ABSTRACT

Currency as legal payment in every country, it has an role important for country's economy. American Currency (USD) have particular concern by economic actors for exchange rate, because it becomes part of the class of "convertible currency", where it is the type of currency most widely trusted by economic actors in the world. In this research, I will research exchange rate between USD and IDR. When Indonesia Government applied floating exchange rate in Indonesia, IDR always depends on how market work, and this system make IDR have volatility raises 20.85% in 2008. It is made economic actors depressed, because they must think how to keep their assets. According to economists, We can protecting our assets is by using available derivative products, such as forward, future, swap, and options. According to previous research, the option market is a popular market among researchers and practitioners, because it can minimizing risk in a derivative market. So according to the statements of economists, and researchers, to protect a assets used derivative products, and option is derivative products popular from practitioner/economist and researcher. The Black-Scholes model as the first model to successfully steal the public's attention, and the Trinomial model as a very useful model for predicting the future will compare in this study for case exchange rate between USD and IDR. To calculate best model, i uses the Average Mean Square Error as tool compare this model,where it will show value error results. And Comparative results are known that Trinomial models are better used in a period of one month, ie less than 0.37% for call and put. While within two months, less than 0.53% for call and put. While in the three-month period Black-Scholes model is better used, where this model is less than 0.68% for call and put.

Keywords: *Exchange Rate, USDIDR, Derivatives, Options, Trinomial, Black-Scholes.*