



**SEVENTEENTH ANNUAL SYMPOSIUM  
OF  
THE SOCIETY FOR NONLINEAR DYNAMICS AND ECONOMETRICS  
APRIL 16 – APRIL 17, 2009  
FEDERAL RESERVE BANK OF ATLANTA**



FEDERAL RESERVE BANK *of* ATLANTA



**EUROPEAN CENTRAL BANK**

EUROSYSTEM

## THURSDAY, APRIL 16

7:30 – 8:45      **CONTINENTAL BREAKFAST (PEACHTREE, PIEDMONT AND JEKYLL ISLAND ROOMS)**

7:30 – 8:45      **REGISTRATION (3<sup>RD</sup> FLOOR CONFERENCE CENTER)**

8:45 – 8:55      **WELCOME (MAGNOLIA/REDBUD)**

9:00 - 10:30     **SESSION 1: MONETARY POLICY I (AZALEA)**

Chair: Troy Davig (Federal Reserve Bank of Kansas City)

The Local Effects of Monetary Policy

Michael T. Owyang (Federal Reserve Bank of St. Louis)

*Tatevik Sekhposyan* (University of North Carolina at Chapel Hill)

Neville Francis (University of North Carolina)

The Taylor Rule in Mixed Frequencies

Eric Ghysels (University of North Carolina at Chapel Hill)

*Michael T. Owyang* (Federal Reserve Bank of St. Louis)

*Tatevik Sekhposyan* (University of North Carolina at Chapel Hill)

Neville Francis (University of North Carolina)

Monetary Policy and the Great Inflation:

A Multi-Country Time-Varying Analysis Using the Taylor Rule

Jacek Suda (Washington University in St. Louis)

*Anastasia Zervou* (Washington University in St. Louis)

9:00 - 10:30     **SESSION 2: FX I (CAMELIA)**

Chair: Enrique Martinez-Garcia (Federal Reserve Bank of Dallas)

An Empirical Examination of Heterogeneity and Switching in Foreign Exchange Markets

*David Goldbaum* (University of Technology Sydney)

Remco C.J. Zwindels (Erasmus University Rotterdam)

Exchange Rates and Asset Prices: Heterogeneous Agents at Work

*Giulia Piccillo* (Katholieke Universiteit Leuven, Belgium)

Nonlinear Trends in Real Exchange Rates: A Panel Unit Root Test Approach

*David O. Cushman* (Westminster College & University of Saskatchewan)

Nils Michael (Health Finance Directorate, The Scottish Government)

9:00 - 10:30     **SESSION 3: FINANCE I (DOGWOOD)**

Chair: Eric Hillebrand (Louisiana State University)

An Empirical Analysis of the Shanghai and Shenzhen Limit Order Books

Huimin Chung (National Chiao Tung University)

Jie Lu (Rutgers University)

*Bruce Mizrahi* (Rutgers University)

Stock Return Predictability and Dividend-Price Ratio: A Nonlinear Approach

David G. McMillan (University of St. Andrews)

*Mark E. Wohar* (University of Nebraska, Omaha)

A Dynamic Analysis of Moving Average Rules in a Double Auction Market

*Carl Chiarella* (University of Technology Sydney)

Tony He (University of Technology Sydney)

Paolo Pellizzari (University of Venice)

