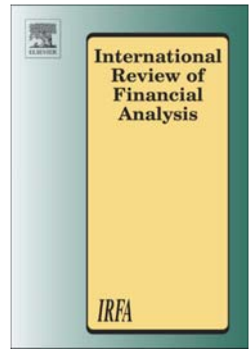

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Dynamic efficiency of stock markets and exchange rates[☆,☆☆]

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Abstract

We use generalized Hurst exponents to investigate long-range dependence across countries that have implemented an inflation targeting monetary policy regime and have a floating currency regime. We show that the degree of long-range dependence has changed after the 2008 crisis for equity markets but not as much for exchange rate markets. We compare results for developed and emerging economies and find that there still are some important differences but not as they were before the crisis. We also include an additional set of relevant countries and find that our results are more pronounced for inflation targeters. We discuss several implications of these results.

Keywords: Hurst exponent, market efficiency, exchange rate, stock market, emerging markets, developed markets

JEL: C65, F31, G01, G14, G15

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