प्रेस प्रकाशनी PRESS RELEASE

भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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RBI Working Paper No. 12/2022: Predicting Exchange Rate in India: A Non-parametric Causality-in-Quantiles Approach

Today the Reserve Bank of India placed on its website a Working Paper titled "Predicting Exchange Rate in India: A Non-parametric Causality-in-Quantiles Approach" under the Reserve Bank of India Working Paper Series*. The Paper is authored by Seema Jaiswal.

Using the non-parametric causality-in-quantiles approach, the paper examines the relationship between the INR/USD exchange rate, and the crude oil and gold prices, domestic and global stock prices, volatility index (VIX) and net foreign portfolio investments under various foreign exchange market conditions. This investigation is carried out for the different quantiles of the conditional distribution of the exchange rate.

The empirical analysis indicates that most of the selected variables exhibit causality with the exchange rate of the INR for all quantiles excluding the two extreme ends of the conditional distribution. Crude oil price, domestic and global stock index returns, net portfolio investment returns, and the global volatility index cause variations in the exchange rate return during the normal conditions in the foreign exchange market, excluding the lower and upper quantiles.

(Yogesh Dayal)
Chief General Manager

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*The Reserve Bank of India (RBI) introduced the RBI Working Papers series in March 2011. These papers present research in progress of the staff members of the RBI and at times also those of external co-authors, when the research is jointly undertaken. They are disseminated to elicit comments and further debate. The views expressed in these papers are those of the authors and not necessarily those of the institution(s) to which they belong. Comments and observations may please be forwarded to the authors. Citation and use of such papers should take into account its provisional character.