**How does the value of the dollar in the Forex exchange get established?**

**Learning objective:**

Identify factors that influence the value of any currency in the Forex marketplace.

**Materials needed:** Econ money Currency KitKats

**Procedure:**

1. Distribute money to students in the class 
2. Explain that they will need to exchange their money to purchase a candy bar in the USA
3. A student recorder of the change of the value of the econ dollars in relation to the US currency
4. Banker to exchange the money
5. Business owner sells the candy bar

**First Round:** Start the bidding for the US dollar to buy the candy. This will be slow. Students at the beginning will not understand what they are doing.

**Second Round:** State that the employment in the country has increased Distribute more money. More workers results in more money in the economy.

**Third Round:** This candy bar could prevent people from getting cancer. People are taking money out of their savings to buy these candy bars More money is created.

**Fourth round:** The Federal Reserve Bank is buying bonds. More money is distributed

**Fifth round:** The report in the USA is GDP increased by 3%. Distribute more money.

**Sixth round:** Prices in Canada ha ve increased by 10%. as compared to the USA.

**Seventh round:** Interest rates in Canada are higher than in the US A.

**Conclusion:**

1. The demand and supply of money determines the value
2. Monetary policy (IR) can determine the value of the US dollar
3. Economic conditions influence the value currency
4. You must supply one currency and demand another currency
5. When you supply the currency it depreciates. When you demand a curr ency it appreciates.
6. Graph the Forex for an increase in supply and increase in demand

**Assignment for tomorrow:**

1. With interest rates so low, why was the USA dollar so strong?
2. Create four scenarios to share with the class