SOURCE (OR PART OF THE FOLLOWING SOURCE):

Type	Dissertation
Title	A term structure model of interest rates and forward premia: an alternative monetary approach
Author	W.H. Daal
Faculty	Faculty of Economics and Business
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We develop an alternative monetary general equilibrium two-country affine term structure of interest rate model that accounts for the forward premium puzzle and the time-varying risk premium. Our affine term structure model obtains a tractable solution for the negative covariance between the forward premium and the expected rate of depreciation at various horizons. It shows that asymmetric monetary response to real shocks can lead to mentioned anomaly. The explanation of the puzzle in this study is not only based on factor volatilities, but also on expected asset return differentials. As such this explanation of the puzzle allows for plausible market price of risk. We use the generalized method of moment (GMM) framework to test the time series properties and the cross-sectional restrictions of our model.

Wendly Daal graduated in economics at the University of Amsterdam in 1988. After finishing his doctoral studies he worked for nine years in the Research Department of the Bank van de Nederlandse Antillen. He conducted policy-oriented economic analysis and research in the area of balance of payments and exchange rate. In 1998 he started with the Ph.D. program at the Tinbergen Institute. The focus of his current research is in the area of international monetary-finance.

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