Discussion of “Asymmetries in Central Bank Intervention” (Stigler, Patnaik, and Shah)

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Apologies for the sketchy discussion!

- Interesting and focused paper on very relevant issue
- Novel approach relative to literature
- Simple to explain (but complex "descriptive econometrics" exercise)

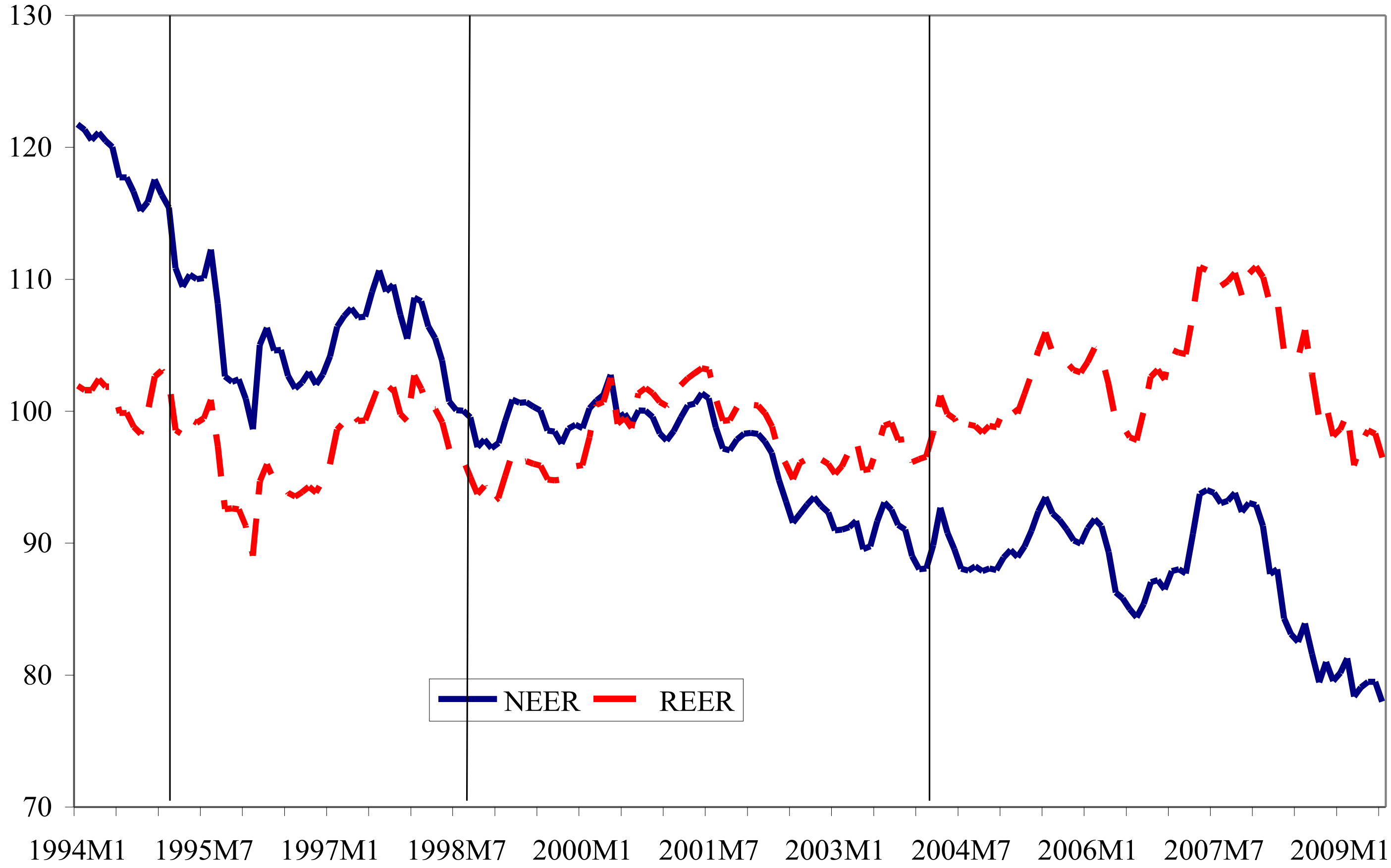
A mini-summary

- The empirical question: is the behavior of the nominal exchange rate "today" different depending on whether the exchange rate 'yesterday' appreciated or depreciated?
- The answer: it depends on the period you consider.

