

Current projects.

The Hegemon's Dilemma (Job market paper)

An analysis of the policy dilemma faced by issuers of reserve assets. I show that intratemporal price distortions which give rise to an aggregate demand externality can lower welfare. Moreover, I show that limited financial market participation of households can severely skew the balance of incentives. Related empirical work on asset pricing data explaining the role of the US in world markets is in the works.

Mean reversion and exchange rate risk premia (with Michele Ca Zorzi, ECB)

We document that exchange rates and interest rates are mean reverting and therefore predictable. In addition, we show that mean-reversion of exchange rates requires a strict time schedule of exchange rate risk premia (in particular the present value sums to zero). Finally, we propose in a theoretical model that mean reversion in exchange rates and interest rates imposes the aforementioned time variation in risk premia.

The term structure of exchange rates (with Simon Lloyd, BoE)

The uncovered interest rate parity, often used to forecast exchange rates fails systematically at short horizons. We show that augmenting the benchmark regression with yield curve factors (principal components), we are able to increase explanatory power by up to six times and recover the intuition underlying the uncovered interest rate parity. In addition, using a decomposition (Based on OIS swaps), we show this is attributable to both expectations and term premia.