**Carrefour S.A.**

In addition to answering the following questions, an Excel Spreadsheet needs to be completed which shows your calculations for question 4. Please attach a printout from the spreadsheet. Please be sure the forward rates and the cash flows are clearly labeled.

**Questions**

1. What is going on at Carrefour?
2. Describe the Eurobond market. How does it differ from the U.S. domestic bond market?
3. What does interest-rate parity say should be true about international borrowing costs?
4. Assume that each of the proposed bonds are issued at par value, that Carrefour decides to hedge its exchange rate exposure through forward contracts, and that the forward rates are determined by interest-rate parity. Show the cash flows (in euros) for each of the four currency alternatives, and calculate the IRR for each.
   1. Euros
   2. Swiss Francs
   3. British Pounds
   4. U.S. Dollars
5. Are your answers for #4 what you would expect them to be based on your answer to #3? Why or why not?
6. What do you recommend that Carrefour do? Why?