Interest arbitrage checklist

To raise the Base currency: BUY and SELL Base currency (Sell and Buy Variable currency) on the Swap

As ***Market user*** deal on the left hand side (Market maker's BID for forward Base currency)

High – Low	***Low – High***
100 - 95	50 - 55

and BORROW the Variable currency *

To raise the Base currency - calculate cost/benefit of Swap. The cost of the Base currency funds = Variable ccy interest rate adjusted (+ / -) by cost of Swap

Base currency Discount **ADD** cost to Variable currency interest rate. Base currency has the **higher** interest rate. Base currency Premium **SUBTRACT** swap cost from Variable currency interest rate. Base currency has the **lower** interest rate.

If you want to raise the Base currency, as ***Market user*** you are looking for the best rate on the left hand side (Market maker's BID)

Where as ***Market user*** you have a choice of prices from **Bank A** *and* **Bank B**…

Best Base ccy **DISCOUNT** (High - Low) = lowest points against you		
Bank A		**Bank B**
100 - 95	*or*	110 - 105

Where as ***Market user*** you have a choice of prices from **Bank C** *and* **Bank D**…

Best Base ccy **PREMIUM** (Low - High) = highest points your favour		
Bank C		**Bank D**
45 - 50	*or*	**50** - 55

Alternatively the above examples can be used to LEND the Variable currency over the Swap (a Synthetic asset) as ***Market user,*** in which case the Base currency should be lent and the Variable currency cash shortage* initially left uncovered.

To raise the Variable currency SELL and BUY Base currency (Buy and Sell Variable currency) on the Swap

As ***Market user*** deal on the right hand side (Market maker's OFFER of forward Base currency)

High – Low	***Low – High***
100 - 95	50 - 55

and BORROW the Base currency *

To raise the Variable currency - calculate cost/benefit of Swap. The cost of Variable currency funds = Base ccy interest rate adjusted (- / +) by cost of Swap

Base currency Discount **SUBTRACT** cost from Base currency interest rate. Variable currency has the **lower** interest rate. Base currency Premium **ADD** swap cost to Base currency interest rate. Variable currency has the **higher** interest rate.

If you want to raise the Variable currency, as ***Market user*** you are looking for the best rate on the right hand side (market maker's OFFER)

Where as ***Market user*** you have a choice of prices from **Bank A** *and* **Bank B**…

Best Base ccy **DISCOUNT** (High - Low) = highest points your favour		
Bank A		**Bank B**
100 - 95	*or*	110 - **105**

Where as ***Market user*** you have a choice of prices from **Bank C** *and* **Bank D**…

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Alternatively the above examples can be used to LEND the Base currency over the Swap (a Synthetic asset) as ***Market user,*** in which case the Variable currency should be lent and the Base currency cash shortage* initially left uncovered.