

c. You can buy 9m GBPUSD 1.4000/1.5500 Call Spread and sell 1.3000 Put to cheapen it – cost is 0.20% (risks: the risks to these trades are a loss of initial premium in a+b and potential losses if GBPUSD is below 1.3000 at expiry)

2. EURGBP – spot ref 0.8825

a. You can buy 9m EURGBP 0.8700 Put vs selling 0.9100 Call – zero cost

b. You can buy 9m EURGBP 0.8700/0.7950 Put spread vs selling 0.9150 Call – zero cost

c. You can buy 6m EURGBP 0.8200 One Touch for 15%

(risks: investor has to sell EURGBP at 0.9100 (a) or 0.9150 (b) at expiry if EURGBP is above these level. Loss of initial premium spent in (c) )

