FIGURE 1: SHORT-RUN EFFECTS

FOREIGN EXCHANGE MARKET [UIRP]

\[ E_{hf}^2 > E_{hf}^e \]

\[ R_f + \frac{E_{hf}^e - E_{hf}^e}{E_{hf}} \]

\[ R_f + \frac{E_{hf}^e - E_{hf}^e}{E_{hf}} \]

\[ L'(R_h, Y_h) \]

\[ L(R_h, Y_h) \]

\[ M_h / P_{hn} \]

\[ E_{hf}^1 \]

\[ E_{hf} \]

\[ R_h \]

\[ R_h \]

\[ O \]

\[ B \]

\[ A \]

h: HOME
f: FOREIGN

HOME MONEY MARKET
FIGURE 3: LONG-RUN EFFECTS

FOREIGN EXCHANGE MARKET [UIRP]

- $E_{HF}^2$
- $E_{HF}^1$
- $E_{HF}^0$
- $E_{HF}$
- $E_{HF}^*$
- $R_f + \frac{E_{HF}^* - E_{HF}}{E_{HF}}$
- $R_f + \frac{E_{HF} - E_{HF}}{E_{HF}}$
- $R^*_h$
- $R^*_h$
- $L'(R_h, Y_h)$
- $L(R_h, Y_h)$
- $(P^*_h > P_h)$
- $h$: HOME
- $f$: FOREIGN

HOME MONEY MARKET