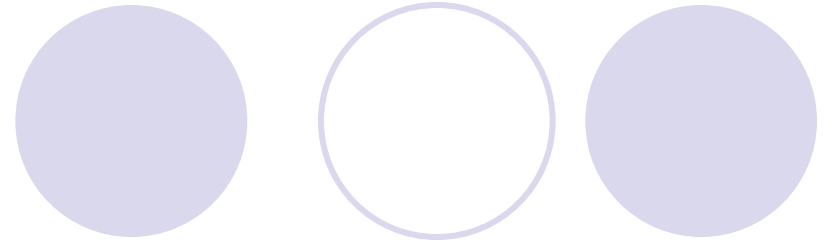


AUD	ARS	ALL	BRL	
BGN	BOB	COP		
CNY	CZK	EUR	EGP	
DKK		HKD	INR	
HUF	JPY	VEB	USD	
CHF	RUB	PLN	GBP	HRK
MKD	XAU			

WHAT FITS HERE?



- domestic ~
- stable ~
- foreign ~
- weak ~
- hard ~
- convertible ~
- common ~
- national ~



- (ex)change ~
- convert ~ (to)
- buy/sell ~
- devalue/revalue ~
- peg/fix ~ (to)
- ~ rises/falls
- ~ floats
- ~ fluctuates

one word fit all: CURRENCY (n.)

Adjective + currency

- domestic ~
- stable ~
- foreign ~
- weak ~
- hard ~
- convertible ~
- common ~
- national ~

Verb (vt*) + currency (object)

- (ex)change ~
- convert ~ (to)
- buy/sell ~
- devalue/revalue ~
- peg/fix ~ (to)

currency + verb (vi**)

- ~ rises/falls
- ~ floats
- ~ fluctuates

*transitive – followed by a direct object

**intransitive – no dir. object

Currencies

- the US dollar (USD / US\$)
- the euro (EUR / €)
- the yen (JPY / ¥)
- the British pound (GBP / £)
- the kuna (HRK)

the euro but 10.000 euros

*The dollar has slipped **by** around 3% **against** **the yen** and **the euro** since November.*

*Their house is now worth 250.000 **euros**.*

*For deposits in amount over USD 10.000,
EUR 10.000 or PLN 50.000*

Introduction

- a country's relative level of economic health. / Aside from factors / is one of the most important determinants of / such as interest rates and inflation, / the exchange rate
- Aside from factors such as interest rates Aside from factors such as interest rates and inflation Aside from factors such as interest rates and inflation, the exchange rate is one of the most important determinants of a country's relative level of

Intro. continued

- which is critical to / play a vital role in / almost every free market economy / a country's level of trade / Exchange rates / in the world.
- Exchange rates play a vital role in a country's level of trade, which is critical to almost every free market economy in the world.

- Exchange rate movements affect a nation's trading relationships with other nations:
- makes / A higher currency / a country's exports / cheaper / more expensive and / imports / in foreign markets.
- A higher* currency makes a country's exports A higher* currency makes a country's exports more expensive and imports cheaper in foreign markets.
 - * currency appreciates
- *When the exporter's currency appreciates, exports are becoming less / more profitable for the exporters and less / more expensive for the importers.*

- Exchange rate movements affect a nation's trading relationships with other nations:
- makes / A higher currency / a country's exports / cheaper / more expensive and / imports / in foreign markets.
- A higher* currency makes a country's exports A higher* currency makes a country's exports more expensive and imports cheaper in foreign markets.
* it appreciates
- When the exporter's *currency appreciates*, exports are becoming *less profitable* for the exporters and *more expensive* for the importers.

- A lower currency / a country's / makes / exports / and imports / cheaper / more expensive / in foreign markets.
- A lower* currency makes a country's exports cheaper and its imports more expensive in foreign markets.
 - * currency depreciates
- *When the exporters' currency depreciates, exports become _____ in the destination market.*

- A lower currency / a country's / makes / exports / and imports / cheaper / more expensive / in foreign markets.
- A lower* currency makes a country's exports cheaper and its imports more expensive in foreign markets.
 - * currency depreciates
- *When the exporters' currency depreciates, exports become cheaper in the destination market.*



Exchange rates

MK, U 26

Exchange rate is... (note: prepositions)

- the amount of one currency that can be bought **with** another
 - The exchange rate is 7.4 kunas **to** the euro.
 - The exchange rate is 5.48 kunas **to** the USD.
- the price **at** which one currency can be bought
- a rate **at** which one currency can be exchanged **into / for** another currency.
- value one currency **in** terms **of** other
 - € 1 = HRK 7.4
 - the conversion rate of every € to HRK

- Why do companies, institutions and people buy currencies?
- How is the value (the exchange rate) of the money in your pocket determined?
- Has the value HRK increased or decreased in the past few months?
- Has it increased or decreased since the summer? Why?
- Is the exchange rate of HRK fixed?
- What do we call this type of exchange rate?
- FLOATING
- Is it freely floating?

