

CFA® SAMPLE QUESTION – LEVEL I

Economics

Q: Bill is interested in investing in country X whose currency is depreciating now.

What action(s) the government of country X should Bill expected, and what type of stocks of country X should Bill buy now???

CORRECT ANSWER:

(d) The government is most likely to discourage imports and stimulate exports. Therefore, Bill should invest in export-oriented stocks.

When a country's currency is depreciating, that mean good and services are cheaper and thus that country's exports should be stimulated.

Relatively, goods and services of other countries are now more expensive and thus Imports are discouraged.

As a result, export-oriented companies are in a better position than those focused on imports. Reasonable investors should then invest in export-oriented stocks of Country X.



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