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Title: Cointegration and Causality among the Onshore and Offshore Markets for China's Currency

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- 1) We test for linear and nonlinear Granger causality between the onshore and offshore markets for the renminbi in the period between from August 23, 2010 and January 31, 2015 , as well as for each of three subperiods.
- 2) We focus on the policy shifts pertaining to the widening of the daily currency band in which the first band widening was from $\pm 0.5\%$ to $\pm 1\%$ and the second widening of the exchange rate band from $\pm 1\%$ to $\pm 2\%$.
- 3) We investigate how the causality relationships were altered by the policy changes and discuss the significance of our findings.
- 4) We provide one-month-ahead forecasts from the estimated causality equations and show that upon occasion they are consistent with the in-sample estimates.
- 5) Our sub-period analysis shows the exchange-rate movements to be most predictable in Sub-period 1, less so in Sub-period 2, and basically random in Sub-period 3, while the ties between the onshore and offshore markets were closest during the first sub-period, with hints of causality therein, before steadily loosening thereafter.

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