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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| The Central Bank | **Interest rates** rises or falls? | **Domestic Investment** rises or falls | **AD** rises or falls? | **Value of Domestic Currency** appreciates or depreciates | Why does domestic currency change in the way it did? | **Net Exports** rise or fall? | **Real GDP** rises or falls? | **Price Level** rises or falls? |
| Increases MS | Fall | Rises | Rises | Depreciates | Foreign investors seek nations with higher interest rates on financial assets, thus decreasing the demand for the currency. Domestic investors seek nations with higher interest rates on financial assets, thus increasing the supply of the currency. | Rise | Rise | Rise |
| Decreases MS | Rise | Falls | Falls | Appreciates | Foreign investors notice that this nation offers higher interest rates on financial assets, thus increasing the demand for the currency. Domestic investors avoid nations with lower interest rates on financial assets, thus decreasing the supply of the currency. | Fall | Fall | Fall |