

Department of Applied and Computational Mathematics and Statistics Colloquium

Ilias Tsiakas


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will give a lecture entitled:

Currency Order Flow and Real-Time Macroeconomic Information

Abstract

This paper investigates empirically whether currency order flow aggregates dispersed real-time macroeconomic information using a unique data set on customer order flow disaggregated across four customer groups for the G10 currencies over a ten-year sample period. We first establish that customer order flow has substantial out-of-sample forecasting ability for exchange rate returns in the context of a dynamic trading strategy with monthly rebalancing. We then find that a large part of the information in order flow can be explained ex post by a time-varying combination of real-time macroeconomic fundamentals. However, models conditioning on macroeconomic information fail to replicate ex ante models conditioning on order flow as the latter substantially outperform the former using economic metrics of forecast evaluation. This leads us to conclude that order flow provides a distinct and effective way of aggregating dispersed macroeconomic information.



**Monday, April 8, 2013
4:00 p.m. to 5:00 p.m.
127 Hayes-Healy Center**

Colloquium Tea

3:30 p.m. to 4:00 p.m. 154 Hurley Hall