SUMMARY

So let us summarize today's session. In today's session we talked about interest rate parity. Interest rate parity is fundamental knowledge for traders of foreign currencies. In order to fully understand the two kinds of interest rate parity, however, the trader must first grasp the basics of forward exchange rates and hedging strategies. Armed with this knowledge, the forex trader will then be able to use interest rate differentials to his or her advantage. The case of U.S. dollar/Canadian dollar appreciation and depreciation illustrates how profitable these trades can be given the right circumstances, strategy and knowledge. In today's session we went through its concept, two types i.e. covered interest rate parity and uncovered interest rate parity, and lastly talked about how to hedge the exchange risk. I hope this session would have been useful to you in understanding more about the fundamentals of international financial management better. Thank you.