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In Which Direction Is There a Momentum Effect in the Changes in the Spread Between the Repo Rate and Federal Funds Rate?

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| pp 121–140 | [Cite this chapter](#)

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point. The repo rate response to inflation is the main driver of the repo rate-FFR spread than movements in the FFR. The policy implication is that low and stable inflation has benefits for the level of the repo rate-FFR spread. Hence, the argument for the lowering of the inflation targeting band is further strengthened by these findings.

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4. Since the T-max exceeds the statistics given by Enders and Granger ([1998](#)). In addition, based on Phi-value, we reject the null hypothesis of no cointegration.
5. However, they show that the emerging market real interest rate has increased sharply and diverged from the advanced economies and world real interest rate since the beginning of 2015. This may largely reflect cyclical and structural country-specific factors that could result in temporary or persistent equilibrium rates higher than the global level.

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