

Abstract :

Using a new high-frequency data set consisting of real-time executable prices, macroeconomic expectations, macroeconomic realizations, and unscheduled announcements, we characterize the conditional volatilities of the three major foreign exchange rates, vis-a-vis the dollar: the Euro, the Pound sterling, and the Japanese Yen. In particular, we implement a multivariate GARCH-type model and an impulse response analysis to estimate and decompose the simultaneous impact of eight categories of scheduled and unscheduled news surprises on volatility.

Our model allows for volatility spillover from one rate to another. Moreover, it specifies potentially different degrees of persistence for the various exogenous news effects.

We find that scheduled US news surprises have the most significant effect on the volatilities of the three exchange rates, and most importantly on the Euro/Dollar. Moreover, in the case of the Pound and the Yen, an important fraction of the total accumulated news effect are induced by volatility spillover from the other two currencies.

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Christian Hafner is :

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Associate editor of: Studies in Nonlinear Dynamics and Econometrics, Computational Statistics, Banking and Finance Review, International Econometric Review

His Research Interests: *Time series econometrics; applied nonparametric statistics; empirical finance*

Recent Papers:

- *Estimating autocorrelations in the presence of deterministic trends (with Sh. Wang)*
- *A generalized dynamic conditional correlation model: simulation and application to many assets (with Ph. H. Franses)*
- *Efficient estimation of a multivariate multiplicative volatility model (with O. Linton)*
- *Dynamic stochastic copula models: estimation, inference and applications (with H. Manner)*



The Center for Research in Economic Analysis of the University of Luxembourg is pleased to invite you to the **Lunchtime Seminar in Economics:**

Macroeconomic News Surprises and Volatility Spillover in the Foreign Exchange Markets

Christian Hafner
Université Catholique de Louvain

November 4, 2010
12:30 – 13:30

Campus Limpertsberg
Building of Science – Room BS001
162a, avenue de la Faïencerie
L-1511 Luxembourg

Lunch is planned for the participants

Registration: by email to dfef-colloques@uni.lu

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