

Table 1: Expected profits when y firm sets price in the y currency

Variability of exchange rates:		Cross-price effect	Expected profits of firm from x when he sets price in (and the y firm prices in y):			Expected profits of firm from y when he sets price in y and the x firm sets price in:		
e	e^o	γ	x	z	y	x	z	y
H	H	1	5.245	5.593	5.286	5.245	5.210	5.081
H	L	1	5.212	5.558	5.538	5.571	5.534	5.5251
L	H	1	5.571	5.593	5.286	5.212	5.210	5.081
L	L	1	5.536	5.558	5.538	5.536	5.534	5.5251
H	H	2	17.28	18.17	17.87	17.28	17.12	16.54
H	H	3	95.20	99.01	98.75	95.20	94.24	90.72
H	H	3.9	12224	12612	12619	12224	12098	11640

Table 2: Expected profits when y firm sets price in the z currency

Variability of exchange rates		Cross-price effects	Expected profits of firm from x when he sets price in (and the y firm sets price in z):			Expected profits of firm from y when he sets price in z and the x firm sets price in:		
e	e^o	γ	x	z	y	x	z	y
H	H	1	5.210	5.555	4.924	5.593	5.555	5.097
H	L	1	5.210	5.555	5.514	5.593	5.555	5.5253
L	H	1	5.534	5.555	4.924	5.558	5.555	5.097
L	L	1	5.534	5.555	5.514	5.558	5.555	5.5253
H	H	2	17.12	18.00	15.65	18.17	18.00	15.38
H	H	3	94.24	98.00	74.80	99.00	98.00	72.12
H	H	3.9	12098	12482	1872	12612	12482	1798

Table 3: Equilibrium choice of price setting currencies

Expected profits for firm from x
when setting price in

		x		z		y	
Expected profits for firm from y when setting price in	x	5.538	5.5250	5.514	5.5253	0.982	1.138
	z	5.558	5.534	5.555	5.555	5.097	4.924
	y	5.212	5.571	5.210	5.593	5.081	5.286

Expected profits are calculated for the case where variability of e is L, variability of e^0 is H,
and $c=C=\gamma=1$, $Q=6$, $b=2$.

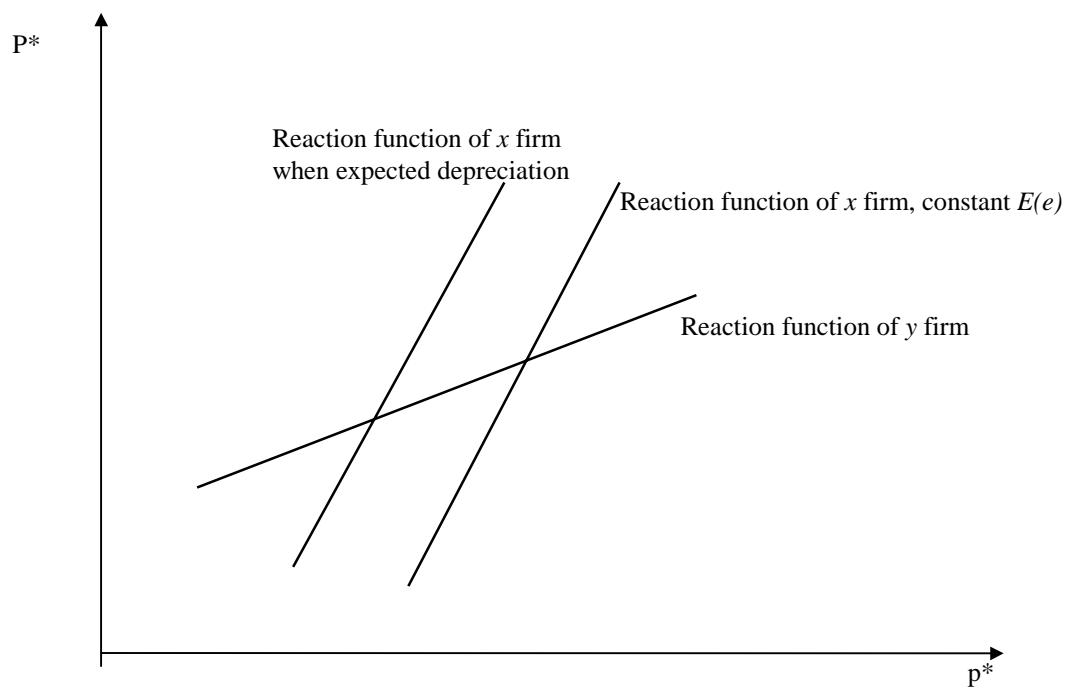


Fig.1. Effects on prices from an expected depreciation of currency x .