Which of the three rates are described below?

FIXED, MANAGED FLOATING or FLOATING E.R.?

1. a rate which is set by the govt. (central bank) only.....
2. a rate which is determined by the private market through supply and demand
3. its value will decrease only if demand is low (and vice-versa)
4. it does not change before it is centrally decided
5. if the rate changes more than the central bank allows, the bank intervenes (buys or sells the currency)
6. based on the free market only.....
7. its value will rise only if demand is high
8. a combination of the other two types
9. example of intervention in the economy

Which of the three rates are described below? **FIXED, MANAGED FLOATING or FLOATING E.R.?**

1. a rate which is set by the govt. only **FIXED E.R.**
2. a rate which is determined by the private market through supply and demand **FLOATING E.R.**
3. its value will decrease only if demand is low (and vice-versa) **FLOATING E.R.**
4. it does not change before it is centrally decided **FIXED**
5. if the rate changes more than the central bank allows, the bank intervenes (buys or sells the currency) **MANAGED FLOATING E.R.**
6. based on the free market only **FLOATING**
7. its value will rise only if demand is high **FLOATING**
8. a combination of the other two types **MANAGED FLOAT.**
9. example of intervention in the economy **FIXED E.R.,
MANAGED FLOATING E.R.**

Read **EXCHANGE RATES**, pg. 1

MK, U 26, p 128 and **match with a heading**

- The Bretton-Woods Agreement of 1944 established _____ exchange rates, defined in terms of _____ and the US dollar. Between 1944 and 1971 many currencies were _____ the US dollar, i.e. their parities with the US dollar were fixed. One US dollar was a promissory note issued by the US Treasury and could be exchanged for 1/35th of an _____ of gold. Under this system, fixed exchange rates could only be adjusted (revalued or _____) with the agreement of the _____.

EXCHANGE RATES, pg. 1

MK, p 128 – HEADING: **Gold convertibility**

- The Bretton-Woods Agreement of 1944 established *fixed* exchange rates, defined in terms of *gold* and the US dollar. Between 1944 and 1971 many currencies were *pegged against* the US dollar, i.e. their parities with the US dollar were fixed. One US dollar was a promissory note issued by the US Treasury and could be exchanged for 1/35th of an *ounce* of gold. Under this system, fixed exchange rates could only be adjusted (revalued or *devalued*) with the agreement of the *International Monetary Fund*.

- The Bretton-Woods system of gold _____ and pegging _____ the dollar was abandoned in 1971, because following inflation, the Federal Reserve did not have enough gold to _____ its currency.

Say which: **devaluated or revaluated**

- An overvalued currency had to be _____.
- An undervalued currency had to be _____.
- Currencies could only be adjusted with the agreement of the _____.

- The Bretton-Woods system of gold *convertibility* and *pegging* against the dollar was abandoned in 1971, because following inflation, the Federal Reserve did not have enough gold to *guarantee* its currency.

Say which: *devaluated* or *revaluated*

- An overvalued currency had to be *devaluated*.
- An undervalued currency had to be *revaluated*.
- Currencies could only be adjusted with the agreement of the *IMF*.

Please, read **pg. 2** & match with a heading

- Most western countries have had _____ exchange rates ever since 1971. This means that exchange rates are determined by the market _____ - the quantities _____ and _____. If demand exceeds supply, the price will _____; if supply exceeds demand, the price of a currency will _____. Milton Friedman, for example, was a _____ of freely floating exchange rates. He _____ that currencies would automatically settle at stable rates which would _____ underlying economic _____. However, proponents of freely floating exchange rates _____ the impact of speculation.

