Value of the Dollar against Major Trading Partners, Canada, Euro area, Japan, UK, Switzerland, Australia, and Sweden
US Net International Investment Position
Composition of Foreign Assets in the US
Composition of US Assets Abroad
Breaking Down the Current Account Balance
US International Financial Position
Change in Foreign Assets in US
Foreign Exchange Value of the Dollar
Interest Rates in Euro-land, Japan, and the US
Dollar/Yen Rate and PPP
Dollar-Euro and PPP
Canada and PPP
Peso and PPP
Real Broad Dollar Index
US Trade Deficit and the Real Value of the Dollar

The trade deficit increased as the dollar appreciated in the late 1990s.

Chart 4-4  The Trade Deficit and the Real Effective Exchange Rate of the Dollar
Percent of GDP

Real effective exchange rate
(right scale)

Trade deficit
(left scale)

Note: The real effective exchange rate is the Federal Reserve’s price-adjusted broad index of the foreign exchange value of the dollar. A rise in this index indicates a real appreciation of the dollar. Sources: Department of Commerce (Bureau of Economic Analysis) and Board of Governors of the Federal Reserve System.
The increase in the current account deficit after 1995 has supported higher investment.

Chart 4-5  Saving, Investment, and the Current Account Balance
Percent of GDP

Net domestic investment

Net national saving

Current account balance

Note: The current account balance equals net national saving minus net domestic investment plus the statistical discrepancy.
Source: Department of Commerce (Bureau of Economic Analysis).
Trade Grows Faster than Output

Note: Data beginning in 1870 are for the Group of Seven major industrialized economies: Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States. Data for 1700-1820 are for the United Kingdom only; export data begin in 1720. Data for 1820-70 exclude Canada, Germany, and Japan.
Capital Flows into and out of the US

Note: Outflows of U.S. capital are the net increase in U.S.-owned assets abroad. Inflows of foreign capital are the net increase in foreign-owned assets in the United States.

The US Share of Global Surpluses

Figure 2.1. United States: Current Account Deficit as Share of Global Surpluses (In percent)

Source: IMF, World Economic Outlook database.
Gross versus Net Global Capital Flows

Figure 2.3. Gross Global Capital Flows Relative to Net Global Capital Flows
(In percent)

Sources: IMF, World Economic Outlook database; and IMF, International Financial Statistics.

1Ratio of the sum of absolute values of gross inflows and gross outflows to the sum of absolute values of current account balances.
Yen Price of a Dollar, 1970-2002

Japanese Yen to one U.S. Dollar

Economic Chart Dispenser

http://www.Economagic.com/
Trade-Weighted Value of the Dollar
US Current Account Balance
US Current Account Balance as Share of GDP
Net Capital Inflow to the United States
A Sudden Stop

Thai Baht to one U.S. Dollar; Exchange Rate

Economic Chart Dispenser
http://www.Economagic.com
Argentina: Anatomy of a Crisis
Deposits in Argentine Banks Decline

![Graph showing the decline in bank deposits in Argentina from January to August 2001. The graph is labeled "Heading for the door" and is sourced from the Central Bank of Argentina.]
Euro Gyrations
Sudden Reversals:
Net Financial Flows to South Korea, Philippines, Indonesia, and Thailand
Current Account Balances:
Emerging and Developing Economies
Foreign flight
Uruguay’s banking system:
foreign-currency deposits, $bn

residents  non-residents

Source: Banco Central del Uruguay
Figure 1: The World's Nominal Anchor:
U.S. Wholesale Prices (1951-2001)

Size of the Foreign Exchange Market

![Bar chart showing less liquid foreign-exchange market, global average daily turnover, April, $trn]

Source: Bank for International Settlements
Foreign Exchange Turnover, Currency and Region

Foreign exchange turnover

By currency pair, April 2001 (%)

- Other pairs 2.3
- Euro-other 2.8
- Euro-sterling 2.0
- Euro-yen 2.6
- Dollar-other 29.7

Geographical distribution, April 2001 (%)

- Dollar-euro 30.2
- Dollar-sterling 10.7

- Other 29.3
- UK 31.1
- US 15.7
- Eurozone 14.8
- Japan 9.1

Sources: BIS; Wahl & Waldon ‘Currency Transaction Tax - a Concept With a Future’ (WEED, 2001)
Currency Transactions and Global Investment

[Graph showing global currency transactions and global trade plus foreign direct investment from 1983 to 2001, with a bar graph indicating currency transaction tax revenue at different tax rates (0.05, 0.1, 0.25).]

Sources: BIS; Wahl & Waldon "Currency Transaction Tax - a Concept With a Future" (WEED, 2001)
A Year of the Euro-Dollar Rate

http://www.Economagic.com/

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Capital Flows to the Developed World

Accumulated total of inward direct investment flows by region, 2001

Per cent
- Developing 31.9
  - Of which:
    - Africa 2.3
    - Latin America 10.1
    - Rest of Asia 13.6
    - China 5.8
- Developed 68.1

Sources: UNCTAD; Obstfeld & Taylor NBER 8846
Brazil’s net debt as a percentage of GDP, monthly figures

Source: J.P. Morgan Chase
The price of profligacy
Bond spreads over US Treasuries, basis points

- Emerging Market Bond Index
- Latin America

Source: J.P. Morgan Chase
Fair-weather friend
Net private capital flows to emerging economies, $bn

Source: Institute of International Finance
*Forecast.
Japanese Exchange Rate and CPI differentials
Japanese Exchange Rates
German Exchange Rate and CPI Differentials
German Exchange Rates
Bubble in Asset Prices

Bubble trouble
US price-earnings ratio, S&P 500 index divided by ten-year moving average of profits

Source: Robert Schiller, Yale University
The much greater month-to-month variability of the exchange rate suggests that price levels are relatively sticky in the short run.

Source: OECD, Main Economic Indicators.
Real Exchange Rate

Dollar Index: Price-adjusted Broad

Economic Chart Dispenser

http://www.Econospeak.com/
In a cross-section of countries, long-term changes in money supplies and price levels show a clear positive correlation. (The diagonal line indicates exactly proportional changes in money supplies and price levels.)

Source: OECD, Main Economic Indicators, and IMF, International Financial Statistics.
Countries’ price levels tend to rise as their real incomes rise. Each dot represents a country. The straight line indicates a statistician’s best prediction of a country’s price level relative to the United States based on knowing its real per capita income.
6. Market Efficiency and Bubbles

The stock market bubble of 1929:
Stock Market Bubble of 1929

Value of $1 invested in Dec 1925
Stock Market Crash of 1929
Actual versus Fitted Values
South Sea Bubble
Relative RCA versus Market Performance

Relative RCA vs. Market performance: 1925-1945

Value of $1 invested in Dec. 1925

Time

1924 1926 1928 1930 1932 1934 1936 1938 1940 1942 1944 1946 1948

RCA
Market
Nikkei and Nasdaq Bubbles?