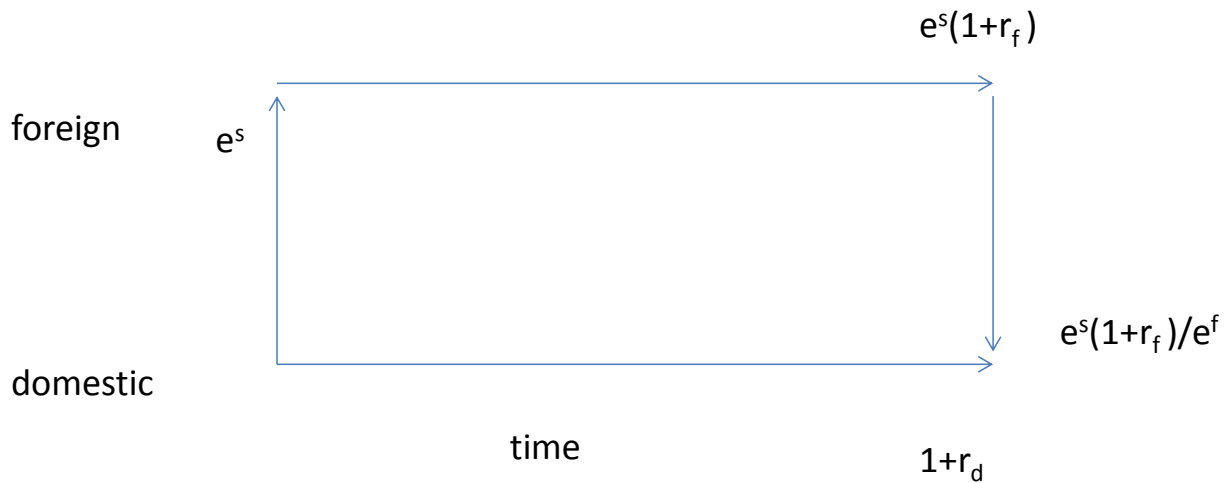


Globalization Lab (team)

Exchange rates revisited.

Choose two countries and find the exchange rates and interest rates in each country for at least a year.



$$e^f = e^s(1+r_f)/(1+r_d)$$

Exchange rates (e) are written as foreign/domestic currency.

Compute the arbitrage estimate of the forward exchange rate. Compare this value to the future spot value using a chart. How accurately do the interest rates forecast the future spot exchange rate?

One possible data source:

<http://www.tradingeconomics.com/data-all-countries.aspx>

Free trial, but otherwise have to pay.

Also see IMF, World Bank, and OECD. Look for free trials.

<http://elibrary.imf.org/>

Try Oanda.com for exchange rate data.