Pg. 2 – heading: **Market forces**

- Most western countries have had *floating* exchange rates ever since 1971. This means that exchange rates are determined by the market *forces* - the quantities *bought* and *sold*. If demand exceeds supply, the price will *rise*; if supply exceeds demand, the price of a currency will *fall*. Milton Friedman, for example, was a *proponent* of freely floating exchange rates. He *argued* that currencies would automatically settle at stable rates which would *reflect* underlying economic *conditions*. However, proponents of freely floating exchange rates *underestimated* the impact of speculation.

Read pg. 3 & match with a heading

- PPP stands for _____.

Purchasing power – the ability to buy things

Parity – the state of being the same or equal

If HRK and GBP have PPP, an amount of HRK needed to buy particular goods in Croatia will buy _____ amount of goods in the United Kingdom when exchanged into GBP.

- If floating exchange rates gave PPP, the cost of a given selection of goods would be the same in different countries.
- Floating exchange rates do not give PPP because of currency _____.
- As much as _____% of world's currency transactions are purely speculative.

Pg. 3 – heading: Parity and speculation

- PPP stands for *purchasing power parity*.

Purchasing power – the ability to buy things

Parity – the state of being the same or equal

If HRK and GBP have PPP, an amount of HRK needed to buy particular goods in Croatia will buy *the same* amount of goods in the United Kingdom when exchanged into GBP.

- If floating exchange rates gave PPP, the cost of a given selection of goods would be the same in different countries.
- Floating exchange rates do not give PPP because of currency *speculations*.
- As much as *95%* of world's currency transactions are purely speculative.

Please, read **pgs. 4 & 5**
match with headings

Match to create collocations used in pgs. 4&5

- intervene currency reserves
- hedge contracts
- raw planning
- futures markets
- forward of the Euro
- export against currency fluctuations
- establishment materials
- foreign in exchange markets

Pg. 4 – Counteracting speculation

Pg. 5 – Market interventions

Match to create collocations used in pgs. 4&5

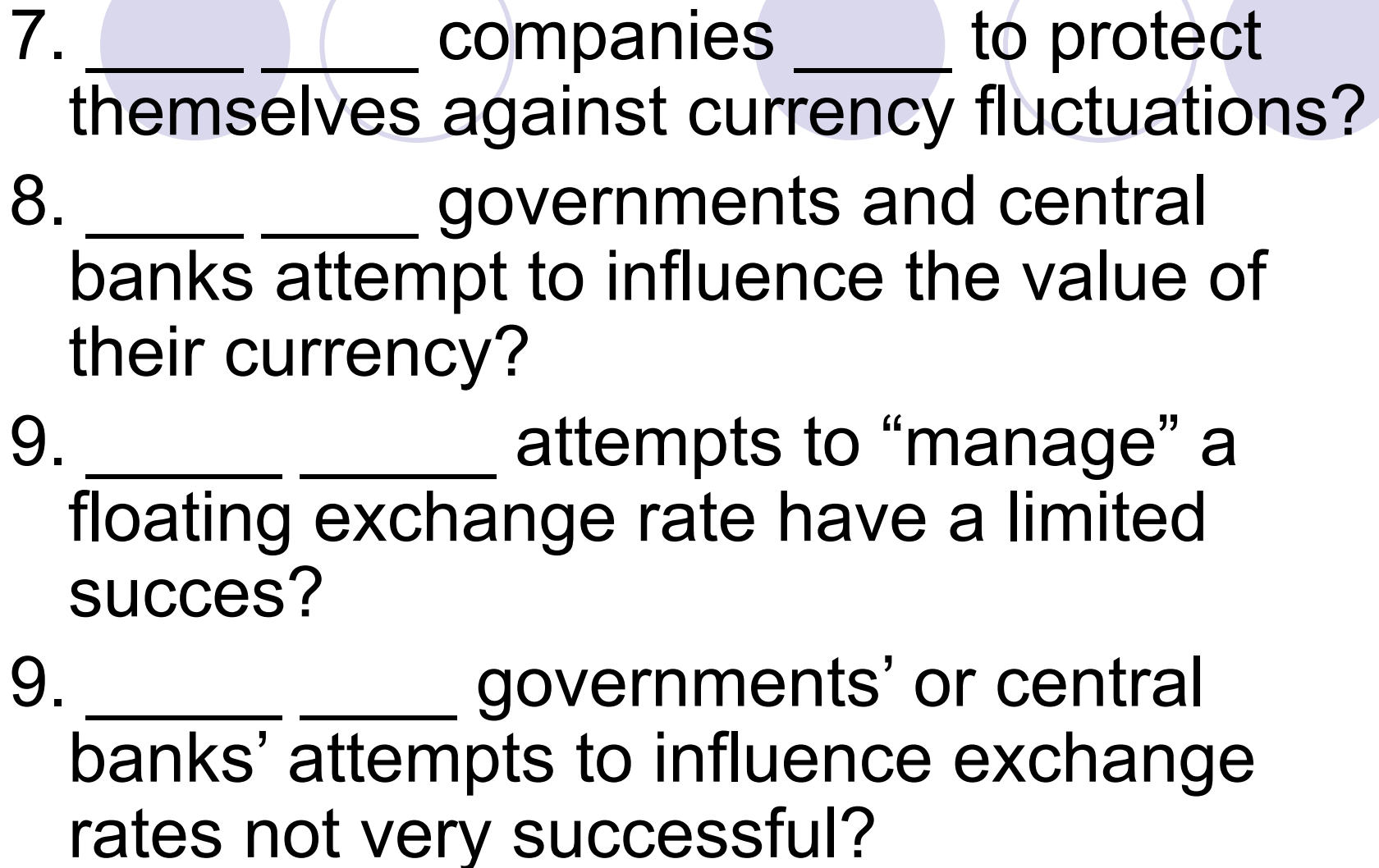
- intervene in exchange markets reserves
- Hedge against currency fluctuations
- raw materials
- futures contracts
- forward planning
- export markets
- establishment of the Euro
- foreign currency

