

ACTIVITY 19.1**CASE STUDIES OF INTERNATIONAL INVESTING**

Directions: In the three cases below, investors are buying foreign stocks and bonds. Read the cases and respond to the questions. First, determine how many shares of the foreign corporation's stock can be purchased with \$10,000 before and after the exchange rate changes. Then, in the blanks supplied, write *appreciate* or *depreciate* to tell whether the dollar is appreciating (becoming stronger) or depreciating (becoming weaker) compared to the foreign currency.

- A. Susie wishes to purchase shares in the Mexican company, Oil Mexico. This company's stock sells on the Mexican Stock Exchange for 120 pesos per share.
1. When the exchange rate is 12.8 pesos per 1 U.S. dollar, how many shares of Oil Mexico can Susie buy with \$10,000? Show your work. _____
 2. When the exchange rate is 14.5 pesos per 1 U.S. dollar, how many shares of Oil Mexico can Susie buy with \$10,000? Show your work. _____
 3. Did the U.S. dollar *appreciate* or *depreciate* with respect to the peso between question 1 and question 2? _____
- B. Hans is a European investor. He wishes to purchase shares in the U.S. company, Apple Pie, Inc. This company's stock sells on the New York Stock Exchange for 100 dollars per share.
1. When the exchange rate is 0.9 dollars per 1 euro, how many shares of Apple Pie, Inc. can Hans buy with 10,000 euros? Show your work. _____
 2. When the exchange rate is 0.8 dollars per 1 euro, how many shares of Apple Pie, Inc. can Hans buy with 10,000 euros? Show your work. _____

3. Did the euro *appreciate* or *depreciate* with respect to the dollar between question 1 and question 2? _____
- C. Benny wishes to purchase shares in the Japanese company, Chop Sticks, Inc. The company's stock sells on the Tokyo Stock Exchange for 3,000 yen per share.
1. When the exchange rate is 300 yen per 1 dollar, how many shares of Chop Sticks, Inc. can Benny buy with \$10,000? Show your work. _____

 2. When the exchange rate is 250 yen per 1 dollar, how many shares of Chop Sticks, Inc. can Benny buy with \$10,000? Show your work. _____

 3. Did the U.S. dollar *appreciate* or *depreciate* with respect to the yen between question 1 and question 2? _____