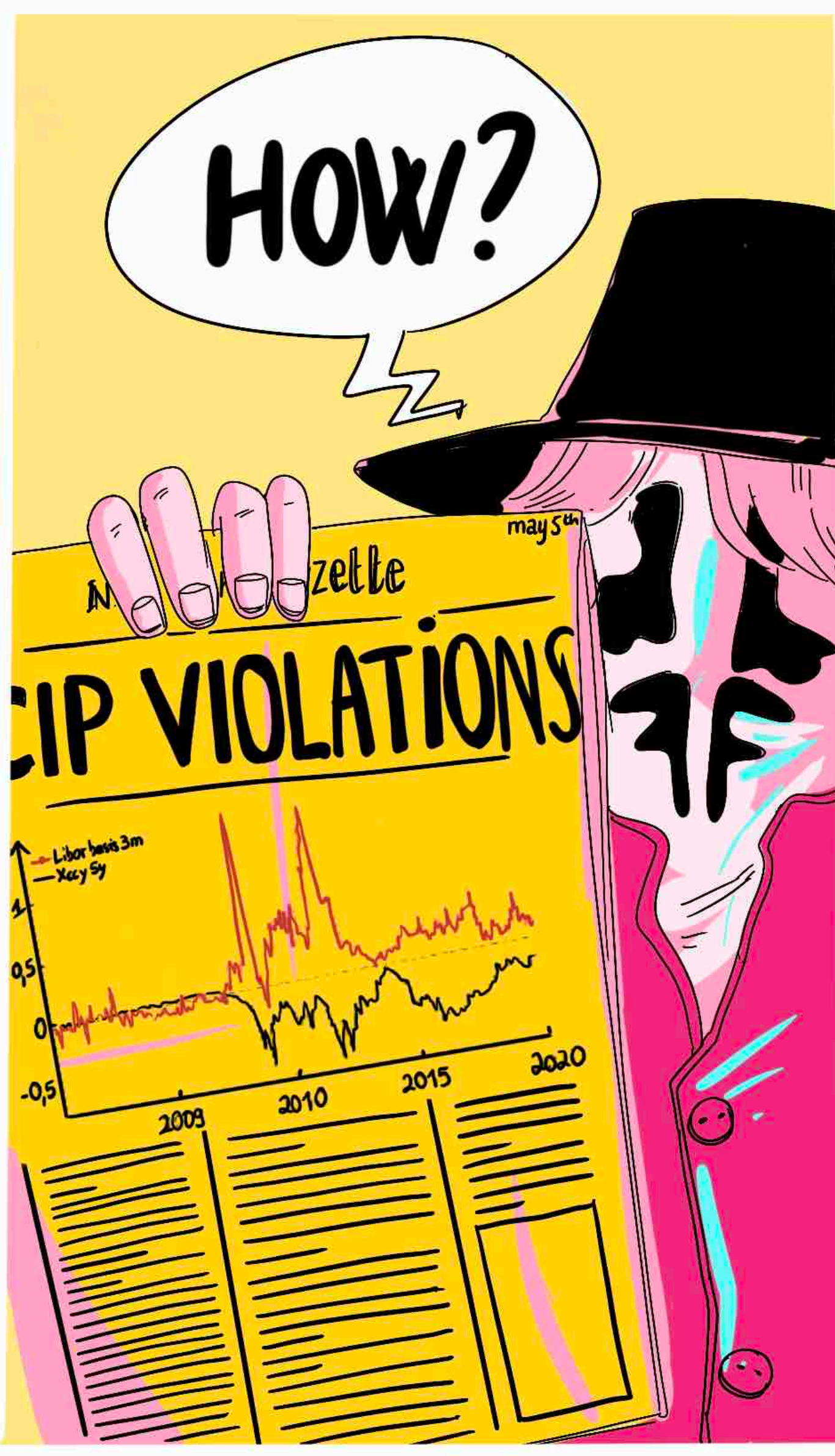


FIN BR AN NO

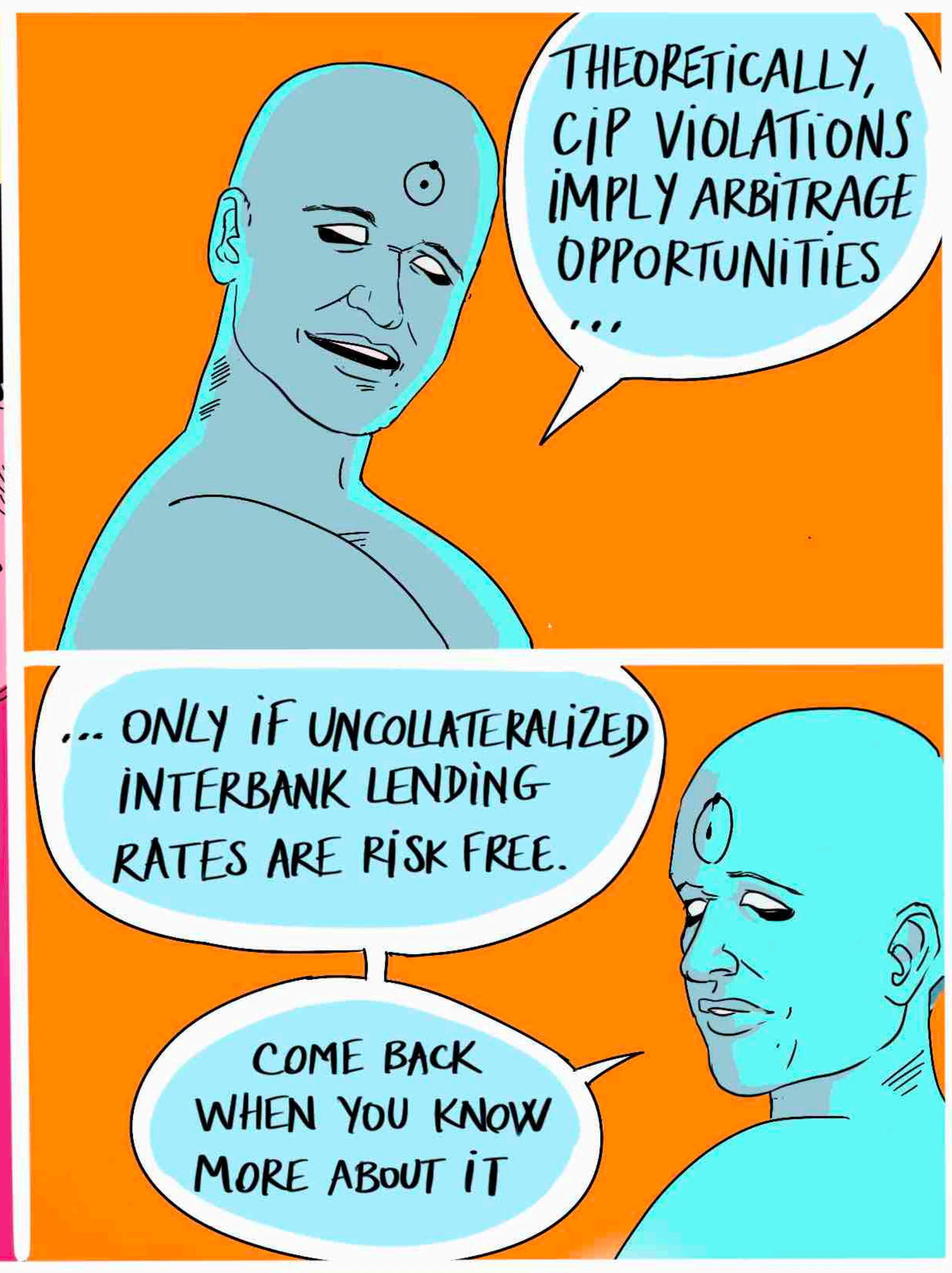
THE NEWS WERE ALL ABOUT IT, SO RORSCHMID MET PROF LA, DOWNTOWN.



HOW DO YOU EXPLAIN THAT?!



HOW?



THEORETICALLY, CIP VIOLATIONS IMPLY ARBITRAGE OPPORTUNITIES ...

... ONLY IF UNCOLLATERALIZED INTERBANK LENDING RATES ARE RISK FREE.

COME BACK WHEN YOU KNOW MORE ABOUT IT

11:55 pm, AT NITE SONG STUDY ROOM ..