Stylized facts on the rupee

- Trend nominal depreciation during this period
- Inflation higher than in trading partners
- Broadly stable REER
  - 12 ½ % depreciation (Aug 95-Feb 96)
  - 14 ½ % appreciation (Feb 96-Jan 98)
  - 12 ½ % appreciation (Aug 06-Jan 08)
  - 14 ½ % depreciation (Jan 08-March 09)

Nominal and real effective exchange rate

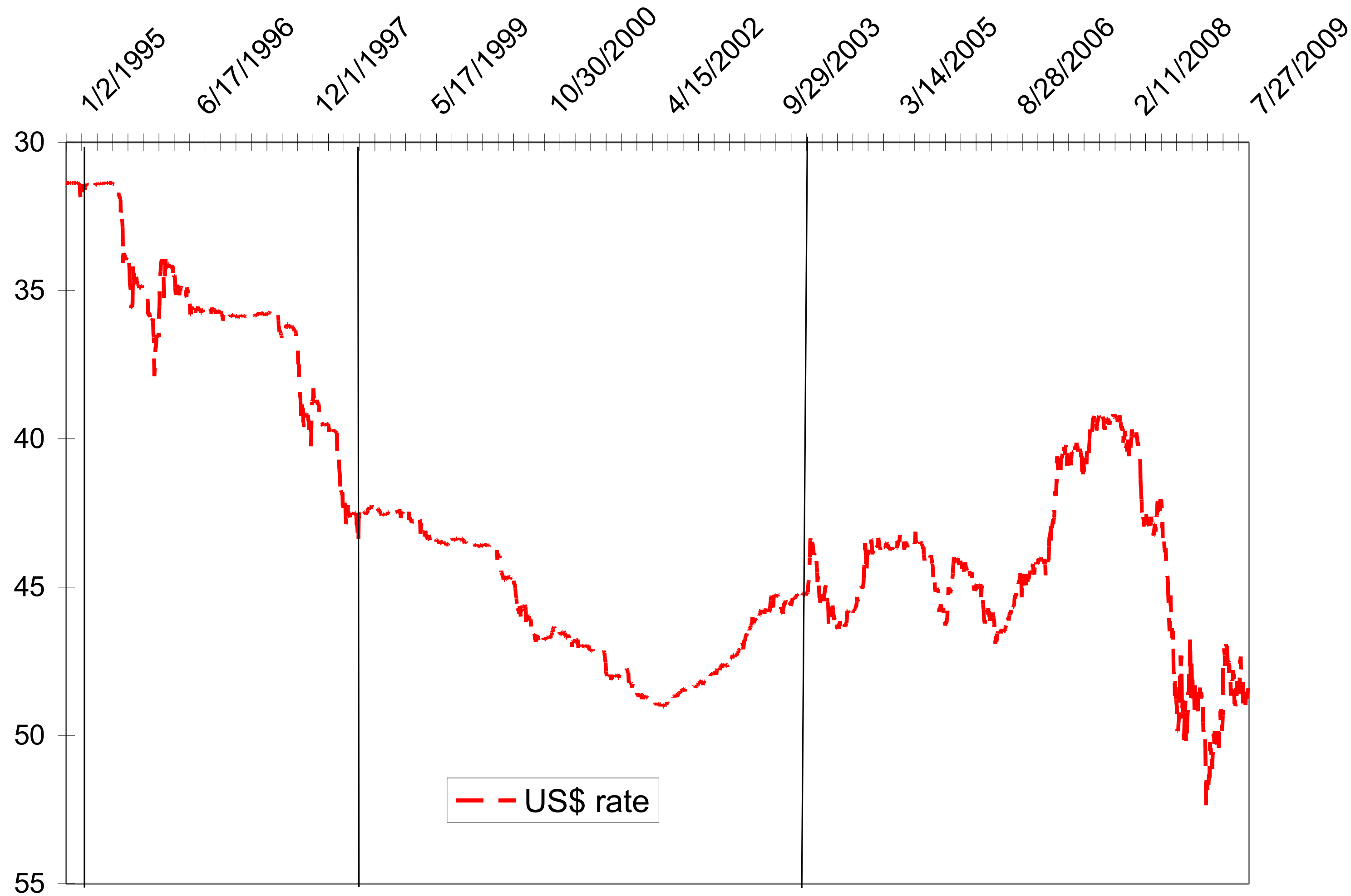


Some general queries

- “Supply vs demand”: realized currency values are not just a reflection of CB behavior. Hence it is difficult to interpret mean-reversion coefficients and regimes as reflecting policy changes.

- Results using nominal effective exchange rate?
- Accounting for trend nominal depreciation?

A slightly different reading



Bilateral and nom. eff. exchange rate