Is USD-INR really a volatile currency pair?

Discussant: Apoorva Gupta

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Summary

- Aim: Study if USD-INR exhibits excess volatility as compared to GBP-INR and EUR-INR.
- Data: Daily high, low, opening, closing price for three currency pairs from Bloomberg.
- Methodology: Extreme value estimator proposed by Rogers and Satchell (1991) and VRatio proposed by Maheshwaran et al (2011).
- Results: USD-INR is a relatively more stable currency pair when compared with EUR-INR and GBP-INR.

Add a story

- What are the reasons for low USD-INR volatility?
- RBI intervenes in the forex market and uses the USD-INR as a benchmark.
- One of the motivations for imposing capital controls in India is the USD-INR volatility (Pandey et al 2015).
- Drivers of currency movements in these four economies: Any common fundamentals?

Robust to different time periods
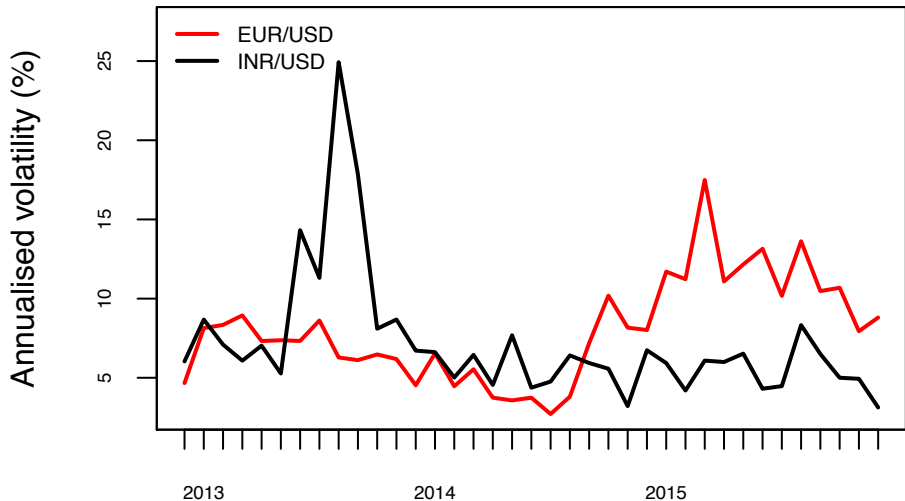
Measurement

- Does USD-INR follow a Brownian Motion? (Erdemlioglu 2013)
- Rogers and Satchell (2011) cannot be used when there are jumps in opening prices. Use different measures of volatility to check your results (Yang Zhang, 2000)
- Simulation: What is the rationale for using different methods for calculation of HLOC?

Thank you.