An empirical analysis of uncover interest parity : Evidence from the four PIGS of European union / 賴妙玲 撰 .- 彰化

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ABSTRACT

In this paper we investigate the causal relationship between Gross domestic return and Uncovered gross foreign return among the four PIGS of European union and empirical analysis of Uncover Interest Parity(UIP). Monthly data are obtained from International Montetary Fund (IMF).The sample period starts from 2001:1 to 2010:12 . We employ the mothods of the panel unit root, panel cointegration and panel FMOLS and DOLS estimators. The article finds the results : First, the group-mean estimates of the four countries, the esti- mates coefficients are 0.1 (FMOLS) and 0.05 (DOLS), accept the null of : at 5% level. The results are in line with the UIP condition, but the estimates are lower from 1. Second, based on the individual tests, the individual estimated coefficient for Italy and Spain are positive, the individual estimated coefficient for Portugal and Greece are negative. Third, only the country of Greece reject the null at 5% level, the UIP needs to be rejected. The four PIGS of European Union in this paper of the sample period, the other countries:Portugal, Italy, Spain are in line with the UIP condition.We provide some policy implications that can be used as guiding tools for financing andinvestment dicisions in PIGS of European Union.

Keywords : Uncover Interest Parity、panel unit root、panel cointegration、panel FMOLS、panel DOLS

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