



Shopping in Timbuktu

What is an Exchange Rate?

The change in your pocket and the money you use to purchase things you want or need are also called "currency." Every nation has its own form of currency. For example, you would not be able to buy a grapefruit in New York City with an Indian rupee (the currency that is used in India). The same is also true in India. You would not be able to buy a grapefruit in India with a U.S. dollar. You would first need to buy rupees with that dollar. In order to purchase an item in a particular nation or country you must first purchase its currency.

Just as different fruits in a grocery store have different prices, different currencies have different prices. An **exchange rate** is what it costs for a person in one nation to buy the currency of another nation or country. A person needs to purchase the currency of another nation in order to make cash transactions in that nation.

How do I know what the Exchange Rate is?

The exchange rate changes in relation to a variety of factors including a nation's inflation rate, its cost of living, and the activity of its currency on the global currency market. For the most up-to-date exchange rate, it is recommended that you check the *Wall Street Journal* or the financial section of your local newspaper for the most current exchange rate for the currency that you would like to buy.

Some interesting Sites...

Rates

<http://www.uta.fi/~ktmatu/rates.html>

This site is a purely academic venture and does not have to most up-to-date exchange rates. However, it is a good site to visit if you are interested in the currency market.

Yahoo Finance

<http://finance.yahoo.com/m3?u>

Part of the Yahoo Finance web site, this page offers a currency converter and up-to-date reports on how a particular currency is doing on the market.

Federal Reserve Bank of New York

<http://www.ny.frb.org>

The Federal Reserve Bank system is an independent governmental entity created to serve as the central bank of the United States. A search on this site will generate interesting abstracts on exchange rates and other currency matters.

4ExchangeRates.com

<http://www.4exchangerates.com/>

This site is a part of the 4Anything network. On this page you can find currency converters, currency information and resources, and a section on monetary denominations. This is also a good site to surf if you have time.