

AP Macro Economics
Demand and Supply in the Foreign Exchange Market

Event: An increase in the domestic (US) price of exports, assuming inelastic (no subs, needed item) product

United States Money Market	Foreign Market (Great Britain) Money Market
<p>Draw a market graph of GB currency showing the change from above...</p>	<p>Draw a market graph of US currency showing the change from above...</p>
<p>Identify how the change above affects the following...</p> <ul style="list-style-type: none"> • \$ International Value • U.S. Exports • U.S Imports • Balance of Trade • U. S. NE • AD 	<p>Identify how the change above affects the following...</p> <ul style="list-style-type: none"> • GB International Value • G.B. Exports • G.B. Imports • Balance of Trade • G.B. NE • AD

Now perform the analysis for the following...
 Answers could be Up, Down, Increase, Decrease or Remains Unchanged

	EVENT	Effect on ...Value of the \$...US Exports	...US Imports	...Current Accounts	...Capital Accounts
1	An increase in the U.S. domestic price of exports, assuming that the good is elastic					
2	An increase in the price of imports, assuming the good to be inelastic					
3	An increase in the price of imports, assuming the good to be elastic					
4	An increase in the inflation rate in the United States compared with other countries					
5	An increase in the desire to invest in British Assets					
6	An increase in the interest rates in the United States compared with interest rates in other countries.					
7	British speculators expect the dollar to appreciate in value					
8	Increase in the cost of production in the United States					
9	Loss of confidence (the speculative value) in the United States dollar					
10	There is a change in the taste and preferences for British goods					
11	Incomes increase in the United States relative to other countries					
12	Labor productivity increases in the United States relative to other countries					