Effectiveness of Exchange Rate Intervention in Guatemala since the Adoption of the Inflation Targeting Regime

Comments

XXIV Meeting of the Central Bank Researchers Network
Bank of Spain, Madrid, 30-31 October 2019
• References to level / volatility when discussing mean equation / volatility equation
  • Significant effect on volatility discussed is taken from mean equation.
  • Discuss instead $\gamma_1$ and $\gamma_2$ from equation (2).

• Guimarães and Karacadağ (2006) use log difference of ER
  • Gain of using $e_t - (\lambda e_{pi} + (1 - \lambda)e_{pm})$ over $(e_t - e_{pi})$ and $(e_t - e_{pm})$?
  • Graph of dependent variable?

• Dummy variables for intervention rules:
  • Included to “…determine if the rules generate an additional effect…”
  • Instead include interaction terms between $I^C$, $I^V$ and each rule period?

• Tolerance of the rules was progressively widened.
• In volatility equation:
  • Dummies significant mostly for low for $\lambda$.
  • Dummies significant mostly for periods with low tolerance.
• Endogeneity of interventions:
  • Guimarães and Karacadağ assess reverse causation volatility → intervention using a probit model. Probability of intervention when:
    • Excess volatility
    • ER falling
    • ER increasing
  • Intra-daily data available?