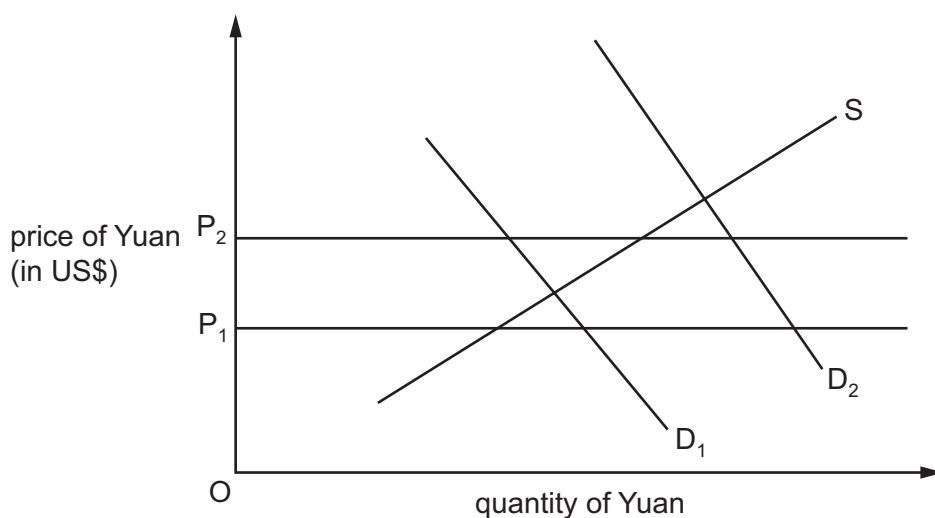


- 28 Assume the Chinese monetary authorities are committed to maintaining the exchange rate of China's currency, the Yuan, against the US\$ between P_1 and P_2 on the diagram.



What might they do if demand changed from D_1 to D_2 ?

- A impose controls on Chinese investment overseas
 - B increase interest rates
 - C sell US\$ from foreign exchange reserves
 - D sell Yuan on the foreign exchange markets
- 29 The table shows observations of the exchange rate of an economy and its current account balance over six years.

year	exchange rate (US dollars per unit of domestic currency)	current account balance (billions of US dollars)
1	2.0	-3
2	1.5	-5
3	1.5	-4
4	1.5	-3
5	1.5	0
6	1.5	+3

Which concept does the data in the table illustrate?

- A exchange rate appreciation
- B purchasing power parity
- C the J-curve effect
- D trade-weighted exchange rates