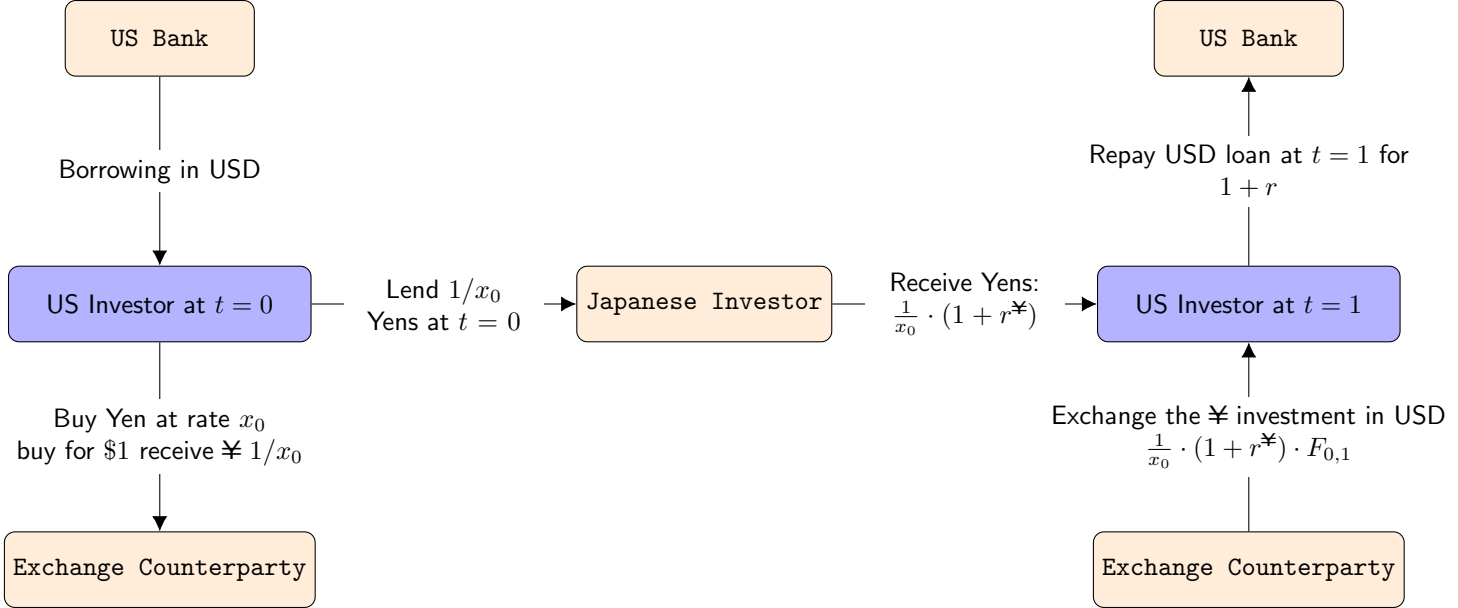
US Bank
Borrowing in USD
US Investor at $t = 0$
Buy Yen at rate x_0
buy for $\$1$ receive ¥ $1/x_0$
Exchange Counterparty
Lend $1/x_0$
Yens at $t = 0$
Japanese Investor
Receive Yens:
$\frac{1}{x_0} \cdot (1 + r^{¥})$
US Investor at $t = 1$
Exchange the ¥ investment in USD
$\frac{1}{x_0} \cdot (1 + r^{¥}) \cdot F_{0,1}$
Exchange Counterparty
Repay USD loan at $t = 1$ for
$1 + r$
US Bank