

Demand & Supply of Currency and Exchange Rates

Task 1 — Using the € / CHF case study, identify the appropriate NPF in each scenario and sketch the resulting shift in either D or S. Fully explain your answer.

MOA = € in Switzerland

1. Swiss investors speculate the € to appreciate next quarter.
2. Inflation in Europe is presently higher than in Switzerland.
3. Due to the recent Eurozone crisis, European incomes have dropped.
4. European interest rates overtake Swiss rates.
5. European investors speculate the CHF to depreciate next quarter.
6. Due to the *Swiss Unconditional Income Initiative*, Swiss incomes are rising.
7. Swiss inflation doubles that of Europe.
8. Swiss interest rates overtake European rates.

Task 2 — Indicate the impact of a fluctuating CDN\$ on exports and imports. Fully explain your answer.

1. The CDN\$ is depreciating.
2. The CDN\$ is appreciating.