- 9:00 - 10:30     **SESSION 4: TIME SERIES I (JASMINE)**  
Chair: Pao-Lin Tien (Wesleyan University)
- Bootstrap Tests of Stationarity  
James Morley (Washington University in St. Louis)  
*Tara M. Sinclair* (George Washington University)
- Marginal Likelihood Based LM Unit Root Tests Allowing Multiple Level Shifts Under both the Null and Alternative Hypotheses  
*Yujin Oh* (University of Colorado)
- Testing for a Unit Root Against Transitional Autoregressive Models  
Joon Y. Park (Texas A&M University)  
*Mototsugu Shintani* (Vanderbilt University)
- 10:30 – 11:00     **COFFEE/TEA**
- 11:00 - 12:30     **SESSION 5: MONETARY POLICY II (DOGWOOD)**  
Chair: Anastasia Zervou (Washington University in St. Louis)
- Estimating Regime-Switching Taylor Rules with Trend Inflation  
Castelnuovo Efram (University of Padua and Bank of Finland)  
Luciana Greco (University of Padua)  
*Davide Raggi* (University of Bologna)
- Monetary Policy Regime Shifts and Inflation Persistence  
*Troy Davig* (Federal Reserve Bank of Kansas City)  
Taeyoung Doh (Federal Reserve Bank of Kansas City)
- Price-Level Targeting and Risk Management in a Low-Inflation Economy  
*Roberto Billi* (Federal Reserve Bank of Kansas City)
- 11:00 - 12:30     **SESSION 6: FX II (AZALEA)**  
Chair: David Goldbaum (University of Technology Sydney)
- Carry Trades and Nonlinearities in the Forward Premium Anomaly  
*Richard Baillie* (Michigan State University)  
Sanders S. Chang (Michigan State University)
- Real Exchange Rates and Time-Varying Trade Costs  
Efthymios G. Pavlidis (Lancaster University Management School)  
*Ivan Paya* (Lancaster University Management School)  
David Peel (Lancaster University Management School)
- The Real Exchange Rate in Sticky Price Models: Does Investment Matter?  
*Enrique Martinez-Garcia* (Federal Reserve Bank of Dallas)  
Jens Sondergaard (Bank of England)

- 11:00 - 12:00    **SESSION 7: FINANCE II (JASMINE)**  
 Chair: Carl Chiarella (University of Technology Sydney)
- Let's Do It Again: Bagging Equity Premium Predictors  
*Eric Hillebrand* (Louisiana State University)  
 Tae-Hwy Lee (University of California, Riverside)  
 Marcelo Medeiros (PUC Rio de Janeiro)
- Estimation of HAMS with a Market Maker  
 Carl Chiarella (University of Technology Sydney)  
 Xue-Zhong He (University of Technology Sydney)  
 Remco C.J. Zwinkels (Erasmus University Rotterdam)
- 11:00 - 12:00    **SESSION 8: TIME SERIES II (CAMELIA)**  
 Chair: Tara M. Sinclair (George Washington University)
- Instrumental Variables, Simultaneous Equations and Wavelets  
 Marco Gallegati (Universita Politecnica delle Marche)  
*James B. Ramsey* (New York University)  
 Willi Semmler (The New School)
- Explosive Roots in Level Vector Autoregressive Models  
*Hammad Qureshi* (The Ohio State University)
- 12:30 – 14:00    **LUNCH (PEACHTREE, PIEDMONT AND JEKYLL ISLAND ROOMS)**
- 14:00 - 15:30    **SESSION 9: FISCAL POLICY (CAMELIA)**  
 Chair: Michael T. Owyang (Federal Reserve Bank of St. Louis)
- The Regional Variation in the Response to Government Spending Shocks  
 Michael Owyang (Federal Reserve Bank of St. Louis)  
*Sarah Zubairy* (Duke University)
- Government Spending and Consumption in the Presence of Borrowing Constraints  
*Muhammad Saifur Rahman* (Indiana University)
- The Role of Optimal Fiscal Policy in a Currency Union  
*Eiji Okano* (Chiba Keizai University and Columbia University)
- 14:00 - 15:30    **SESSION 10: FINANCE III (AZALEA)**  
 Chair: Remco C.J. Zwinkels (Erasmus University Rotterdam)
- Long Memory and Nonlinearity in Conditional Variances:  
 A Smooth Transition FIGARCH Model  
*Rehim Kilic* (Georgia Institute of Technology)
- Negative Volatility Spillovers in the Unrestricted ECCG-GARCH Model  
 Christian Conrad (Heidelberg University)  
*Menelaos Karanasos* (Brunel University)
- A Test of the GARCH (1,1) Specification for Daily Stock Returns  
*Richard A. Ashley* (Virginia Tech)  
 Douglas M. Patterson (Virginia Tech)

