

International finance assignment



**ASSIGN
BUSTER**

For how long does the Federal Reserve consider this level as appropriate?

The federal reserve consider this level as appropriate at least as long as the employment rate remains above 6-1/2 percent, inflation between one and two years ahead is projected to be no more than a half percentage point above the Committee's 2 percent longer-run goal, and longer-term inflation expectations 1 OFF Exercise 3 point(s) 2 Suppose, inflation expectations for the US and Europe are roughly the same and at about 2%. . What expected rate of depreciation for the US-Dollar/Euro exchange rate) does the monetary model of the exchange rate imply? % b. Take answers 1 . A, 2. A, and 3. A together. According to these values, the CHIRP does not hold in its simplest form. What could be the reason? The reason might be that there is always risk premium. And also the targeted and expected values might not be certain all the time. 2 Exercise 4 point(s) Go to the Weapon of the Bank for International Settlements.

Choose the section " Statistics", go to " Effective Exchange Rates" and open the Excel file for " Broad Indices". A. What is the real effective exchange rate for China in January 1994? 65, 59 b. What is the real effective exchange rate for China in March 2013? 114, 02 According to the IBIS definition, a decrease of the (real/nominal) effective exchange ate indicates a (real/nominal) depreciation. C. Did the Chinese Yuan appreciate or depreciate in real terms over the considered period?

The Chinese Yuan appreciated in the real terms over the considered period.

D. What could be the explanation for your result in 4. C? Chinese people can buy the products that are produced by other countries easily because their currency are more valuable than it is used to be. The Yuan has appreciated

against other currencies over the years. Declaration of I declare that all questions of the participation assignment were answered by my own. 3