

Beyond the threshold: theoretical and empirical nonlinear time-series econometrics of foreign exchange markets

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Propositions

Accompanying the Dissertation

Beyond the Threshold: Theoretical and Empirical Nonlinear Time-Series
Econometrics of Foreign Exchange Markets

By

Michel R. van Tol

1. Nominal and real exchange rates behave nonlinearly with discontinuous adjustment (Chapter 1).
2. Computational tractability is a particularly pertinent issue when estimating TAR models (Chapter 4).
3. A veridical model under the alternative in a unit root test does not ensure optimality of its power and size properties (Chapter 5).
4. Forward premiums tend to revert nonlinearly towards the long-run equilibrium relation defined by the unbiased forward rate hypothesis (Chapter 6).
5. Property prices are dominated by TAR-type dynamics.
6. A TAR model is able to capture various characteristics of stock market volatility and is, unlike conventional alternatives, able to distinguish a persistent shock of the market from an extraordinary shock.
7. The full fisher effect, even in its tax-adjusted form, cannot be rejected when a threshold cointegration model is estimated.
8. Models should be evaluated based on their purpose.