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# Analyzing Financial Markets

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Unit Title	Analyzing Financial Markets	Course(s)	Ap Macroeconomics
Designed by	Raffy Macapinlac	Time Frame	10 Days

## Stage 1- Desired Results

### Establish Goals

In this unit, students will explore the financial markets of the world and learn to analyze them using the loanable funds, money market, and foreign exchange graphs. They will learn not only to manipulate these graphs, but will be able to interpret the real life consequences of changes in the graphs. Students will build in many opportunities for practice, especially in the realm of free response questions. Through exit tickets, group practice, and a hyperdoc, students will prepare for the performance task where students look at real life events around the world and use that to analyze and anticipate the future using their financial market models.

TEKS Standards	AP Standards (Taken from AP Course Description)
<p><b>§118.4.</b> <b>C. Knowledge and Skills</b> <b>(3) Economics.</b> The student understands the reasons for international trade and its importance to the United States and the global economy. <b>(11) Economics.</b> The student understands key components of economic growth. The student is expected to:     <b>(C)</b> analyze how trade relates to growth. <b>(12) Economics.</b> The student understands the role of money in an economy. The student is expected to:     <b>(A)</b> describe the functions of money;     <b>(B)</b> describe the characteristics of money, including commodity money, fiat money, and representative money; and     <b>(C)</b> examine the positive and negative aspects of barter, currency, credit cards, and debit cards. <b>(13) Economics.</b> The student understands the role of the Federal Reserve System in establishing monetary policy. The student is expected to:     <b>(A)</b> explain the structure of the Federal Reserve System;     <b>(B)</b> analyze the three basic tools used to implement U.S. monetary policy, including reserve requirements, the discount rate and the federal funds rate target, and open-market operations;     <b>(C)</b> explain how the actions of the Federal Reserve System affect the nation's money supply <b>(15) Economics.</b> The student understands the economic impact of fiscal policy decisions at the local, state, and national levels. The student is expected to:     <b>(C)</b> analyze the impact of fiscal policy decisions on the economy.</p>	<ul style="list-style-type: none"><li>● <b>Topic 4 (Financial Sector)</b><ul style="list-style-type: none"><li>○ <b>Students must understand the definitions of both money supply and money demand</b></li><li>○ <b>Investigate how the equilibrium of the money supply and money demand determines the interest rate</b></li><li>○ <b>Develop a clear understanding of the differences between the money market and the loanable funds market</b></li><li>○ <b>Students should understand the difference between nominal and real interest rates</b></li><li>○ <b>Students should understand the meaning of trade balance, the distinction between the current account and financial account, and the implications of the foreign exchange market.</b></li><li>○ <b>Students should understand how market forces and public policy determine a currency's exchange rate, and the demand and supply for that currency.</b></li></ul></li></ul>

### Transfer

***Students will be able to independently use their learning to....***

- Communicate to others how money moves through the world.
- Interpret global current events through an economic lens

### Meaning

#### **UNDERSTANDINGS**

- The financial markets can be used to represent changes in economies around the world.
- When markets change, their graphs allow us to identify and anticipate real world consequences.

#### **Essential Questions**

- When interest rates change, who benefits and who suffers?
- How do people react to changes in financial markets?
- How does international trade affect a country's domestic economy?

### Acquisition

***Students will know...***

- The financial markets allocate savings, money, and foreign currency
- **Loanable Funds**
- The loanable funds market connects borrowers and savers.
- The demand for loanable funds is directly related to the real interest rate, and the supply of loanable funds is inversely related to the real interest rate.
- Changes in household borrowing, private investment, government deficit spending, and foreign borrowing cause direct changes in the demand for loanable funds.
- A budget deficit occurs when government spending > tax revenue.

***Students will be skilled at...***

- Model the loanable funds, money market, and foreign exchange graphs.
- Analyze the loanable funds, money market, and foreign exchange graphs.
- Compare and contrast the loanable funds and money market
- Evaluate the effect of government intervention in the foreign exchange market on the exchange rate and the balance of trade.
- Accurately and clearly communicate how changes in the real world are reflected in graphs.

- Changes in household saving, retained earnings, government budget surpluses, and capital flows cause direct changes in the supply of loanable funds.
- A budget surplus occurs when government spending < tax revenue.
- Increases and decreases in the demand for loanable funds directly affect the real interest rate and the quantity of loanable funds.
- Increases in the supply of loanable funds result in a lower real interest rate and greater quantity of loanable funds, while decreases in the supply of loanable funds have the opposite effect.
- **Money Market**
- The money market connects the central bank (i.e. Federal Reserve) with the economy through the banking system.
- Equilibrium in the money market determines the nominal interest rate.
- The demand for money is composed of transaction (money as a medium of exchange) demand, precautionary demand, speculative, demand and asset (money as a store of value) demand.
- Asset demand for money is interest sensitive. As the nominal interest rate increases so does the opportunity cost of holding money, so people transfer their wealth from money to interest earning assets (bonds), thus less money is demanded at higher nominal interest rates.
- The supply of money is the quantity of money made available by the central bank through the banking system.
- Monetary policy conducted by the central bank and changes in bank balance sheets can change the money supply
- Increases and decreases in the demand for money directly affect the nominal interest rate, but have no effect on the quantity of money
- **FOREIGN EXCHANGE**
- The foreign exchange market, where currency is traded, connects producers, consumers, savers, and/or borrowers in different economies primarily through the banking system

