



## **[Summary]**

### **Factors Affecting Exchange Rates Part - 2**

<b>Subject:</b>	Business Economics
<b>Course:</b>	B. A. (Hons.), 6 <sup>th</sup> Semester, Undergraduate
<b>Paper No. &amp; Title:</b>	Paper – 611 International Finance
<b>Unit No. &amp; Title:</b>	Unit – 4 Factors Affecting Exchange Rates and Exposures
<b>Lecture No. &amp; Title:</b>	Lecture – 2 Factors Affecting Exchange Rates Part-2

## **Summary**

The exchange rate is the rate at which one country's currency may be converted into another. It may fluctuate daily with the changing market forces of supply and demand of currencies from one country to another. For these reasons; when sending or receiving money internationally, it is important to understand what determines exchange rates. The major factors affecting exchange rates worldwide includes: Inflation rates, Interest rates, Public debt, Terms of trade, Balance of Payment, Speculation, Recession and Political stability & Important Factors affecting exchange rates in India include: Market Situations, Economic Factors- which are further subdivided into various internal factors as well as external factors, Political Factors and lastly Special Factors - some events happen in such a fashion that it is not a routine but it will really change the whole scenario of the market. I hope this session would have helped you in understanding the factors affecting foreign exchange rates under international financial management. Thank you.