

## Swap Calculation

At forex market the position opening means the exchange of one currency to another. For example, when you open the position USDCHF BUY 1 lot, a trader acquires 100,000 US Dollars (USD) in exchange for the corresponding amount of Swiss Franks (CHF).

At the moment of writing 100,000 US Dollars corresponds to approximately 117,000 Franks. A trader usually doesn't have such amount of Franks (the transaction is made with leverage of 1:100). At first, he/she borrows it. After the position is opened, a trader starts to owe 117,000 Franks, and his account is credited with 100,000 US Dollars. The obtained CHF loan requires servicing — a trader has to pay an interest on its amount, and USD on his/her account, on the contrary, brings interest to this trader.

Since we don't now in advance how much time will the trader leave the position open, the shortest terms of loan and free cash placement are used. Usually such overnight rates are presented by LIBOR for loan, and LIBID — free cash placement. Besides, we add (with SELL) or reduce (with BUY) the interest rate difference the additional margin of 0.75%.

At the moment of writing LIBOR CHF rates were 2.08%, LIBID USD — 4.77%. Thus, a trader will get from placement of free dollars more, than he/she spend for servicing of CHF loan.

USDCHF BUY calculation example:

$$\text{SWAP\_USDCHF\_BUY} = ((\text{LIBID\_USD} - \text{LIBOR\_CHF} - 0.75\%) \times \text{LOT\_SIZE}) / 100\% / 365 = (4.77 - 2.08 - 0.75) \times 100000 / 100 / 365 = \$5.38$$

where **365** — number of bank days a year.

Thus, for holding the position USDCHF BUY, a trader with the above mentioned rates values will earn \$5.38 a day. So, the swap Calculation of the gold market is same as the forex market.

All the calculations are usually performed on the value date — the second day since the current date. The second day since Wednesday midnight is weekend, thus there occur three days settlements on Wednesday night — the payments are collected or charged in triple amount. The settlements are not made on weekends (Friday and Saturday nights).

Positive values in swap table mean payments to traders, negative values — deduction of values from trader's account.

swap value		
Item	Buy, US\$/Day/Lot	Sell, US\$/Day/Lot
GOLD	-5.50	-1.80

To effect starting from 27 -06 – 2013