**Homework #6**

Due: 15 April 2024

1. **Subduing inflation.**

To rein in inflation, what action can the central bank take using the following policy tools?

1. government bonds
2. foreign assets
3. reverse repurchase rate
4. reserve requirement ratio
5. interest rate on reserves
6. **Reducing a current account deficit.**

To reduce a current account deficit, what action can the central bank take using the following policy tools? (Hint: Consider the effect of a change in PQ on X and M.)

1. government bonds
2. foreign assets
3. reverse repurchase rate
4. reserve requirement ratio
5. interest rate on reserves
6. **Singapore monetary policy.**

How will the Monetary Authority of Singapore be inclined to adjust its exchange rate target in response to the following changes in circumstances?

* 1. rising domestic inflation
	2. declining global prices for its exports
	3. rising US interest rates
1. **BSP response to external shock.**

The chart below shows Philippine exchange rate movement and central bank reserve acquisition within the Emerging East Asia context for the period 2008-2022.



1. In 2008, the peso depreciated by nearly 15 percent vs the US dollar. What are the consequences of such depreciation for: (i) exporters; (ii) importers; (iii) OFWs sending remittances; (iv) borrowers in foreign currency?
2. In 2008, what action could the BSP have taken in the forex market to restrain depreciation of the peso, and why might it have chosen not to do so?
3. In 2009 and 2010, the BSP intervened in the forex market to increase reserves by a cumulative 58 percent. What are the consequences of this for: (i) the value of the peso; (ii) the BSP balance sheet; (iii) nominal GDP growth?
4. Over the period 2008-2022, what can you say about BSP strategy for exchange rate and reserve managment?