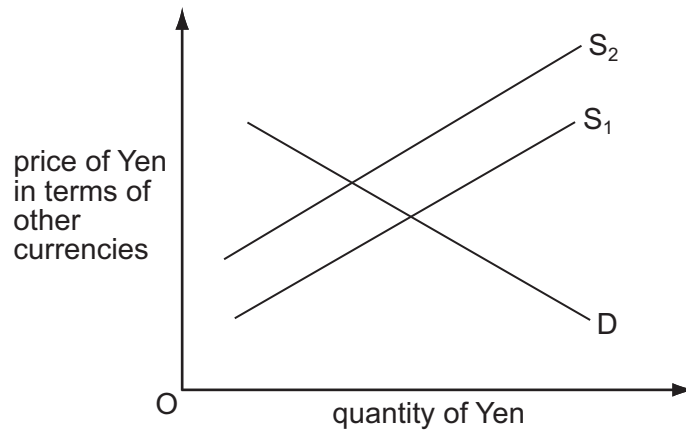


28 The diagram shows the market for Japanese Yen.



What could have caused the change in the supply of Yen from S_1 to S_2 ?

- A** a reduction in the level of international investment into Japan
- B** a reduction in the level of Japanese tariffs
- C** a reduction in the value of foreign goods imported into Japan
- D** a reduction in the value of Japanese goods exported

29 Country X trades with only two countries, the USA and Japan.

90 % of the country's trade is with the USA and 10 % is with Japan.

The original value of the trade-weighted exchange rate index is 100.

The value of country X's currency against the US\$ rises by 10%. The value of country X's currency against the Japanese yen rises by 50 %.

What will be the value of country X's new trade-weighted exchange rate index?

- A** 114
- B** 115
- C** 130
- D** 160

30 A government with a floating exchange rate wishes to encourage a rise in the international value of its currency.

What should it do?

- A** Lower the level of domestic interest rates.
- B** Reduce the amount of foreign currency available to its citizens.
- C** Reduce subsidies to its exporters.