

Factors affecting exchange rates

Instructions for teacher:

There are 5 stories about exchange rate movements, illustrating some of the factors that might affect exchange rates. Useful as a consolidation exercise after the basics of exchange rate supply and demand analysis have been covered.

Tell the students that the following stories show changes in exchange rates from around the world over the last few years. In each case, have them identify the relevant factors explaining why the named exchange rate is moving and then draw a supply and demand diagram to illustrate.

Pound Falls against Swiss Franc (GBP/CHF) as General Election Fears Dampen Currency

The pound slipped against the Swiss franc on Tuesday as general election uncertainty dominated the UK currency. In the months leading up to May, the pound is expected to soften as the prospect of a political shakeup takes hold. If no party wins the vote with a majority, the fate of UK politics could be unsteady. Controversial political party UKIP won two seats in parliament last year—a development which caused heavy uncertainty for the election. Furthermore, it's expected that UK growth could be stunted as a result of political change.

Currency: Pound (vs swiss franc)

Source: Currency News

http://www.currencynews.co.uk/forecast/20150317-12118_pound-to-swiss-franc-exchange-rate-falls-general-election-2015.html

EUR/USD Exchange Rate Plunges: Greece-Germany Tensions & FED Hike Speculation Weigh

The euro exchange rate continued to decline closer to parity against the US dollar as the European Central Bank's (ECB) €1.1 trillion quantitative easing programme begins to bite in the currency markets. The EUR/USD tumbled by more than 1% to slide below the \$1.06 level for the first time in over 12 years.

A third of the euro's decline has occurred since last week as the US dollar surged higher on the back of a better than forecast jobs report which increased speculation that the US Federal Reserve will raise interest rates by the middle of the year.

Currency: Euro (vs US \$)

Source: Currency News

http://www.currencynews.co.uk/forecast/20150311-12059_euro-dollar-exchange-rate-plunges-eurusd-eur-greece-germany-fed-interest-rates.html

Swiss franc surges to fresh highs

The Swiss franc surged the most in at least two years, to a fresh high against the euro and a new peak against the dollar, as resurgent [concerns about eurozone government debt](#) and [fears about a global economic slowdown](#) boosted demand for the currency as a safe haven.

The Swiss currency rose 2.8 per cent against the euro. Analysts said concerns about eurozone growth had aggravated anxieties that the debt crisis in Greece and Portugal would spread to larger economies.

A surprise fall in US consumer spending also damaged confidence, sending the Swiss franc 2.4 per cent higher to SFr0.7646 against the dollar.

Demand for the Swiss currency rose as Swiss manufacturing performed well, making it a good investment.

August 2011

Currency: Swiss franc (vs euro/US\$)

Pound falls as UK trade deficit widens

The pound fell sharply against other major currencies following news that the UK's trade deficit has widened.

The pound fell nearly two cents, or 1.2%, against the dollar at \$1.4646, and by a cent against the euro.

Earlier, figures from the Office for National Statistics (ONS) showed that gap between the UK's imports and exports widened last month.

The value of imports exceeded exports by £3.7bn (\$5.5bn), up from £2.2bn gap recorded in February.

Currency: £ (vs euro/US\$)

Australian Dollar Weakens After RBA Cuts Interest Rates; NZ Currency Drops

Nov 1, 2011

Australia's dollar fell for a third day against its U.S. counterpart, the longest losing streak in six weeks, after the [Reserve Bank](#) cut [interest rates](#). [Australia's](#) dollar slid 1.8 percent to \$1.0338.

The Aussie dropped against the majority of its 16 most-traded peers after RBA Governor [Glenn Stevens](#) said inflation is close to the central bank's target, adding to prospects policy makers may further lower rates.

The RBA's Stevens and his board reduced the developed world's highest borrowing costs by a quarter-percentage point to 4.5 percent, the central bank said in a statement in Sydney today.

Australia's currency also slid after data showed manufacturing slowed in China, the two nations' major trading partner, meaning potentially reduced demand for exports.

Currency: Aus \$ (vs all others)