Q1)c) Yes, only a limited number of currencies are traded in the futures market and that also in standardized amounts.

Q2)c) 1 and 3 only

Q3)d) All of the above

Q4)c) Offer for sale

Q5)c) Clearing house

Q6)c) Initial margin

Q7)b) Are not protecting their commodity holdings.

Q8)c) Coca prices will hit $1300 and the contract was a waste of time

Q9)b) The investor has made a loss of $4000.

Q10)c) A long position in a put

Q11)c) Buy 20 contracts

Q12)a) 78 cents

Q13)d) The beef producer should take a short position in 5 December contracts.

Q14)d) A short position in 26 contracts

Q15)

(a)

The minimum variance hedge ratio is

$0.95 \times 0.43/0.40 = 1.02125$.

(b)

The hedger should take a short position.

(c)

The optimal number of

contracts with no tailing is $1.02125 \times 55{,}000/5{,}000 = 11.23$ (or

11 when rounded to the nearest whole number)

(d)

The optimal number of contracts with tailing is

$1.012125 \times (55{,}000 \times$

$28)/(5{,}000 \times 27) = 11.65$ (or 12 when rounded to the nearest whole

number).