Question #1 of 27

Question ID: 1573087

In the currency market, traders quote the:

A) base currency rate.

B) nominal exchange rate.

C) real exchange rate.

Question #2 of 27

Question ID: 1573085

If we compare the prices of goods in two countries through time, we can use the price information in concert with the quoted foreign exchange rate to calculate the:

A) interest rate spread.

B) nominal exchange rate.

C) real exchange rate.

Question #3 of 27

Question ID: 1573094

In the foreign exchange markets, transactions by households and small institutions for tourism, cross-border investment, or speculative trading comprise the:

A) real money market.

B) retail market.

C) sovereign wealth market.

Question #4 of 27

Question ID: 1573092

The sell side of the foreign exchange markets primarily consists of:

A) multinational banks that deal in currencies.

B) firms and investors that are hedging their currency risks.

C) firms and investors that require foreign currencies for transactions.

Question #5 of 27

Question ID: 1573101

With respect to exchange rate regimes, crawling bands are *most likely* used in a transition toward:

A) a fixed peg arrangement.

B) a monetary union.

C) floating exchange rates.

Question #6 of 27

Question ID: 1573088

An exchange rate at which two parties agree to trade a specific amount of one currency for another a year from today is *best* described as a:

A) future exchange rate.

B) forward exchange rate.

C) real exchange rate.

Question #7 of 27

Question ID: 1573108

A government that wishes to reduce the volatility of domestic asset prices and protect domestic industries is *most likely* to:

A) adopt voluntary export restraints.

B) impose capital restrictions.

C) participate in regional trading agreements.

Question #8 of 27

Question ID: 1573107

Which approach to analysis of trade deficits indicates that in the absence of excess capacity in the economy, currency devaluation provides only a temporary improvement in a country's trade deficit, and that long-term improvement requires either a smaller fiscal deficit or a larger excess of domestic savings over domestic investment?

A) Real wealth approach.

B) Absorption approach.

C) Elasticities approach.

Question #9 of 27

Question ID: 1573105

The Marshall-Lerner condition suggests that a country's ability to narrow a trade deficit by devaluing its currency depends on:

A) capacity utilization in the domestic economy.

B) elasticity of demand for imports and exports.

C) national saving relative to domestic investment.

Question #10 of 27

Question ID: 1573086

Assuming no changes in the prices of a representative consumption basket in two currency areas over the measurement period, changes in the nominal exchange rate:

A) can be converted to the real exchange rate using interest rates.

B) can be extrapolated to calculate interest rates.

C) are equal to changes in the real exchange rate.

Question #11 of 27

Question ID: 1573090

At a base period, the CPIs of the countries of Tuolumne (currency is the TOL) and Bodee (currency is the BDE) are both 100, and the exchange rate is 0.90 BDE/TOL. One year later, the exchange rate is 0.75 BDE/TOL, and the CPI has risen to 110 in Tuolumne and 105 in Bodee. The real exchange rate is *closest* to:

A) 0.72 BDE/TOL.

B) 0.79 BDE/TOL.

C) 0.83 BDE/TOL.

Question #12 of 27

Question ID: 1573091

Participants in foreign exchange markets that can be characterized as "real money accounts" *most likely* include:

A) central banks.

B) hedge funds.

C) insurance companies.

Question #13 of 27

Question ID: 1573106

Under the absorption approach, which of the following is *least likely* required to move the balance of payments toward surplus?

A) Decreased domestic expenditure relative to income.

B) Increased savings relative to domestic investment.

C) Sufficient elasticities of export and import demand.

Question #14 of 27

Question ID: 1573109

A government that imposes restrictions on capital flows into or out of its country is *most likely* attempting to:

A) encourage competition among domestic industries.

B) reduce the volatility of domestic asset prices.

C) implement floating exchange rates.

Question #15 of 27

Question ID: 1573089

The difference between Country D's nominal and real exchange rates with Country F is *most* closely related to:

A) Country D’s inflation rate.

B) the ratio of the two countries’ price levels.

C) the risk-free interest rates of the two countries.

Question #16 of 27

Question ID: 1573100

In which of the following exchange rate regimes can a country participate without giving up its own currency?

A) Crawling peg or formal dollarization.

B) Monetary union or currency board.

C) Target zone or conventional fixed peg.

Question #17 of 27

Question ID: 1573103

Akor is a country that has chosen to use a conventional fixed peg arrangement as the country's exchange rate regime. Under this arrangement, Akor's exchange rate against the currency to which it pegs:

A) will be equal to the peg rate.

B) is market-determined.

C) may fluctuate around the peg rate.

Question #18 of 27

Question ID: 1573102

A country's central bank announces a monetary policy goal of a stable exchange rate with the euro, which it defines as deviations of no more than 3% from its current exchange rate of 2.5000. The country's exchange rate regime is *best described* as a:

A) crawling band.

B) fixed peg.

C) target zone.

Question #19 of 27

Question ID: 1573096

The exchange rate for Chinese yuan (CNY) per euro (EUR) changed from CNY/EUR 8.1588 to CNY/EUR 8.3378 over a 3-month period. It is *most accurate* to state that the:

A) CNY has depreciated 2.19% relative to the EUR.

B) EUR has appreciated 2.15% relative to the CNY.

C) EUR has appreciated 2.19% relative to the CNY.

Question #20 of 27

Question ID: 1573104

The tendency for currency depreciation to increase a country's trade deficit in the short run is known as the:

A) absorption effect.

B) J-curve effect.

C) Marshall-Lerner effect.

Question #21 of 27

Question ID: 1573093

Which of the following would least likely be a participant in the forward market?

A) Arbitrageurs.

B) Long-term investors.

C) Traders.

Question #22 of 27

Question ID: 1573097

The exchange rate for Australian dollars per British pound (AUD/GBP) was 1.4800 five years ago and is 1.6300 today. The percent change in the Australian dollar relative to the British pound is closest to:

A) appreciation of 10.1%.

B) depreciation of 10.1%.

C) depreciation of 9.2%.

Question #23 of 27

Question ID: 1573098

The exchange rate for Japanese yen (JPY) per euro (EUR) changes from 98.00 to 103.00 JPY/EUR. How has the value of the EUR changed relative to the JPY in percentage terms?

A) Appreciated by 4.9%.

B) Appreciated by 5.1%.

C) Depreciated by 4.9%.

Question #24 of 27

Question ID: 1573095

In the context of the foreign exchange market, investment accounts are said to be leveraged if they:

A) borrow and sell foreign currencies.

B) buy currencies on margin.

C) use derivatives.

Question #25 of 27

Question ID: 1573099

If the exchange rate value of the CAD goes from USD 0.60 to USD 0.80, then the CAD:

A) appreciated and Canadians will find U.S. goods cheaper.

B) depreciated and Canadians will find U.S. goods cheaper.

C) depreciated and Canadians will find U.S. goods more expensive.

Question #26 of 27

Question ID: 1573084

Other things equal, a real exchange rate (stated as units of domestic currency per unit of foreign currency) will decrease as a result of an increase in the:

A) domestic price level.

B) foreign price level.

C) nominal exchange rate (domestic/foreign).

Question #27 of 27

Question ID: 1573110

Which of the following is *least likely* a common objective of governmental capital restrictions?

A) Keep domestic interest rates high.

B) Maintain fixed exchange rates.

C) Reduce the volatility of domestic asset prices.