- 14:00 - 15:00    **SESSION 11: STATE-DEPENDENT PRICING (JASMINE)**  
 Chair: Peter Zdrozny (Bureau of Labor Statistics)
- Interest Rate Rules and State-Dependent Pricing  
*James Costain* (Banco de España)
- Alternative Methods of Solving State-Dependent Pricing Models  
*Edward S. Knotek II* (Federal Reserve Bank of Kansas City)  
 Stephen Terry (Federal Reserve Bank of Kansas City)
- 14:00 - 15:00    **SESSION 12: TIME SERIES III (DOGWOOD)**  
 Chair: Hammad Qureshi (The Ohio State University)
- Analytic Moments for Conditional and Aggregated GARCH Variances and Returns  
 Carol Alexander (ICMA Centre-The University of Reading)  
 Emese Lazar (ICMA Centre-The University of Reading)  
*Silvia Stanescu* (ICMA Centre-The University of Reading)
- Modeling Long Memory and Structural Breaks in Conditional Variances:  
 An Adaptive FIGARCH Approach  
 Richard Baillie (Michigan State University)  
*Claudio Morana* (Universita' del Piemonte Orientale)
- 15:30 – 16:00    **COFFEE/TEA**
- 16:00 - 17:00    **SESSION 13: TIME SERIES IV (AZALEA)**  
 Chair: Claudio Morana (Universita' del Piemonte Orientale)
- Nested Forecast Model Comparisons: A New Approach to Testing Equal Accuracy  
 Todd E. Clark (Federal Reserve Bank of Kansas City)  
*Michael McCracken* (Federal Reserve Bank of St. Louis)
- Out-of-Sample Comparison of Copula Specifications in Multivariate Density Forecasts  
*Cees Diks* (University of Amsterdam)  
 Valentyn Panchenko (University of New South Wales)  
 Dick van Dijk (Erasmus Universitij Rotterdam)
- 16:00 - 17:30    **SESSION 14: MACRO I (CAMELIA)**  
 Chair: Jie Li (University of California, Riverside)
- Persistent Deficit, Growth and Indeterminacy: The “Golden Rule of Public Finance” Revisited  
*Alexandru Minea* (University of Orleans)  
 Patrick Villieu (University of Orleans)
- Expected Utility in Models with Chaos and Backward Dynamics  
 Judy Kennedy (Lamar University)  
 Brian Raines (Baylor University)  
*David Stockman* (University of Delaware)
- Progressive Taxation and Macroeconomic (In)stability  
 Shu-Hua Chen (National Taipei University)  
*Jang-Ting Guo* (University of California, Riverside)

16:00 - 17:30

**SESSION 15: FINANCE IV (DOGWOOD)**

Chair: Richard A. Ashley (Virginia Tech)

Risk Measurement Incorporating Conditional Skewness and Kurtosis:

A Dynamic Application of the Skew T-Distribution

Malcolm J. Faddy (Queensland University of Technology)

*Rodney C. Wolff* (Queensland University of Technology)

The General Moments Expansion: An Application for Financial Risk

*Trino-Manuel Níguez* (University of Westminster)

Javier Perote (Rey Juan Carlos University)

Long-Run Consumption Risk and the Real Yield Curve

*Shu Wu* (The University of Kansas)

16:00 - 17:00

**SESSION 16: GROWTH (JASMINE)**

Chair: Mohammad Jahan-Parvar (East Carolina University)

From Riches to Rags, and Back? Explaining the Growth Trajectory of Argentina since the 1890s

Nauro F. Campos (Brunel University)

*Menelaos G. Karanasos* (Brunel University)

Bin Tan (Brunel University)

A Joint Dynamic Bi-Factor Model of the Yield Curve and the Economy as a Predictor of Business Cycles

Marcelle Chauvet (University of California, Riverside)

*Zeynep Senyuz* (University of New Hampshire)

