**CONCEPT:** EXCHANGE RATES AND EQUILIBRIUM

● The exchange rate for a currency will depend on the ***supply and demand*** of that currency

□ *Quantity of USD demanded* → “_______”

> A high value USD will lead to:

- Less exports
- Less foreign demand for US Investments

> A low value USD will lead to:

- More exports
- More foreign demand for US Investments

□ *Quantity of USD supplied*

> A high value USD will lead to:

- More imports
- More US demand for foreign investments

> A low value USD will lead to:

- Less imports
- Less US demand for foreign investments

Equilibrium in the Exchange Rate Market