Teacher Answer Key

Case Study

1. ECB QE increased euro supply (depreciation); Fed tapering reduced dollar supply growth (appreciation of USD).

2. Exporters and inbound tourists benefited; domestic consumers and import-dependent firms faced higher costs.

Multiple Choice

1. B

2. C

3. D

Matching

1-E, 2-C, 3-B, 4-A, 5-D

Fill-in-the-Blank

1) speculation, 2) quantitative, 3) balance

Short Answer (Sample Responses)

Q1: A stronger currency raises export prices abroad, reducing competitiveness and sales volume.

Q2: To prevent excessive volatility, defend a peg, or control inflation by influencing money supply.

Q3: By buying or selling large currency volumes based on expected moves, speculators can magnify short-term swings.