Assignment #3

International Finance

Due: Jun 13, 2015

You have to do the problem and the first essay. In order to receive full credit on the problem you must show each step in how you would go about calculating. The Essay question can be a paragraph or two in length. **PLEASE SHOW ALL WORK**

*Problem Question:*

The inflation rate is 13% in Euroland and 8% in Japan. The spot ER between Japanese yen and Euro is Yen100/euro1. What is the forward or expected spot exchange rate among the 2 currencies?

*Essay Question:*

Expound on the following. The US monetary authorities want to pursue expansionary monetary policy to increase the level of employment, since there is unemployment. Additionally, it wants to keep the value of the US dollar stable because it is a key reserve currency. Finally, it has a problem with insufficient saving, and it wants to attract capital from other currencies. Are those objectives attainable, or not. Explicate.