17:30 – 18:30

**RECEPTION (EXECUTIVE PREFUNCTION AREA)**

18:30 – 20:00

**DINNER (PEACHTREE, PIEDMONT AND JEKYLL ISLAND ROOMS)**

**FRIDAY, APRIL 17**

- 7:30 – 8:45      **CONTINENTAL BREAKFAST (PEACHTREE, PIEDMONT AND JEKYLL ISLAND ROOMS)**
- 9:00 - 10:30      **SESSION 17: MACRO II (AZALEA)**  
Chair: David Stockman (University of Delaware)
- The Microfoundations of Inflation Persistence in a New Keynesian Phillips Curve Model  
Marcelle Chauvet (University of California, Riverside)  
*Insu Kim* (University of California, Riverside)
- How Largely Can Commitment Beat Policy-makers' Misperception?  
Marcelle Chauvet (University of Riverside, California)  
*Jie Li* (University of California, Riverside)
- How Does a Twisted Beliefs Shock Affect the Macroeconomy?  
*Jacek Suda* (Washington University in St. Louis)
- 9:00 - 10:30      **SESSION 18: FINANCE V (CAMELIA)**  
Chair: Rodney Wolff (Queensland University of Technology)
- Separating Risk Due to Diffusion, Positive Jumps, and Negative Jumps  
Stefan Klößner (Saarland University)
- Semiparametric Conditional Quantile Estimation with High-Frequency Data  
*Filip Zikes* (Imperial College London)
- Quasi-Maximum Likelihood Estimation of Discretely Observed Diffusions  
*Xiao Huang* (Kennesaw State University)
- 9:00 - 10:00      **SESSION 19: TIME SERIES V (JASMINE)**  
Chair: Menelaos G. Karanasos (Brunel University)
- Likelihood-Based Confidence Sets for the Timing of Structural Breaks  
Yunjong Eo (Washington University in St. Louis)  
*James Morley* (Washington University in St. Louis)
- Bootstrap Prediction Intervals for Threshold Autoregressive Models  
*Jing Li* (South Dakota State University)
- 9:00 - 10:30      **SESSION 20: INFLATION I (DOGWOOD)**  
Chair: Giovanni Caggiano (University of Padua)
- Real-Time State-Space Method for Computing Filtered Estimates of Future Revisions of U.S. Monthly Chained CPI  
*Peter Zadrozny* (Bureau of Labor Statistics)
- Tracing the Effects of Real-Time Data Revisions in Exclusions-from-Core Measures of Inflation  
*Heather L.R. Tierney* (College of Charleston)
- Inflation and Relative Price Variability: Relation beyond the Hype of Linearity and Stability  
*Chi-Young Choi* (University of Texas at Arlington)
- 10:30 – 11:00      **COFFEE/TEA**

11:00 - 12:30

**SESSION 21: FINANCE VI (JASMINE)**

Chair: Filip Zikes (Imperial College London)

An Empirical Investigation of Stock Market Behavior in the Middle East and North Africa

Ai-Ru Cheng (University of California, Santa Cruz)

*Mohammad R. Jahan-Parvar* (East Carolina University)

Philip Rothman (East Carolina University)

Extended Tests for Threshold Unit Roots and Asymmetries in Lending and Deposit Rates

Walter Enders (University of Alabama)

Junsoo Lee (University of Alabama)

*Mark C. Strazicich* (Appalachian State University)

Byung Chul Yu (Dong-A University)

Chronicle of Large Currency Devaluations: Re-Examining the Effects on Output

*Mathieu Bussière* (European Central Bank)

Sweta C. Saxena (Bank for International Settlements)

Camilo E. Tovar (Bank for International Settlements)

11:00 - 12:30

**SESSION 22: MACRO III (AZALEA)**

Chair: Jacek Suda (Washington University in St. Louis)

Risk Premiums and Technology Shocks

Richard Dennis (Federal Reserve Bank of San Francisco)

*Kevin J. Lansing* (Federal Reserve Bank of San Francisco)

A DSGE Model of the Term Structure with Regime Shifts

*Gianni Amisano* (European Central Bank and University of Brescia)

Oreste Tristani (European Central Bank)

Bayesian Analysis of DSGE Models with Regime Switching

*Yunjong Eo* (Washington University in St. Louis)

11:00 - 12:30

**SESSION 23: TIME SERIES VI (DOGWOOD)**

Chair: Jing Li (South Dakota State University)

Reproducing Business Cycle Features:

How Important is Nonlinearity versus Multivariate Information

James Morley (Washington University in St. Louis)

Jeremy Piger (University of Oregon)

*Pao-Lin Tien* (Wesleyan University)

Financial Market Volatility and the Business Cycle: A Stochastic Volatility Approach

*Gianluca Moretti* (Banca d'Italia)

