

# Index

- 20th-Century View of Currency Management 90  
21th-Century View of Currency Management 90
- A**
- A chaotic model for interest rates (2003) 66  
ABC Corp 154–7  
ABN AMRO 32, 279  
Acar (2001) 262  
Acar and Maitra (2000) 110, 185  
Acar and Pedersen (2000) 204  
Active  
    Currency Overlay 115, 118, 211, 231, 332, 333  
    Hedging Strategies 191  
AIMR 108, 326  
Anscombe-Glynn test 310  
Anson (2002) 223  
ARO *see* Average rate options  
Artificial intelligence 282, 285  
Asset Allocation Framework 212  
at-the-money-forward 156  
ATMF 156, 158, 169, 200, 268  
Attfield, James (1999) 78  
Average rate options 171
- B**
- Baldrige *et al* (2000) 115  
Baldrige, Meath and Myers (2000) 93, 194  
Banerjee (1992) 194  
Bank for International Settlements 21  
Barclays Capital 32  
Basics of FX Prime Brokerage 353  
Baz, Breedon, Naik and Peress (2001) 307  
Benchmark Hedge Ratio 104, 106, 182, 211  
BigMac Index 197  
Binny (1998) 289  
BIS  
    data 28  
    survey 21, 27, 33  
    Triennial 57  
BIS *see* Bank for International Settlements  
Black Wednesday 77, 202, 310  
Black-box  
    models 196  
    techniques 286  
Black-Scholes  
    formula 157, 168  
    model 157, 158, 168, 243  
Bretton Woods  
    Philosophy and Purpose 6  
    1948–71 43  
    system 9, 10, 17, 309  
Brian Strange (1998) 230, 278  
Brock, Lakonishok and Lebaron (1992) 317  
Brousseau and Scacciavillani (1999) 307  
Bundes Bank 310
- C**
- Capturing Alpha Through Active Currency Overlay 115

- cashflow
  - management 342
  - risks 203, 204
- central limit theorem* 142
- Chicago Mercantile Exchange (CME) 15, 24
- Choppier fashion 246
- Choppier periods 246
- Citibank 51, 52, 55, 59
- Citigroup 32, 59, 175, 267
- Clarke and Kritzman (1996) 108
- CME *see* Chicago Mercantile Exchange
- Colchester and James (2003) 97
- Commodity Futures Trading Commission 308
- Credit Suisse First Boston 32
- critical mass effect 33
- CTAs 277, 279, 281, 351
- Currency Hedge Ratio 209, 331
- currency hedge rebalancing strategy* 186
- Currency Management
  - Background 325
  - experience 326
  - framework 176–8
  - on Global Bonds 343
- Currency Overlay
  - before Prime Brokerage 352
  - Delivered on its Promise 92
  - Management 95, 118, 325
  - managers 39, 40, 42, 89, 106, 112, 118, 277–9, 281, 303, 334, 338, 356
- currency risk 70, 78, 83, 94, 98, 102, 104, 108, 121, 123–6, 181, 182, 186, 188, 190, 211, 290, 329, 330, 333, 335–7, 343, 347, 355, 357, 360, 363–6
- D**
- D'Agostino's test 310
- day-to-day risk management 134
- Deutsche Bank 32, 108, 109, 354
- Dittmar (1997) 314
- Dublin Summit of 1996 19
- E**
- E-commerce 58, 62, 63
- EAFE 83, 102, 104, 327
- EBS *see* Electronic Broker Services
- ECB 20, 44
- EEC 16
- Electronic Broker Services 50, 51
- Embrechts (1997) 141
- equity
  - indices 69–71, 130
  - Markets 13, 21, 25, 54, 128, 151, 232, 241, 333, 340
- ERM 17, 18, 20, 35, 41, 43, 74, 202, 274
- EU Treaties 20
- Euromoney Forex Survey 32
- European
  - Central Bank (ECB) 20
  - Commission 20
  - Economic Community (EEC) 16
  - Exchange Rate Mechanism 77
  - Monetary System (EMS) 17, 310
  - Single Currency 20
  - Snake 15
- Europhobia 94
- europhoria 94
- EVT *see* extreme value theory
- Exchange
  - Controls 7, 9, 10, 14, 19, 23, 24, 43
  - Rate Mechanism (ERM) 17
- Exotic options 170, 290
- extreme value theory* 141, 143
- F**
- Fama (1984) 107, 307
- FCM 351
- FEER *see* fundamental equilibrium exchange rate
- foreign currency
  - cashflow 154
  - exposure 298, 364
  - revenues 161
  - risk 364–6
- foreign exchange risk 156, 159, 161, 179
- Franc Fort policy 18
- Frankel and Rose (1995) 306

