1. Record Nr. UNINA9910788692203321

Autore	Tuesta Vicente
Titolo	Euro-Dollar Real Exchange Rate Dynamics in an Estimated Two-Country Model : : What is Important and What is Not / / Vicente Tuesta, Pau Rabanal
Pubbl/distr/stampa	Washington, D.C. : , : International Monetary Fund, , 2006
ISBN	1-4623-4879-3 1-4527-4408-4 1-283-51766-3 9786613830111 1-4519-8792-7
Descrizione fisica	1 online resource (42 p.)
Collana	IMF Working Papers
Altri autori (Persone)	RabanalPau
Soggetti	Euro-dollar market - Econometric models Foreign exchange rates - United States - Econometric models Foreign exchange rates - European Union countries - Econometric models Finance: General Foreign Exchange Inflation Macroeconomics Open Economy Macroeconomics Bayesian Analysis: General General Financial Markets: General (includes Measurement and Data) Macroeconomics: Consumption Saving Wealth Price Level Deflation Currency Foreign exchange Finance Real exchange rates Securities markets Consumption Exchange rates National accounts Financial markets Prices

	Capital market Economics United States
Lingua di pubblicazione	Inglese
Formato	Materiale a stampa
Livello bibliografico	Monografia
Note generali	"July 2006."
Nota di bibliografia	Includes bibliographical references.
Nota di contenuto	""Contents""; ""I. INTRODUCTION""; ""II. THE MODEL""; ""III. EXTENSIONS TO THE BASELINE MODEL ""; ""IV. ESTIMATION AND MODEL COMPARISON""; ""V. RESULTS""; ""VI. CONCLUDING REMARKS""; ""APPENDIX: THE METROPOLIS-HASTINGS ALGORITHM""; ""REFERENCES""
Sommario/riassunto	We use a Bayesian approach to estimate a standard two-country New Open Economy Macroeconomics model using data for the United States and the euro area, and we perform model comparisons to study the importance of departing from the law of one price and complete markets assumptions. Our results can be summarized as follows. First, we find that the baseline model does a good job in explaining real exchange rate volatility but at the cost of overestimating volatility in output and consumption. Second, the introduction of incomplete markets allows the model to better match the volatilities of all real variables. Third, introducing sticky prices in Local Currency Pricing improves the fit of the baseline model but does not improve the fit as much as introducing incomplete markets. Finally, we show that monetary shocks have played a minor role in explaining the behavior of the real exchange rate, while both demand and technology shocks have been important.