- Equilibrium in the foreign exchange market determines the exchange rate
- The supply and demand for foreign currency change as the real interest rate, economic growth rate, inflation rate, or export/import demand changes.
- Changes in the exchange rate may cause changes in exports and imports.
- Increases in the exchange rate, or appreciation, make exports relatively more expensive and imports relatively less expensive which leads to a decrease in exports and an increase in imports. Decreases in the exchange rate, or depreciation, make exports relatively cheaper and imports relatively more expensive which leads to an increase in exports and a decrease in imports.

## Stage 2- Evidence

Code	Evaluation Criteria	
T	Organized Accurate	<p><b>PERFORMANCE TASK(S):</b> <i>Students will show that they understand by evidence of...</i></p> <p><b>Country Economic Scenario Poster- Students will select a New York Times article of their choosing based on economic activities in different countries. They will trace the consequences of these real life events by using their economic lens to examine the financial market graphs, how they will change and shift, and their impact on real life.</b></p> <hr/>
A, M A	Accurate Practical	<p><b>OTHER EVIDENCE:</b> <i>Students will show they have achieved Stage 1 goals by...</i></p> <ul style="list-style-type: none"> <li>• Free response exit tickets- Students will complete these individually during lecture days. They are sample questions taken from FRQs on released AP Macro tests that cover the concepts of the Financial Markets.</li> </ul>

A	Accurate  Insightful Thorough	<ul style="list-style-type: none"> <li>• Hyperdoc- Students will complete these individually in Google Classroom. The assignment is broken down by graph, and allows students to interact with the material in a variety of ways, by solving problems, creating their own, and playing a review game.</li> <li>• Group Free Response- Students will work through several free response questions</li> </ul>

### Stage 3- Learning Plan

Code	Learning Events	Progress Monitoring
A, M  A, M  A, M  A  A, M  A  A, M	<p><i>Student success at transfer, meaning, and acquisition depends upon...</i></p> <p><b>Learning Activities (Calendar set for 10 Days)</b></p> <ul style="list-style-type: none"> <li>• <b>Day 1: Money Market</b> <ul style="list-style-type: none"> <li>○ <a href="#">Lecture Slides</a></li> <li>○ <a href="#">Guided Notes</a></li> </ul> </li> <li>• <b>Day 2: Money Market</b> <ul style="list-style-type: none"> <li>○ <a href="#">Group Free Response Activity</a></li> </ul> </li> <li>• <b>Day 3: Loanable Funds</b> <ul style="list-style-type: none"> <li>○ <a href="#">Lecture</a></li> <li>○ <a href="#">Guided Notes</a></li> </ul> </li> <li>• <b>Day 4: Loanable Funds</b> <ul style="list-style-type: none"> <li>○ <a href="#">Direct instruction (How to tackle multiple choice questions)</a></li> </ul> </li> <li>• <b>Day 5: Formative Assessment</b> <ul style="list-style-type: none"> <li>○ <a href="#">Start Hyperdoc (First two parts)</a></li> </ul> </li> <li>• <b>Day 6: Foreign Exchange</b> <ul style="list-style-type: none"> <li>○ <a href="#">Lecture Slides</a></li> <li>○ <a href="#">Guided Notes</a></li> </ul> </li> <li>• <b>Day 7: Hyperdoc Finish/Review Answers</b></li> </ul>	Day 1: Exit Ticket, Guided Notes Day 2: Group Free Response Butcher Paper Day 3: Exit Ticket, Guided Notes Day 4: Direct Instruction Problems Day 5: Hyperdoc Check in Day 6: Exit Ticket, Guided Notes Day 7: Hyperdoc Day 8: Performance Assessment Day 9: Performance Assessment Day 10:

A, M, T	<ul style="list-style-type: none"> <li>○ <a href="#">Hyperdoc</a></li> <li>● Day 8: Country Economic Scenario Poster</li> <li>○ <a href="#">Performance Assessment</a></li> </ul>	Performance Assessment
A, M, T	<ul style="list-style-type: none"> <li>● Day 9: Country Economic Scenario Poster</li> <li>○ <a href="#">Performance Assessment</a></li> </ul>	
A, M, T	<ul style="list-style-type: none"> <li>● Day 10: Country Economic Scenario Poster</li> <li>○ Gallery Walk</li> </ul>	

**Resources / Materials:**  
**Butcher Paper**  
**Notebook Paper**  
**Chromebook (s)/ Ipad (s)**  
**Markers**  
**Individual Dry Erase Boards**  
**All lessons linked to the individual days**

*Strategic Teacher*, Silver, Strong, and Perini. 2007.

*Mission Bay High School UbD Unit Planner* is from Wiggins, Grant and McTighe, Jay.

*Understanding by Design Guide to Creating High-Quality Units*. Alexandria, VA: Association for Supervision and Curriculum Development. 2011.