- Froot and Rogoff (1994) 289  
 FTSE 84, 184  
*fundamental economic analysis* 92  
 fundamental equilibrium  
   exchange rate 288
- G**  
 Genetic algorithms 238, 239, 242,  
   282, 285  
 Global  
   Bond Portfolios 325, 345, 357,  
     365, 366  
   Pensions Magazine 189  
 Goldman Sachs 32  
 Green (2001) 262  
 Grinold and Meese (2000) 214, 224  
 Growth of e-commerce 62
- H**  
 hedge  
   currency 328, 329, 336  
   funds 27, 29, 42, 43, 57, 98, 277,  
     279, 281, 299, 303, 311, 346  
   ratio 91, 105, 118, 177, 179–83,  
     186, 188, 192–4, 196, 199, 203,  
     204, 209, 211, 212, 218, 220,  
     222–5, 232  
 Hersey and Minnick (2000) 117  
 Hersey and Ogunc (2000) 93  
 HSBC 32  
 Huang (2002) 262  
 Huang, Srivastava and Raatz  
   (2001) 97
- I**  
 IBRD *see* International Bank for  
   Reconstruction and  
   Development  
 ICC *see* industrial and commercial  
   company  
 Ilmanen and Sayood (2002) 307  
 IMF 6, 7, 9, 10  
 IMM *see* International Monetary  
   Market  
 in-the-money 156, 297, 298  
 Income  
   Flows 24  
   volatility 148
- industrial and commercial  
   company 18, 37  
 institutional investors 175, 303,  
   325, 338  
 interest rate parity 210  
 interest rate swap (IRS) 132  
 International Bank for  
   Reconstruction and  
   Development 6  
 International Monetary Fund  
   (IMF) 6  
 International Monetary Market 6,  
   308  
 Internet Age of Trading 54  
 IRP *see* interest rate parity  
 ITM *see* in-the-money
- J**  
 James (1999) 87  
 James (2003) 82, 320  
 James and Colchester (2003) 267  
 James, Webber (2000) 66  
 Jarque-Bera test 311  
 John Williamson (1994) 288  
 JP Morgan  
   Chase 32  
   Fleming Asset Management 278
- K**  
 K-nearest neighbours 286, 291  
 Knauf (2003) 308  
 knock-in option 171  
 knock-out option 171  
 Krishnamurthi and Muralidhar  
   (2003) 98  
 Kritzman (1993) 107, 194  
 Kritzman (2000) 306
- L**  
 Le Baron (1999) 194, 307, 314  
 Lee (1995) 194  
*leptokurtosis* 168  
 Lequeux and Acar (1998) 110  
 Levich (1993) 194  
 Levich and Thomas (1993) 108,  
   289, 307, 314  
 LIBOR 98  
 London's Financial Times 16

