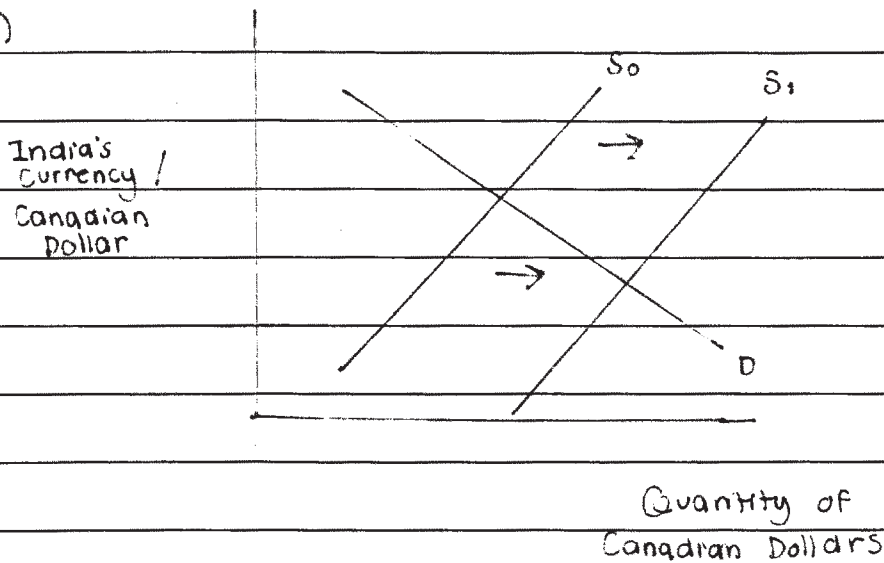


Write in the box the number of the question you are answering on this page as it is designated in the exam.

3

3A
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a.)



i.) Supply of Canadian dollars increase because there will be an increase in net capital outflow in Canada. As India's real interest rate rise, Canadian would want to save their money, or buy bonds and stocks, in India, and fewer people, both international and Canadian domestic would want to save in Canada. Thus, demand for Canadian dollars decrease and supply of Canadian dollar increase (shifts right).

ii.) The value of Canadian dollar decreases or depreciates relative to Indian currency.

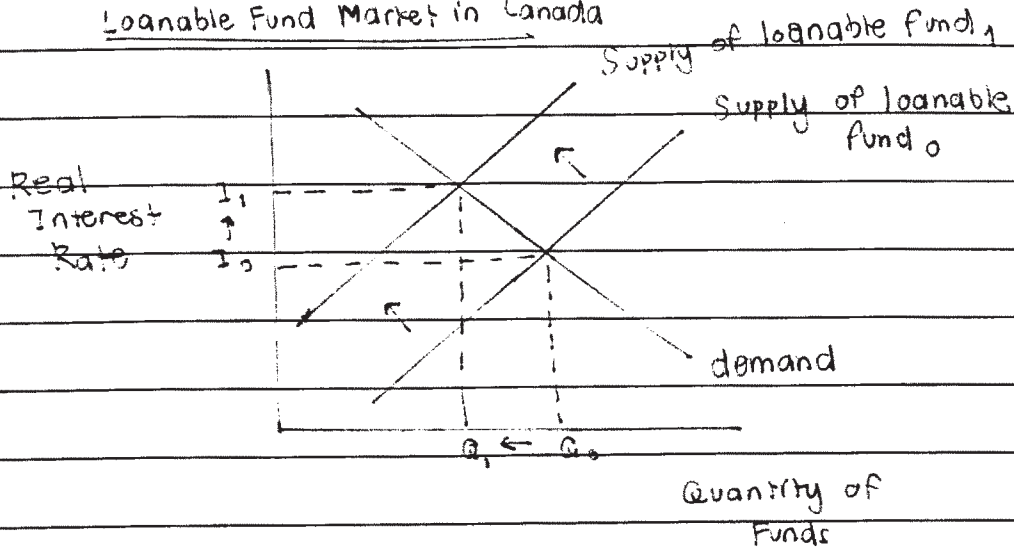
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Write in the box the number of the question you are answering on this page as it is designated in the exam.

3A
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Loanable Fund Market in Canada

b.)



Real Interest rises as supply of loanable fund decreases (shifts to the left). This decrease in supply of fund results from less saving in Canada.