1. (i) (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 __________________ against the Mexican Peso.
   a. appreciate
   b. depreciate
   c. neither of the other choices is correct.

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

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

(iv) (10%) A rational speculator could be expected to take a short futures position in the New Zealand Dollar if he expects the US dollar to __________________ against the New Zealand Dollar.
   a. appreciate
   b. depreciate
   c. neither of the other choices is correct.

2. Suppose that you take a short position in June Australian Dollar futures contracts at 9:50 AM on May 20 and exit your position at 2:18 PM on May 27. Suppose the following table gives relevant market prices while you hold the contract. Ignore trading fees and commissions.

<table>
<thead>
<tr>
<th></th>
<th>May 20</th>
<th>9:50 AM</th>
<th>$AustralianDollar</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 20</td>
<td>settle</td>
<td>0.533</td>
<td>$AustralianDollar</td>
</tr>
<tr>
<td>May 21</td>
<td>settle</td>
<td>0.5355</td>
<td>$AustralianDollar</td>
</tr>
<tr>
<td>May 22</td>
<td>settle</td>
<td>0.5331</td>
<td>$AustralianDollar</td>
</tr>
<tr>
<td>May 25</td>
<td>settle</td>
<td>0.5309</td>
<td>$AustralianDollar</td>
</tr>
<tr>
<td>May 26</td>
<td>settle</td>
<td>0.5334</td>
<td>$AustralianDollar</td>
</tr>
<tr>
<td>May 27</td>
<td>2:18 PM</td>
<td>0.5311</td>
<td>$AustralianDollar</td>
</tr>
</tbody>
</table>

   (i) (10%) What is the total amount of money that you send the exchange? (±0.25)
   (ii) (10%) What is the total amount of money that the exchange sends you? (±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)