Time-Varying Effects of Oil Supply Shocks on the US Economy

*Christiane Baumeister* (Ghent University)

Gert Peerman (Ghent University)



- 11:00 - 12:30    **SESSION 24: INFLATION II (CAMELIA)**  
 Chair: Heather L.R. Tierney (College of Charleston)
- Heterogeneity, Aggregation, and the Dynamics of International Inflation  
*Giovanni Caggiano* (University of Padua)  
*Efrem Castelnuovo* (University of Padua)
- Investigating Price Level Dynamics with an Unobserved Components Models  
 Michael D. Bradley (George Washington University)  
*Dennis W. Jansen* (Texas A&M University)  
 Tara M. Sinclair (George Washington University)
- Persistence and Instability in Disaggregate Inflation Information  
*Francesco Ravazzolo* (Norges Bank)  
 Shaun Vahey (Melbourne Business School)
- 12:30 – 14:00    **LUNCH (PEACHTREE, PIEDMONT AND JEKYLL ISLAND ROOMS)**
- 14:00 - 15:00    **SESSION 25: FINANCE VII (CAMELIA)**  
 Chair: Mark Strazicich (Appalachian State University)
- Vintage and Credit Rating: What Matters in the ABX Data during the Credit Crunch?  
 Mardi Dungey (University of Cambridge and University of Tasmania)  
*Gerald Dwyer* (Federal Reserve Bank of Atlanta and University of Carlos III, Madrid)  
 Tom Flavin (National University of Ireland, Maynooth)
- Aggregate US Merger Levels: An Explained Markov Switching Analysis  
*Sarah Reilly* (University of Dublin, Trinity College)  
 Brian Lucey (University of Dublin, Trinity College)
- 14:00 - 15:30    **SESSION 26: INTERNATIONAL (DOGWOOD)**  
 Chair: Dennis Jansen (Texas A&M University)
- Are There Common Upswings and Downswings between NAFTA Countries?  
*Shushanik Papanyan* (University of Texas at Arlington)
- A Model of International Cities: Implications for Real Exchange Rates  
 Mario Crucini (Vanderbilt University)  
*Hakan Yilmazkuday* (Vanderbilt University)
- Temporal Aggregation and Purchasing Power Parity Persistence  
*Yamin Ahmad* (University of Wisconsin – Whitewater)  
 William Craighead (Miami University)

14:00 - 15:30

**SESSION 27: INFLATION III (AZALEA)**

Chair: Francesco Ravazzolo (Norges Bank)

Sources of the Great Moderation: A Time-Series Analysis of GDP Subsectors

Walter Enders (University of Alabama)

*Jun Ma* (University of Alabama)

Testing for Group-Wise Convergence with an Application to Euro Area Inflation

*Claude Lopez* (University of Cincinnati)

David H. Papell (University of Houston)

Using a Projection Method to Analyze Inflation Bias in a Micro-Founded Model

*Gary S. Anderson* (Federal Reserve Board)

Jinill Kim (Federal Reserve Board)

Tack Yun (Federal Reserve Board)

14:00 - 15:30

**SESSION 28: TIME SERIES VII (JASMINE)**

Chair: Gianluca Moretti (Bank of Italy)

Comparing Forecast Accuracy: A Monte Carlo Investigation

Fabio Busetti (Bank of Italy)

*Juri Marcucci* (Bank of Italy)

Giovanni Veronese (Bank of Italy)

Forecasting US Inflation: A Look Beyond the Conditional Mean

*Sebastiano Manzan* (Baruch College, CUNY)

Dawit Zerom (California State, Fullerton)

Comparing Inflationary Expectations: Do the Inflationary Expectations Implicit in the Yield Curve and the Taylor Rule Coincide with Each Other?

Yamin Ahmad (University of Wisconsin at Whitewater)

*Stuart Glosser* (University of Wisconsin at Whitewater)

15:30 – 16:00

**COFFEE/TEA**

16:00 - 17:00

**SESSION 29: CRAIG HIEMSTRA MEMORIAL LECTURE (REDBUD/MAGNOLIA)**

Dissecting the Market Pricing of Volatility

*Torben Andersen* (Northwestern University, Kellogg School)