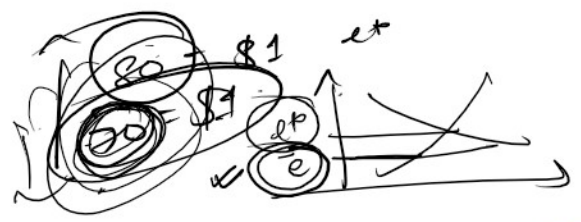
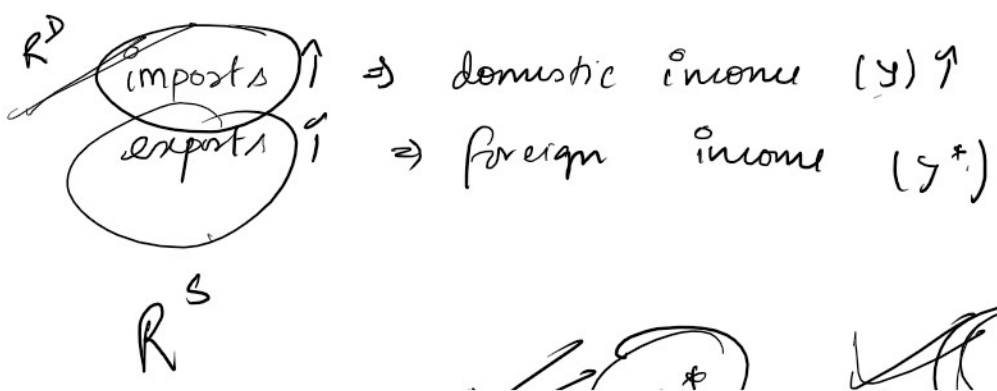


Trade surplus  $\Rightarrow$  OMT  $\uparrow$  us  
 Trade deficit  $\Rightarrow$  OMT  $\downarrow$  us



(US)  $\Rightarrow$  if a dollar buys more foreign currency = (domestic) appreciation of dollar  
 If a dollar buys less foreign currency  $\Rightarrow$  depreciation of dollar.

app  $\Rightarrow R e R = \text{nom } e \times \frac{P^*}{P}$



PPP  $e \frac{P^*}{P} = 1$   
 $\frac{P^*}{P} = \frac{1}{e}$



$R^*$



$R^D = R^S$   
 $P_x - M(RER, Y) = \frac{I_x(RER)}{R^D}$

