Prepare answers to each of the questions and application problems indicated below. Your response should include a statement of the problem or question, along with your answer and narrative analysis as needed. Complete the following:

* Explain the concept of locational arbitrage and the conditions necessary for it to exist. What are the market forces that eliminate any possibility of locational arbitrage?
* Given the following conditions, determine whether a locational arbitrage opportunity exists:
  + Bank of West:
    - Bid price of yen .0089.
    - Ask price of yen .0091.
  + Bank of South:
    - Bid price of yen .0092.
    - Ask price of yen .0095.
* Analyze the differences between locational and covered interest arbitrage. What are the forces that drive covered interest arbitrage realignment?

In all cases where numeric solutions are expected, provide full documentation of the process used to reach the solution, using Excel to provide computational details.

Where analysis is expected, use information from the textbook to inform your analysis—not replace it—incorporating creativity, critical thinking, and real-life perspectives. Cite all resource materials used in your response with APA (6th edition) style and format