDF format only.

2 Task 1

From Yahoo Finance (<https://au.finance.yahoo.com/>), download daily data on AUD/USD for the sample period 01 January 2007 to 31 December 2022.

A. Plot the daily data.

B. Analyse the time-series pattern in AUD/USD. What are the possible reasons driving those patterns?

1. Treat data carefully. There may be some outliers, which are bad data points that may affect your analysis.
2. Refrain from writing stories. Make your point as quickly as possible. A succinct write-up of analysis is always appreciated by the readers. Make sure you keep the core concepts of week 4 in mind when writing this task.
3. Be mindful that this task is an academic piece of work, and your write-up should reflect that. Make sure you know how and when to cite. Only academic journals and reputable periodicals (like the Economist, Time, American Banker, Wall Street Journal, et cetera) are allowed. A blog or some random website does not constitute a great reference.
4. You may download additional data and incorporate that into your analysis, OR you may produce some statistical analysis of the data you may use to enrich your analysis. These are examples of *going above and beyond* the minimum required. Since this part requires additional effort from a student, it also carries a reward. If you do this, you are allowed up to 2 A4 pages (single-sided) in the appendix. The contents of the appendix should be legible. These pages may be used to present the work based on which you present your argument(s) in answering this task.
5. Based on the numbers you get, you must present your analysis in writing. For the write-up, the limit is up to one A4-sized, single-spaced, 2.5cm margins (top, bottom, left, and right) page with the Times New Roman font of the size of 12.

3 Task 2

For each of the following countries, collect the primary rates from Yahoo Finance for a single date of your choice:

Australia, Canada, European Union, Hong Kong, India, Japan, Mexico, Singapore, Switzerland, and Thailand.

From these 10 rates, estimate the cross-rates for all possible currency pairs. You must present a table of primary and cross rates. Using one rate as an example, show how you calculated the cross-rate for a currency pair of your choice.

1. Choose the date carefully. I recommend choosing a date when no major economic event occurred in these 10 countries and the USA.
2. Refrain from writing stories. Make your point as quickly as possible. A succinct write-up of analysis is always appreciated by the readers. Make sure you keep the core concepts of week 4 in mind when writing this task.
3. Be mindful that this task is an academic piece of work, and your write-up should reflect that. Make sure you know how and when to cite. Only academic journals and reputable periodicals (like the Economist, Time, American Banker, Wall Street Journal, et cetera) are allowed. A blog or some random website does not constitute a great reference.
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