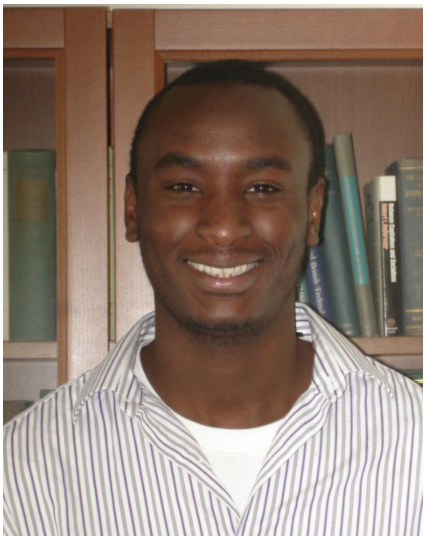
Department of Economics & Finance
College of Management and Economics

# Graduate Seminar



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Research Project Supervisor:
Prof. Ilias Tsiakas, Alex Maynard

## "Forecasting Exchange Rate Returns in Emerging Economies: The BRICS"

ABSTRACT

This paper evaluates the out-of-sample predictive ability of exchange rate returns for the leading emerging economies known as the BRICS. In an attempt to see whether economic fundamental models can beat the random walk, monthly returns of the five exchange rates against the US dollar are evaluated using a series of individual and combined forecasting models. The empirical results show that combined forecasts by way of model averaging yield better forecasting performances than all individual models. The purchasing power parity along with the interest parity models beat the random walk model in most instances while the monetary fundamentals model generally has a poor predictive performance.

Friday, Oct. 5, 2012
at 1:00 p.m.
MacKinnon Room 720