1. (i) (10%) A rational hedger could be expected to take a short futures position in the Swedish Krona if he faces harm if the Swedish Krona were to appreciate against the US dollar.
   a. appreciate
   b. depreciate
   c. neither of the other choices is correct.

   (ii) (10%) A rational speculator could be expected to buy a put option in the Mexican Peso if she faces harm if the US dollar were to depreciate against the Mexican Peso.
   a. appreciate
   b. depreciate
   c. neither of the other choices is correct.

   (iii) (10%) A rational hedger could be expected to take a short futures position in the Canadian Dollar if he faces harm if the US dollar were to depreciate against the Canadian Dollar.
   a. appreciate
   b. depreciate
   c. neither of the other choices is correct.

   (iv) (10%) A rational speculator could be expected to write a call option in the Canadian Dollar if she expects the Canadian Dollar to appreciate against the US dollar.
   a. appreciate
   b. depreciate
   c. neither of the other choices is correct.

2. Suppose that you take a short position in September Swedish Krona futures contracts at 1:24 PM on Aug 22 and exit your position at 2:57 PM on Aug 29. Suppose the following table gives relevant market prices while you hold the contract. Ignore trading fees and commissions.

<table>
<thead>
<tr>
<th>Date</th>
<th>Time</th>
<th>Price</th>
<th>Currency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aug 22</td>
<td>1:24 PM</td>
<td>0.09704 $</td>
<td>Swedish Krona</td>
</tr>
<tr>
<td>Aug 22</td>
<td>settle</td>
<td>0.09729 $</td>
<td>Swedish Krona</td>
</tr>
<tr>
<td>Aug 23</td>
<td>settle</td>
<td>0.09765 $</td>
<td>Swedish Krona</td>
</tr>
<tr>
<td>Aug 24</td>
<td>settle</td>
<td>0.098 $</td>
<td>Swedish Krona</td>
</tr>
<tr>
<td>Aug 27</td>
<td>settle</td>
<td>0.09756 $</td>
<td>Swedish Krona</td>
</tr>
<tr>
<td>Aug 28</td>
<td>settle</td>
<td>0.09794 $</td>
<td>Swedish Krona</td>
</tr>
<tr>
<td>Aug 29</td>
<td>2:57 PM</td>
<td>0.09751 $</td>
<td>Swedish Krona</td>
</tr>
</tbody>
</table>

   (i) (10%) What is the total amount of money that the exchange sends you? (±0.25)
   (ii) (10%) What is the total amount of money that you send the exchange? (±0.25)
   (iii) (10%) Based on your cash flow, how much did you make holding this position (show losses as a negative number)? (±0.5)
   (iv) (10%) What is the value of the contract when you sell it? (±0.25)
   (v) (10%) What is the value of the contract when you buy it? (±0.25)
   (vi) (10%) Based on the changing value of the contract how much did you make holding this position (show losses as a negative number)? (±0.5)