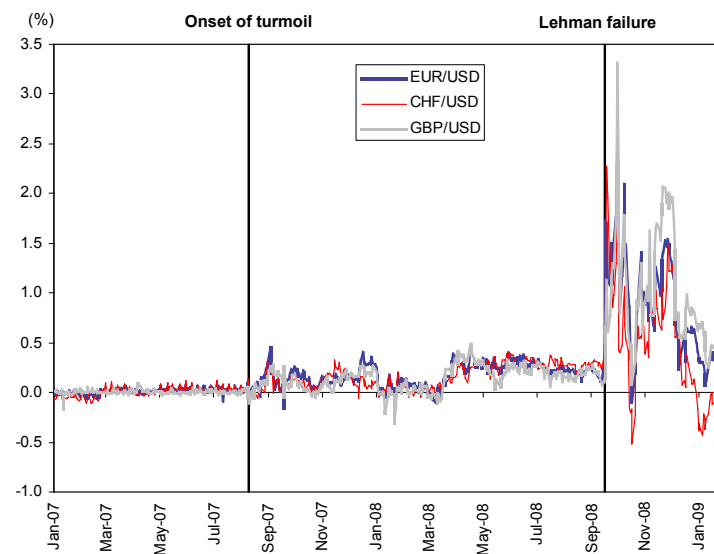# Macroeconomics – Econ202A

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Deviations from Covered Interest Rate Parity

Note: FX swap deviations are calculated as the difference between the FX swap-implied dollar rate and uncollateralized dollar cash rate, where the FX swap-implied dollar rate is defined as a total cost, in terms of a dollar rate, from raising each of European currencies in the uncollateralized cash market and converting them into dollars through the FX swap market. Libor rates are used as the uncollateralized cash rates for all currencies involved.

Figure: FX Swap and Deviations from Covered Interest Rate Parity, Baba & Packer (2009)

Changes in exchange rates and price level
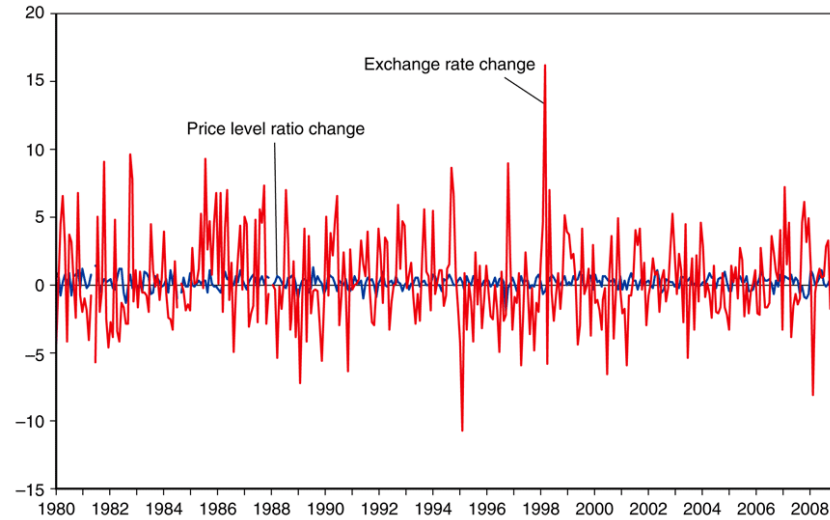ratios–U.S./Japan (percent per month)

Figure: Month-to-Month Variability of the Dollar/Yen Exchange Rate and of the U.S./Japan Price Level Ratio, 1980-2009. Source: Krugman, Obstfeld & Melitz (2012)
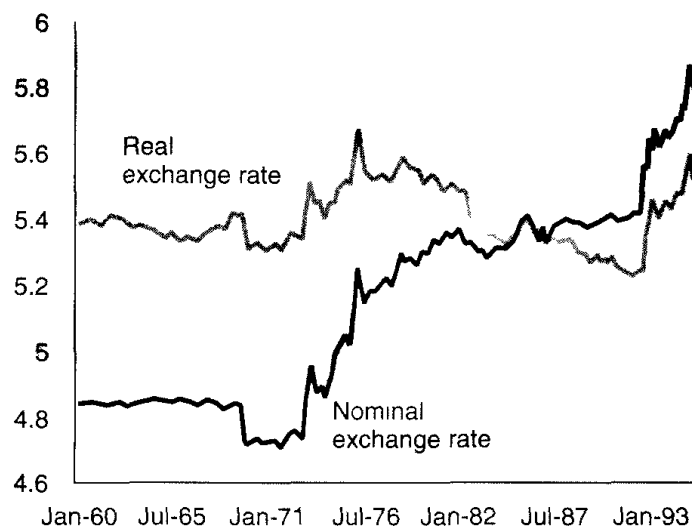
Log real and nominal
lira/franc exchange rates

Figure: France and Italy nominal and real exchange rate (liras/franc)