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This is the analysis of the company Apple Inc. in overseas currency markets in which it conducts its business and two of them include; Europe`s Euro and China`s Chinese Yuan. These two markets provide a large proportion of the company`s overseas revenue.

The currency graph of the Chinese Yuan against the U. S Dollar is as displayed below. Details are derived from yahoo finance and they are of the time frame from the year 2011 to the year 2013.

The graph is for CNY/USD

The Chinese policy that is keen to stabilize the growth of the country since the currency has been experiencing a slow growth compared to the previous years and this is due to the global financial crisis that hit countries in Europe and the U. S.

These policies are put in place to assist the Chinese Yuan to continuously appreciate and the reason the Chinese government is converting the whole economy away from the typical investment and export driven to a model that relies on the domestic demand. This will force the measures to make sure the Chinese Yuan strengthens.

The strengthening of the U. S dollar which is expected to grow within the next 5 to 10 years and is presumably going to change the outlook of the Yuan currency is one considerate factor that policy makers in China have to look at.

The availability of considerable local government`s debt and the contingent debt that particularly created to provide the stimulus to the economy in 2008 and 2009, and having a total gross debt-to-gross domestic product ratio of the country China is about 65 per cent. This makes them an elite

economy.

China`s tolerance for a sustained rallying Yuan is in a bid to reinforcing its commitment to discourage the economy off of an export dependence.

China`s foreign currency reserves exploded by an upward increase of \$163 billion in the third of the year 2013, this being the largest absolute increase on record and the biggest percentage upscale since February 2007. The central bank to keep the Yuan from moving up too quickly it intervened as reflected and this is in a bid to attract more speculative inflows.

The broader the trading band the greater the volatility and the forecast of the Yuan to be at 1. 6 percent and also the uncertainties in the trajectory of growth of the Yuan has been because of the bullish Yuan.

The Euro currency has been displayed in the below chart as from the two years before. It shows the Euro currency against the U. S dollar.

The investors trading in the Euro currency market with exposure to the European market should seek to isolate European volatility through VSTOXX which measures the implied volatility. A quantitative barometer often used to measure volatility is beta, which portrays a stock price move in relation to the whole market.

When the beta is high it is generally attractive to short - term investors for the potential of larger capital gains in exchange for greater risk. Beta names tend to perform especially when markets are bullish and periods of controlled volatility.

So far, the company`s earnings in Europe has increased despite the depressed volatility across markets to a numerous number of months low. This has particularly opened up the opportunity for options being used in

relatively cheap bets.

The forecast of the Chinese Yuan is based on the monetary authorities measures and steps in the stabilization of the currency's growth. The country's economic growth with a high almost reaching a high of 10% leading to a steep rise in the inflation to about 6.9%. An effective method of slowing down the economic growth is through the appreciation of the exchange rate. This makes the export more expensive and thus reducing the demand in the export sector.

Despite the steady rises in the exchange rate there has been no reduction in the size of the trade deficit. It is increasingly difficult to keep the exchange rate down with the availability of surpluses in the country. In the previous year, the surplus in the U. S current account rose from 4% of GDP in 2004 to 11% of gross domestic product. Although there is a trade surplus there are no direct related currency valuations and this is nevertheless the reflection of the imbalances in the Chinese economy which could be equally reduced by revaluation of the currency.

When the dollar/Yuan peg was dropped, then the Yuan currency stood at a value 8.26 to the dollar and this was at the beginning of 2008 and it has since fallen to 7.27. Whereas the investment firms share this bullish outlook similar to the Yuan currency, it however seems to remain the degree to which this alters the stance to the value of the currency. The concern is more placed on unemployment and inequality despite the fears about inflation on the economy.

While a revaluation of the Yuan will assist the economy of China in dealing

with surplus though uncertainties still lie it is very likely in the long term the Chinese Yuan will continue its remorseless upward appreciation.

US Dollar to Euro Currency Exchange Rate

Past Trend Present Value & Future Projection

The forecast according to Forecast-Chart. com shows that the Euro will stand at roughly 0.70 Euros to the USD. In the coming times the Europeans interest rates and the euro will be evident with the European`s Central bank decision to use the rate to drive the market volatility through trades. As depicted in the German Consumer Prices a drop shown here arguably gives the Europe`s central bank the free space as far as inflation on the currency is concerned. This will dim the domestic growth prospects and coupled with uncertainties in the increasing political pressure on the Europe`s central bank to reduce the costs of borrowing.

The selloff in the EURUSD which will be particularly noteworthy will be caused by a dovish turn in the same Europe`s central bank rhetoric. An alternative to the investors will be the monitoring of the developments of the U. S economy. The U. S treasury plan to bail out credit markets will continue to drive sharp prices in the USD wherever traded and these indecisions in the plan will cause the infamous US Non-Farm payrolls report that will otherwise force major dollar volatility in the end of periods trading.

As predictions would have it, the strong upward jump will keep the bullish outlook in check but the levels of prices calls for more caution. If a support of near 1.3620 holds position and if there is a break over 1.3711 then further gains towards a figure of 1.3860 is expected.

The balance payments between China and the United Sates are that the U. S

has an overconsumption of products and China has on the other hand an overproduction. The economic trade between the U. S and China is the trade side and a financial side. In 2008, China exported \$338 billion worth of goods to the U. S and services and the U. S sold \$70 billion to China. Thus a net \$266 billion worth of goods and services were flowed to the U. S and despite the recession in the United States, they are still the net importer of Chinese goods and services.

The interests rates for China are likely to be affected since the currency has been allowed to trade within wider trading band. China`s currency is under pressure influencing its rise hence its difficulty to grow and a relative decline in the interest rates for the country. The appropriate interest rate is one set by free markets hence a floating exchange rate. The ultimate result would be on a net basis an increase in Chinese products which become cheaper therefore strengthening the Chinese government and the Chinese businesses.

The leadership transition in China has refocused many investors to have perspectives of the emerging markets. The leadership in China has the challenge of making transitions from an export driven economy to a more local demand based, high-income economy. The future years in the Chinese market will be focused on expanding the economic prosperity in a broader sense. The aim also is to avoid the middle income trap through minimal reliance on exports and high consumption.

For Apple, if the inflation is too high, consumer`s income is at the previous regular then the purchase of Apple products will be reduced. The sale of Apple is on the upsurge and the reduction in interest rates in the Chinese

markets makes the production of Apple products cheap hence more inflow to the Chinese currency. The market in Europe has undergone austerity measures and the interest's rates are low since banks have been bailed out and there is the consumer`s demand being induced for the drive of the economy this will equally have an effect in the Flow of revenue for Apple into the economy.

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