

Name :

Student ID :

Question 1

You enter into 3 – year interest rate swap to pay a fixed rate .

The notional amount is 10,000.

You're given the following floating rate :

Year	Spot Rate
1	4.00%
2	4.50%
3	5.25%

If the swap has annual payments . What fixed rate should you pay?

Question 2

A farmer expects to sell 50 tons of pork bellies at the end of each of the next 3 years. Pork bellies forward price f

Years to Maturity	Zero – Coupon Bond Yield
1	5.00%
2	5.50%
3	6.00%

The farmer uses a commodity swap to hedge the price for selling pork bellies.

Calculate the level amount he will receive each year (i. (E), the swap price) for 50 tons.