WE'RE GONNA USE A NO-ARBITRAGE FRAMEWORK

A NO ARBITRAGE PERSPECTIVE ON GLOBAL ARBITRAGE OPPORTUNITIES

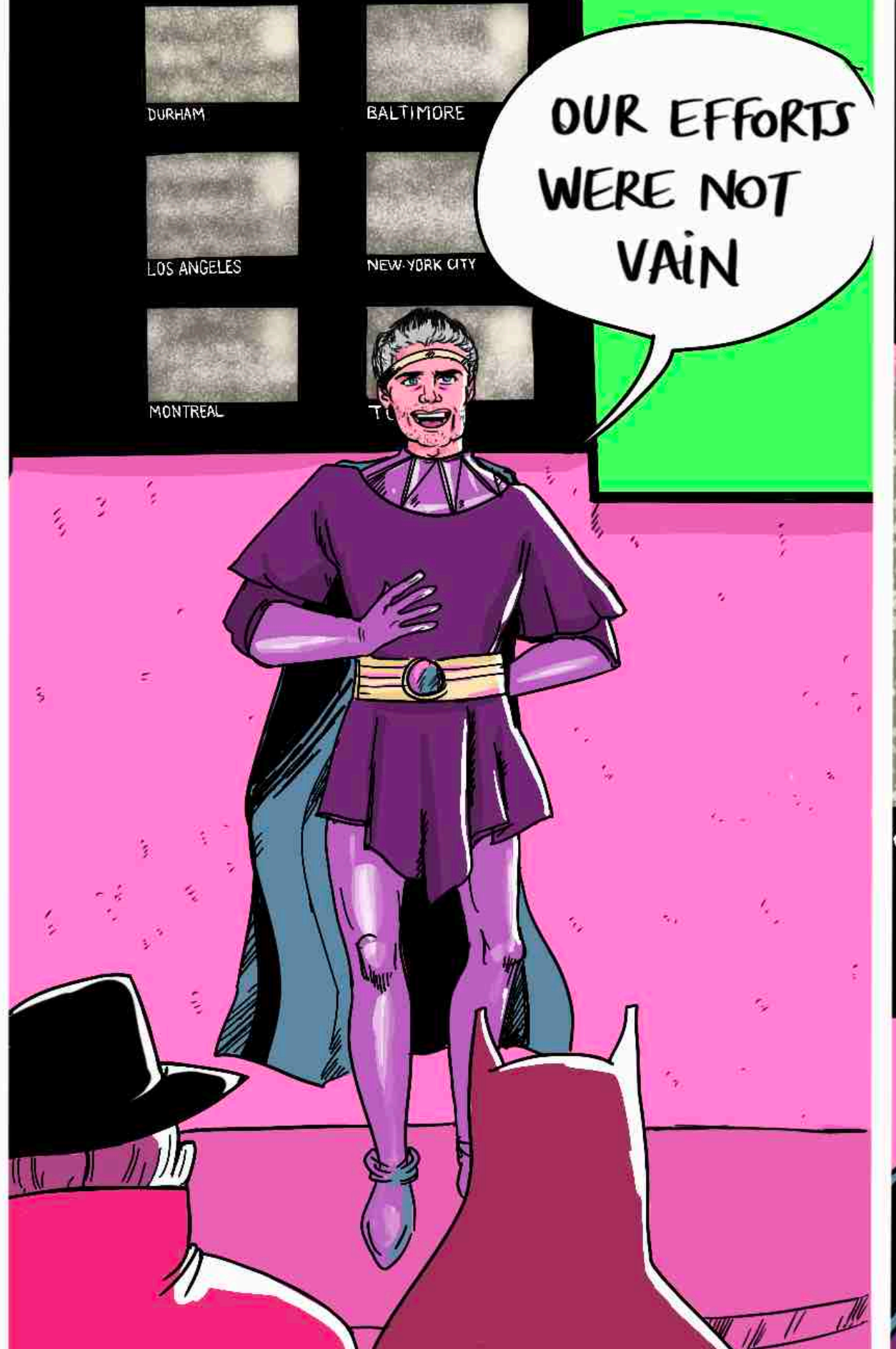


WE'LL TREAT DISCOUNT RATES AS LATENT...

... WE'LL EXTRACT THEM FROM EACH COUNTRY'S INTEREST RATE SWAPS AND USE THEM TO EVALUATE TERM STRUCTURES OF FORWARD PREMIUMS AND CROSS-CURRENCY BASIS SWAPS

