



[Summary]

Factors Affecting Exchange Rates Part - 1

Subject:	Business Economics
Course:	B. A. (Hons.), 6 th Semester, Undergraduate
Paper No. & Title:	Paper – 611 International Finance
Unit No. & Title:	Unit – 4 Factors Affecting Exchange Rates and Exposures
Lecture No. & Title:	Lecture – 1 Factors Affecting Exchange Rates Part-1

Summary

Currencies are bought and sold, just like other commodities, in markets called foreign exchange markets. How currency values are established depends upon whether they are determined solely in free markets, called *freely floating*, or determined by agreements between governments, called *fixed* or pegged. So in this session we learnt the concepts of demand and supply condition of currency, factors affecting the shift or change of currency which included companies that export and import, foreign investors and banks, speculators who wish to engage in market activity, and central banks that control the movement of interest rates. Apart from this we will also understand one more curve and its effect called the J curve effect. We saw how it worked, its connection with economics and well as why it matters. Economic analysts and policymakers may factor the J-curve effect into their analyses and decisions as a way to gauge both short- and long-term effects of a variable change or new policy.