- M**
- Maastricht Treaty 19, 20
  - macro-hedge ratio 185
  - macro-hedging decision 178, 179, 181, 202
  - Malliars (2002) 310
  - Mark Kritzman (1999) 289
  - market
    - behaviour 37, 41, 309
    - liquidity 21, 59
    - risks 29, 129, 130, 132, 134, 149–51, 159, 172, 173
  - Mashayekhi-Beschloss and Muralidhar (1997) 90
  - Mechanics of Overlay 329
  - Meese and Rogoff (1983) 306
  - Mehrzaad and Muralidhar (2001) 98
  - merger and acquisition (M&A) 38
  - Misina (2003) 307
  - Modern Market Structure 22
  - Monte Carlo simulation 150
  - Morgan Stanley Capital International 328
  - Mountain lake method 125
  - multibank
    - portals accounts 57
    - price 56
    - space 57
  - Muralidhar and Neelakandan (2002 and 2003) 95
  - Muralidhar and Neelakandan (2002a) 97
  - Muralidhar and Neelakandan (2002b, 2003) 97
  - Muralidhar and Pasquariello (2001) 93
  - Muralidhar and Richmond (1999) 94
  - Muralidhar and Tsumagari (1999) 92
  - Muralidhar (1999) 93
  - Muralidhar (2000) 93, 94
  - Muralidhar (2001) 92
  - Muralidhar (2002) 95, 97
  - Muralidhar, O'Grady and Simotas (2002) 96
  - Muralidhar, Prajogi and van der Wouden (2000) 94
- N**
- NASDAQ 21
  - neural networks 282, 285, 286, 312
  - New single European currency 19
- O**
- OLS *see* ordinary least squares
  - ordinary least squares 284
  - OTC *see* over-the-counter
  - OTM 156, 170, 171
  - over-the-counter 156
  - Oxford University 230
- P**
- Pareto
    - Partners 328, 335
    - Research 359, 363, 365
  - parity level 8, 42
  - Passive Hedging Strategies 173, 181
  - Passive Management Strategies 189
  - Pedersen (2002, 2003) 186
  - Pedersen and De Zwart (2003) 307
  - Persaud (1996) 307
  - PPP 197–9, 287–9
  - purchasing power parity 240, 287
  - purchasing power parity theorem 106
- Q**
- quadratic
    - programming 213
    - solutions 213
- R**
- Re-Emergence of Central Banks 34
  - Reinert (2000) 108
  - return on capital (ROC) 148, 149
  - Reuters Dealing System 50
  - reverse causality 345
  - risk control 89, 92, 93, 169, 173, 359, 360, 363, 366

- Risks for Hedgers vs Risks for Traders 125
- RMS *see* root-mean-squared
- ROC *see* return on capital
- root-mean-squared 72, 73
- Rosenberg and Folkerts-Landau (2002) 108
- S**
- S&P250 95
- S&P500 95
- SDR 10
- SDRs *see* Special Drawing Rights
- Settlement Risk Reduction 355
- Sharpe's ratio 124
- Siegel's paradox 306
- slope factor 125
- Smithsonian Agreement 309, 328
- Special Drawing Rights 6
- SPX 219
- Squawk box 50
- SSB 219, 220
- stable hedge ratios 196
- standard regression modelling techniques 302
- STP 56–8, 61, 341
- straight through processing (STP) 49
- Strange (1998) 93, 112, 116
- Sullivan, Timmerman and White (1999) 307, 317
- Swedish krone devaluation 18
- systematic currency risk 364–6
- Szakmary and Mathur (1997) 194
- T**
- Three Types of Currency Management 335
- Tiered exposure limits 134
- time
- horizon 179, 225, 279–81, 299, 303
  - zone 33
- Trading
- for Profit 229, 237
  - Models 82, 126, 175, 242–4, 277–9, 286, 287, 293, 299, 301, 303, 308, 310, 312, 317, 320
  - Strategy Issues 234
  - trend following 92, 289, 290, 299
- U**
- UBS 32
- UK institutional investors 10
- US
- current account deficit 285
  - Federal Reserve Bank 6
- Utility maximisation Equation 214
- V**
- Value-At-Risk (VAR) 136
- VanderLinden, Jiang and Hu (2002) 194
- VAR
- number 136, 139
  - techniques 136, 140, 141, 143
- viable
- active strategy 224
  - hedge strategy 188
  - option-selling strategies 274
- volatile equity markets 128
- W**
- Wall Street 161, 165, 177
- Weekly rebalancing strategy 187, 188, 190
- Whipsaw
- filter 293
  - market 292
- White (2000) 317
- World Bank 6, 89
- Y**
- yawning culture gap 16
- Z**
- zero JPY exposure 330
- zero-cost
- framework 262
  - instruments 78
- zillion investors 237