Comprehension: Write questions

1. _____ gold convertibility?
2. _____ the Federal Reserve end the system of gold convertibility in 1971? OR
_____ gold convertibility end in 1971?
3. _____ a floating exchange rate determined?
4. _____ happen if there was PPP? OR
_____ happen if currencies were correctly valued?
5. _____ speculators buy foreign currencies?
6. _____ of world currency transactions _____ purely speculative?

Comprehension: Write questions

1. What was gold convertibility?
2. Why did the Federal Reserve end the system of gold convertibility in 1971? OR
Why did gold convertibility end in 1971?
3. How is a floating exchange rate determined?
4. What would happen if there was PPP?
What would happen if currencies were correctly valued?
5. Why do speculators buy foreign currencies?
6. What proportion of world currency transactions are purely speculative?

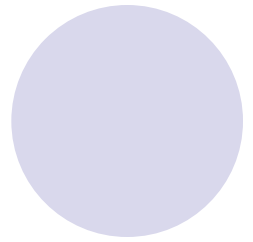
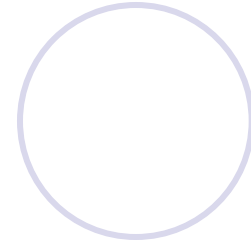
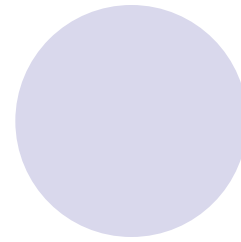
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7. _____ companies _____ to protect themselves against currency fluctuations?
 8. _____ governments and central banks attempt to influence the value of their currency?
 9. _____ attempts to “manage” a floating exchange rate have a limited success?
 9. _____ governments’ or central banks’ attempts to influence exchange rates not very successful?

7. How can companies try to protect themselves against currency fluctuations?
8. How can governments and central banks attempt to influence the value of their currency?
9. Why do attempts to “manage” a floating exchange rate have a limited success? OR
Why are governments’ or central banks’ attempts to influence exchange rates not very successful?

Vocabulary, p 129

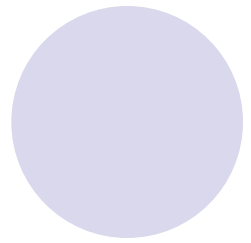
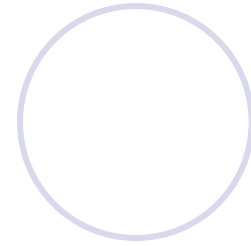
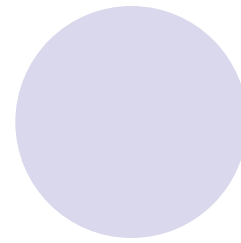
Vocabulary, p 129

- 1 revalue
- 2 devalue
- 3 floating
- 4 proponents
- 5 depreciate
- 6 appreciate
- 7 hedge
- 8 fluctuations
- 9 futures contracts



