

Marvelous Meaningful Monthly Math

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Finance January

Career – Currency Trader

Math Activity

A currency broker must have mathematical ability. "The math she does is not complicated, but a trader often has to make quick decisions and must be able to do basic calculations quickly," says trader Carolyn Rizzo.

Not surprisingly, the math involved in this career centers around currency and exchange rates. As a currency broker, you need to know how these things work.

An exchange rate is the rate at which one country's currency may be exchanged for that of another. Exchange rates have been governed in recent years by supply and demand. The demand may come from importers and exporters, tourists, the military, private investors or international corporations.

For example, say an American importer is dealing with a Japanese exporter. The American can arrange to have his bank pay for the goods he is receiving in Japanese yen. Likewise, an American exporter may receive a check for dollars from a Japanese bank.

If the total demand for yen in the money market is greater than that for dollars, it could cause the value of yen to rise.

Now here's the question:

You're a currency broker. Your client, who imports furniture from Canada, calls you up. She has ordered a shipment of furniture worth \$10,000 Cdn from Canada.

This person is an American and her company is in the U.S. However, she must pay for the furniture in Canadian dollars.

The rate of exchange for purchasing Canadian dollars is \$0.81 US per Canadian dollar. How much will the bill for the furniture be in Canadian funds?

Name _____ School _____ Teacher _____