

| | |
|--------------------|---|
| 1. Record Nr. | UNINA9910788347903321 |
| Autore | Kumhof Michael |
| Titolo | International Currency Portfolios // Michael Kumhof |
| Pubbl/distr/stampa | Washington, D.C. : , : International Monetary Fund, , 2009 |
| ISBN | 1-4623-3660-4 1-4527-3292-2 1-4518-7196-1 9786612842702 1-282-84270-6 |
| Descrizione fisica | 1 online resource (37 p.) |
| Collana | IMF Working Papers |
| Soggetti | Fiscal policy Open market operations Banks and Banking Foreign Exchange Investments: Stocks Money and Monetary Policy Monetary Systems Standards Regimes Government and the Monetary System Payment Systems Open Economy Macroeconomics Central Banks and Their Policies Monetary Policy, Central Banking, and the Supply of Money and Credit: General Pension Funds Non-bank Financial Institutions Financial Instruments Institutional Investors Monetary economics Currency Foreign exchange Banking Investment & securities Currencies Exchange rates Monetary base |

Stocks
Money
Central banks
Financial institutions
Money supply
United States

| | |
|-------------------------|---|
| Lingua di pubblicazione | Inglese |
| Formato | Materiale a stampa |
| Livello bibliografico | Monografia |
| Note generali | Description based upon print version of record. |
| Nota di bibliografia | Includes bibliographical references. |
| Nota di contenuto | Contents; I. Introduction; II. The Model; A. Uncertainty; 1. Exogenous Processes; 2. Endogenous Processes; B. Households; C. Government; D. Equilibrium and Current Account; E. Interpretation of the Portfolio Share Equations; F. Equilibrium Diffusions; G. Computation of Equilibrium; H. Government Bond Market Interventions; III. The Baseline Economy; A. Calibration; B. Baseline Portfolio Equilibrium; IV. Comparing Alternative Economies; A. Standard Deviation of Monetary Shocks; B. Standard Deviation of Fiscal Shocks; C. Government Debt to GDP Ratios; V. Open Market Operations in Government Debt VI. Conclusions Figures; 1. Household and Government Balance Sheets; 2. Effects of Money Supply Volatility, $\phi=\phi^*=1$; 3. Effects of Money Supply Volatility, $\phi=\phi^*=0$; 4. Effects of Government Spending Volatility, $\phi=\phi^*=1$; 5. Effects of Government Debt, $\phi=\phi^*=1$; 6. Home Open Market Operations, $\phi=\phi^*=1$; 7. Home Open Market Operations, $\phi=\phi^*=0$; 8. Home Open Market Operations, Large Gross FX Positions; References |
| Sommario/riassunto | This paper develops a theory of international currency portfolios that holds in general equilibrium, and that is therefore not subject to the criticisms directed at the portfolio balance literature of the 1980s. It shows that, under plausible assumptions about fiscal policy, the relationship between the rates of return of different currency bonds is not correctly described by an arbitrage relationship but instead also depends on outstanding bond stocks. Other findings are: (1) There is a monotonically increasing relationship between domestic interest rates and the portfolio share of domestic currency denominated assets. This relationship is steep at low levels of government debt, and almost flat at high levels of government debt. (2) Optimal private sector foreign currency positions are negative, and their size is decreasing in exchange rate volatility. Under volatile exchange rates large negative aggregate net foreign asset positions can only be rationalized by assuming large public sector borrowing from foreign governments. (3) For a baseline economy with zero net foreign assets, open market sales of domestic government debt lead to valuation gains (losses) when the country as a whole has a short (long) position in foreign currency. (4) A fiscal theory of exchange rate determination is compatible with general equilibrium in a two-country world. (5) Equilibria are determinate when both fiscal and monetary policy are passive. |