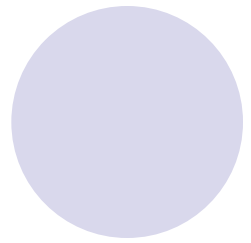
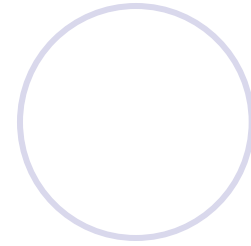
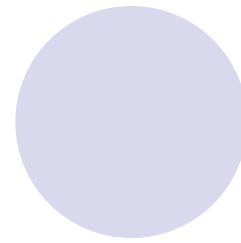
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Vocabulary, p 129

- 1 revalue
- 2 devalue
- 3 floating
- 4 proponents
- 5 depreciate
- 6 appreciate
- 7 hedge
- 8 fluctuations
- 9 futures contracts



Listening 1:

Currency flows and the Tobin Tax

1. “Hot money” is s_____ money that is invested in a c_____ for a very short time, which means that it is f_____ in and out of a country very q_____.
2. I_____ u_____ and falling o_____.
3. Tobin Tax is a very s_____ t_____ on currency p_____ and currency s_____. It is d_____ to reduce c_____ s_____.

Listening 1:

Currency flows and the Tobin Tax

1. “Hot money” is speculative money that is invested in a currency for a very short time, which means that it is flowing in and out of a country very quickly.
2. Increased unemployment and falling output.
3. Tobin Tax is a very small tax on currency purchase and currency selling. It is designed to reduce currency speculations.

Listening 1:

Currency flows and the Tobin Tax – cont.

4. “Highly ” currency is
 or selling currency with
money.
5. It would probably or “ down”
 trading and .
6. makes global possible.

Listening 1:

Currency flows and the Tobin Tax – cont.

4. “Highly leveraged” currency trading is buying or selling currency with borrowed money.
5. It would probably reduce or “dampen down” currency trading and currency fluctuations.
6. ICT makes global coordination possible.
ICT is i_____ and c_____ t_____.

Listening 1:

Currency flows and the Tobin Tax – cont.

4. “Highly leveraged” currency trading is buying or selling currency with borrowed money.
5. It would probably reduce or “dampen down” currency trading and currency fluctuations.
6. ICT makes global coordination possible.
ICT is information and computer technology.

Listening 2: Developing Africa

1. Because they won't get a s _____
r _____ of return, or a p _____.
2. Africa would get a s _____ social rate
of r _____: better education, better
economic g _____, better standards of
living, longer l _____ e _____.

Listening 2: Developing Africa

1. Because they won't get a sufficient rate of return, or a profit.
2. Africa would get a significant social rate of return: better education, better economic growth, better standards of living, longer life expectancy.

1st Progress test, 18 April, 2011

12.00 - group 11_1 13.00 – group 11_2

- **Topics covered:** → Reader, p 1: all but Graph Description & Finance
 - ***Meetings (R)***
 - ***Report writing (R)***
 - ***Marketing***
 - Products (R + MK 11)
 - Marketing (R + MK 12)
 - Advertising (R + MK 13)
 - ***Trade***
 - Retail and Wholesale, visible - invisible (R)
 - International trade, barriers to free trade (R + MK27)
 - ***Banking***
 - Banking (R + MK 14)
 - Insurance (R)
 - Central banking (R)
 - Exchange rates (MK 26)

Preparing for the written and oral exam

- read each relevant text
- underline unknown words/expressions
- find their meaning (dict., note-book, slides, web,...)
- make sure you understand all the text
- consider the various related texts and materials as elements contributing to your general understanding of a certain topic
- see which of the words/expressions in the texts were important for this topic (slides, notebook, vocabulary sections in MK and Reader)
- explain their meaning in simple English
- retell the main message of each text orally
- be prepared to discuss various topics and present your personal views
- Think what ex. could be expected in the test

Types of exercises you can expect:

- Read the definition/explanation and provide the right term
- Supply the missing word to make strong word partnerships, or use the expression to answer a question or write about a (given) topic
- Find the odd one out & explain your answer
- Complete the text by filling in the missing words
- Fill in the missing prepositions
- Compare X and Y
- Discuss advantages and disadvantages of X
- Downtone the following sentences (Lang. of meetings - PE2)
- Translate (key terms) into or from Croatian
- Write questions to which sentences below could be the answers.
- **Write a one-page report – you can bet! – 20 points**