I KNOW WHO CAN HELP US. IT'S A JOB FOR AUGUSMANDYAS

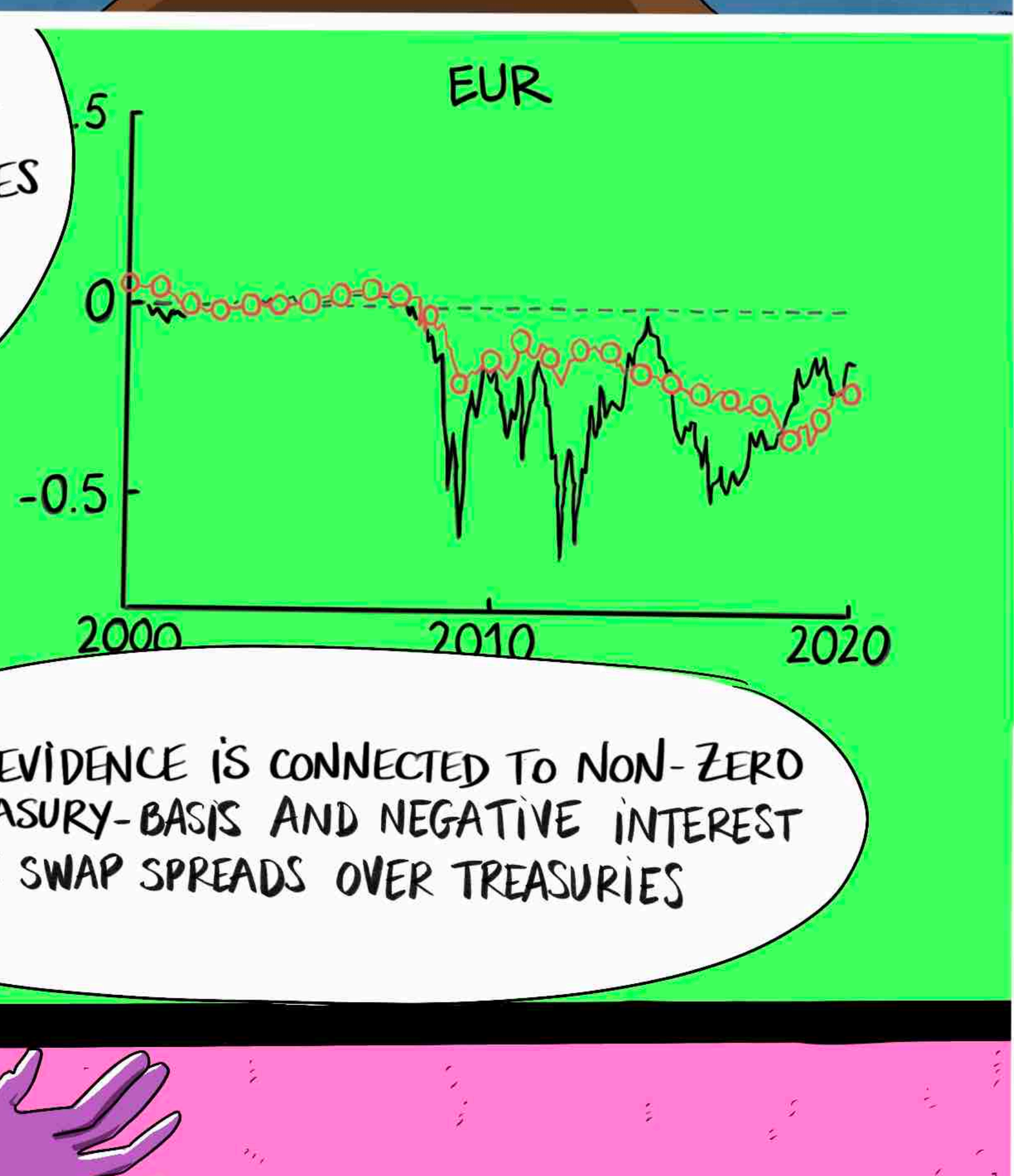
LATER, AT AUGUSMANDYAS ...



OUR EFFORTS WERE NOT VAIN



WE MATCH OBSERVED FORWARD CURRENCY PREMIUMS AND GENERATE TIME-SERIES PATTERNS AND MAGNITUDES OF CROSS-CURRENCY BASIS SWAP RATES THAT ARE BROADLY CONSISTENT WITH THE EVIDENCE...



OUR EVIDENCE IS CONNECTED TO NON-ZERO TREASURY-BASIS AND NEGATIVE INTEREST RATE SWAP SPREADS OVER TREASURIES

THREE MINUTES TO MIDNIGHT, RORSCHMID CAME BACK WITH ANSWERS ... AND QUESTIONS.



OUR MODEL IMPLIED DISCOUNT RATES ARE EXPLAINED BY A LINEAR COMBINATION OF TREASURY INTEREST RATE AND CREDIT RISK, CONVENIENCE PREMIUM, AND INTERBANK RISK

BUT HOW DO WE EXPLAIN OUR RESIDUAL PRICING ERRORS?



THEY LINE UP WITH MEASURES OF INTERMEDIARY CONSTRAINTS AND THE EXPENSIVENESS OF THE USD

LENDING SUPPORT TO MODELS OF INTERMEDIARY BASED ASSET PRICING FOR QUANTITATIVELY REALISTIC RESULTS

I LEAVE IT ENTIRELY IN YOUR HANDS.



PATRICK AUGUSTIN AS AUGUSMANDYAS

MIKHAIL CHERNOV AS Prof LA



LUKAS SCHMID AS RORSCHMID

DONGHO SONG AS NITE SONG