Analyzing Disagreement and Exchange Rate Predictability Using Time-Varying VAR-X Models

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This paper analyzes the statistical and economic value of exchange rate forecasts in a multivariate setup. Relying on an economic model selection criterion instead of a statistical one, we also augment the model space to select between different implementations of portfolio allocation rules (i.e. different restrictions on portfolio weights). We include both fundamentals and disagreements among FX forecasters to assess whether they are useful from a statistical and an economic point of view.

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