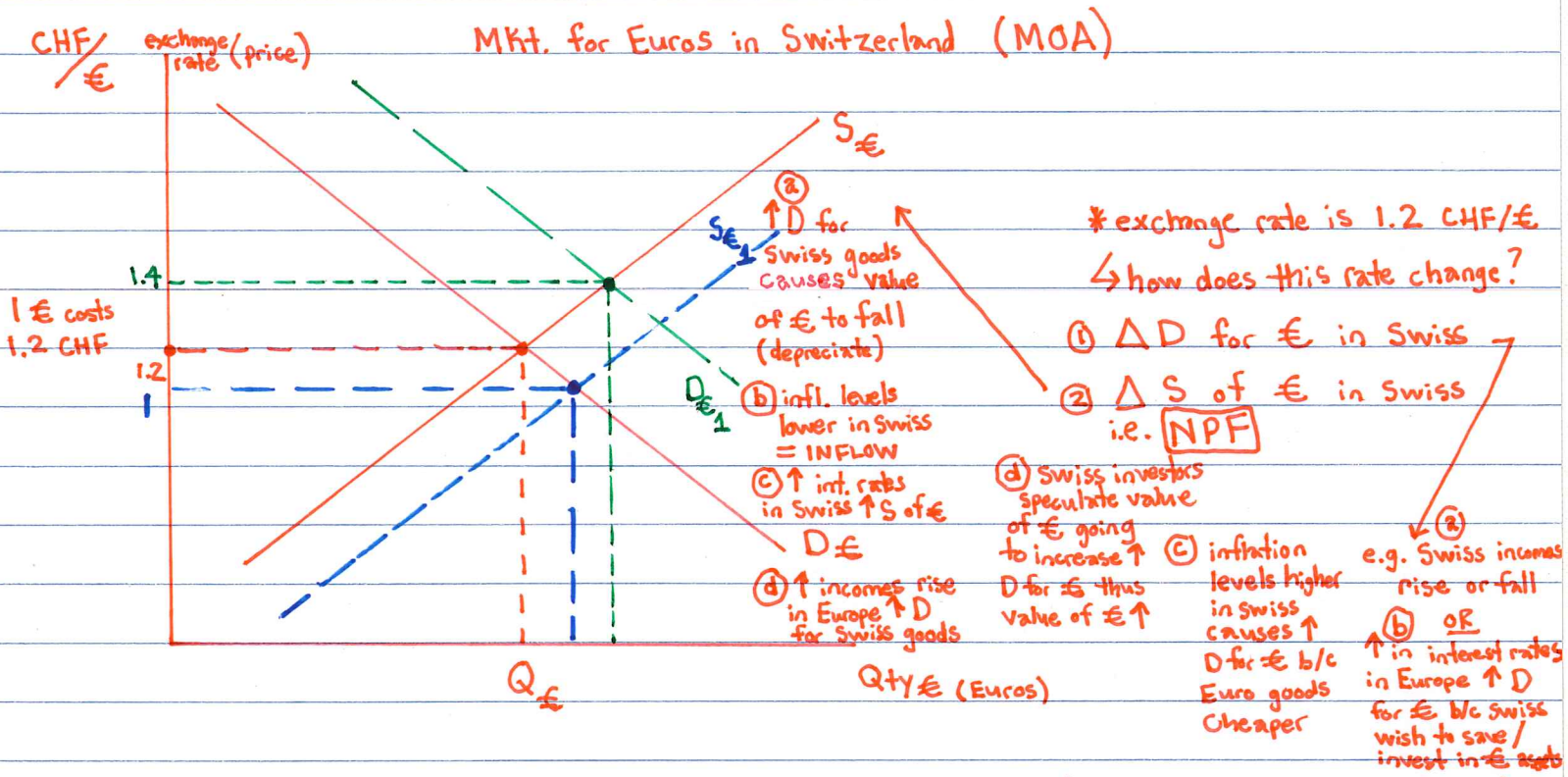


FXM - Determining Exchange Rates

FXM in Swiss

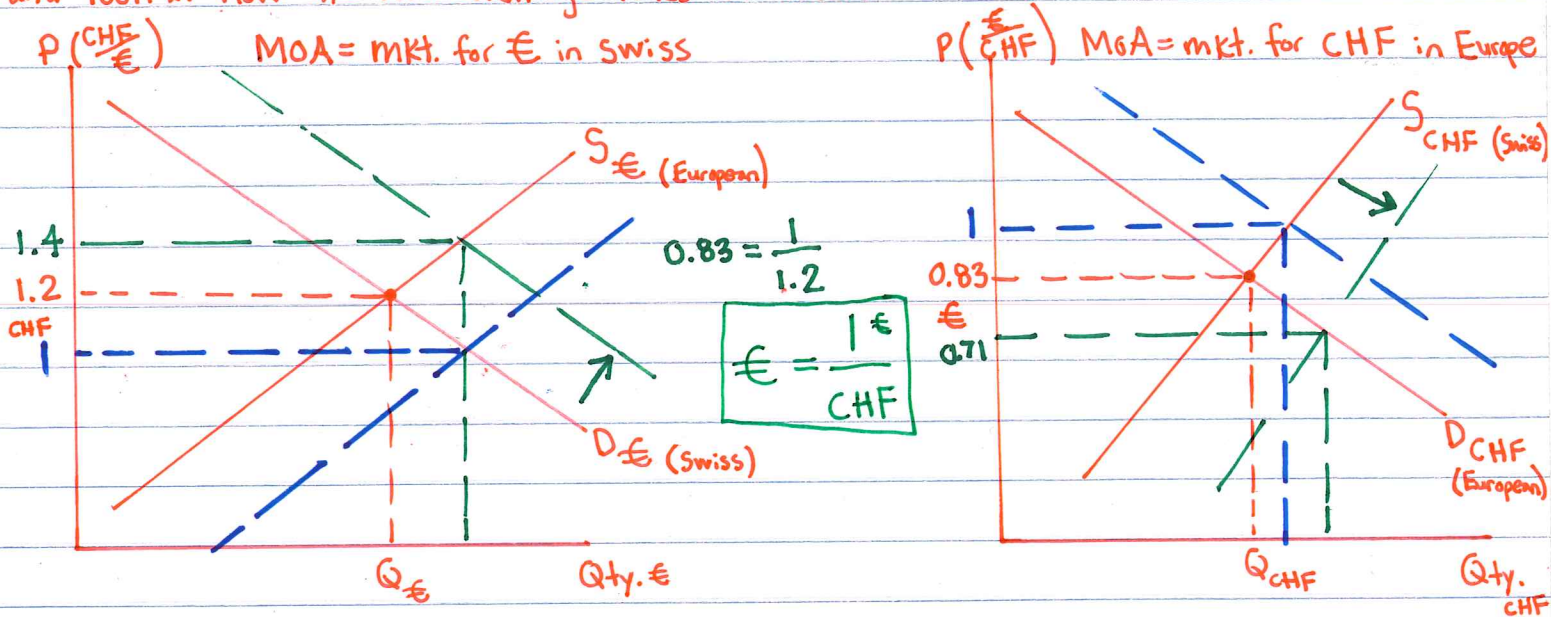


$D_{\text{€}}$ Swiss demanding European goods, services & assets (thus swiss demand for Euros)

$S_{\text{€}}$ Europeans buying Swiss goods, services & assets (€ INFLOW)

Price of Currency = Exchange Rate → Price for € is expressed in terms of Swiss Francs (CHF) i.e., the # of CHF / €
 OR Swiss Franc price of the € per

Mkt for Swiss Francs in Europe & compare the exchange rate for CHF to the exchange rate for € and look at how the two exchange rates are related



* € gains strength while CHF weakens

thus an \uparrow D for € causes the exchange rate of the € to appreciate in terms of CHF and the exchange rate for the CHF to depreciate in terms of €

an \uparrow in D for € corresponds with an increase in the supply of CHF

thus an \uparrow D for CHF corresponds with an increase in the supply of €

THUS (GR) when D for a currency changes, the supply of the other currency will change in the same direction

appreciates = stronger
depreciates = weaker