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# Forecasting exchange rate volatility: GARCH models versus implied volatility forecasts

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**International Economics and** 

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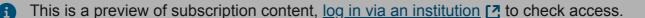
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#### **Notes**

1. A symmetric model means that when a shock occurs, we will have a symmetric response of volatility to both positive and negative shocks. Asymmetric models

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- 6. If the restriction does not hold we will have non-stationarity in the variance, if  $\alpha_1 + \beta = 1$ , we have a unit root in the variance.
- 7. If  $\gamma = 0$ , the model is symmetric. There is no need to be concerned about the conditional variance being negative since  $ln(\sigma_t^2)$  is modelled.
- 8. Bollerslev et al. (2001) argue that this type of volatility is an unbiased and very efficient estimator of return volatility.
- 9. It should be noted that the parameters  $(\alpha + \beta)$  were less but close to unity, suggesting that the shocks are highly persistent and die out only gradually.

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