W

Currency Clash

WITSOOTH · CLEVER TRUTH

AP MACROECONOMICS · UNIT 6

Name ____________________ Period ________

DRIVING QUESTION

When Americans buy more Canadian maple syrup, the Canadian dollar strengthens. But something in the US dollar market has to move too — what, and why is it the exact opposite?

Gut instinct now. Answer it again at the end using the mirror relationship.

BEFORE THE GAME

"The Canadian dollar hit a three-year high against the USD this week, driven by surging oil exports to the United States." One trade, two currency markets — and they didn't move independently.

Your gut answer — when Americans buy Canadian oil, they're paying in USD but the seller wants CAD. What has to happen to make that trade work?

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Quick prediction — if demand for CAD rises, does the supply of USD in that same transaction rise, fall, or stay put?

☐ Rise ☐ Fall ☐ Same

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DURING THE GAME — CALL BOTH MARKETS

EVENT	CAD DEMAND	CAD SUPPLY	USD DEMAND	USD SUPPLY	CAD RESULT	USD RESULT
__________	☐ L ☐ H ☐ R	☐ L ☐ H ☐ R	☐ L ☐ H ☐ R	☐ L ☐ H ☐ R	☐ Appr. ☐ Depr.	☐ Appr. ☐ Depr.
__________	☐ L ☐ H ☐ R	☐ L ☐ H ☐ R	☐ L ☐ H ☐ R	☐ L ☐ H ☐ R	☐ Appr. ☐ Depr.	☐ Appr. ☐ Depr.
__________	☐ L ☐ H ☐ R	☐ L ☐ H ☐ R	☐ L ☐ H ☐ R	☐ L ☐ H ☐ R	☐ Appr. ☐ Depr.	☐ Appr. ☐ Depr.
__________	☐ L ☐ H ☐ R	☐ L ☐ H ☐ R	☐ L ☐ H ☐ R	☐ L ☐ H ☐ R	☐ Appr. ☐ Depr.	☐ Appr. ☐ Depr.
__________	☐ L ☐ H ☐ R	☐ L ☐ H ☐ R	☐ L ☐ H ☐ R	☐ L ☐ H ☐ R	☐ Appr. ☐ Depr.	☐ Appr. ☐ Depr.

L = shifts left · H = holds · R = shifts right. Every round moves BOTH currency markets — check whether your two calls are true mirrors of each other.

AFTER THE GAME

Pick one round. In one sentence, explain why CAD demand shifting and USD supply shifting were describing the exact same transaction.

Now use the vocabulary: when CAD appreciates, does USD automatically depreciate against it? Is that always true — why or why not?

TRANSFER – SAME MIRROR, NEW TRADE

"American Streaming Services Surge in Popularity Across Canada"

Canadian consumers start paying millions per month in USD subscription fees to American streaming platforms. To pay those bills, Canadian banks must convert CAD into USD on currency markets — a lot, every month.

A. In the USD market, does this raise demand or supply for USD? In the CAD market, does it raise demand or supply for CAD?

B. Which currency appreciates and which depreciates as a result?

C. Compare this to a round from the game — which one had the same mirror pattern (demand up in one market, supply up in the other)?

RETURN TO THE DRIVING QUESTION

When Americans buy more Canadian maple syrup, the Canadian dollar strengthens. But something in the US dollar market has to move too — what, and why is it the exact opposite?

Use the mirror relationship in your final answer.