

Analysis of the Dynamic Relation between the Currency Rates and the Interest Rates from Romania and the Euro Area before and after the Financial Crisis

RAZVAN STEFANESCU (*University „Dunarea de Jos”, Faculty of Economic Sciences, Romania, rzvn_stefanescu@yahoo.com*)

RAMONA DUMITRIU (*University „Dunarea de Jos”, Faculty of Economic Sciences, Romania, rdumitriu@ugal.ro*)

COSTEL NISTOR (*University „Dunarea de Jos”, Faculty of Economic Sciences, Romania, costel_nistor_fse@yahoo.com*)

This paper examines the changes induced by the present financial crisis in the dynamic relation between the currency rates and the differentials of interest rates from Romania and the euro area. In the framework of the Uncovered Interest Rate Parity hypothesis we apply the Vector Autoregressive methodology for daily values of the currency rates and the interest rates during the crisis. We compare the results obtained with a similar analysis for a period of time before the crisis began and we find significant differences.

Keywords: Uncovered Interest Rates Parity, Vector Autoregressive Model, Financial Crisis, Romanian Foreign Exchange Market