

2nd International Conference in Applied Theory, Macro and Empirical Finance

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This special issue relates to the 2nd International Conference in Applied Theory, Macroeconomics and Empirical Finance (AMEF) that took place in the Department of Economics, University of Macedonia, Thessaloniki, Greece on 6–7 May 2016. The conference attracted senior and young scholars, post-doctoral researchers and PhD students from several countries. The three keynote speeches were delivered by Professor *Karim Abadir* (Imperial College, UK), Professor *Thanasis Stengos* (University of Guelph, Canada) and Professor *Anastasios Xepapadeas* (Athens University of Economics and Business, Greece).

In their contribution, *Sidiropoulos et al.* investigate the effect of central bank transparency on the stock market volatility by means of non-parametric techniques. Their sample consists of annual data for 40 countries and covers the 1998 to 2005 period. The authors are able to identify a non-linear effect and provide evidence that high levels of transparency are associated with lower levels of stock market volatility. Their main findings are robust to the method used to measure the stock market volatility. Moreover, the negative effect of central bank transparency on the volatility of the stock market is still supported when additional control variables are included in the analysis. Finally, the authors discuss the implications of their findings for policy-makers.

Mitianoudis and *Dergiades* also adopt a non-linear framework to examine the predictive power of dividends for stock prices. The analysis focuses on the US economy and is based on a dataset that covers a period of more than 140 years (1871 to 2013). After filtering the data, the authors initially implement two different methodologies to obtain a time-frequency decomposition of the variables under scrutiny. Then, they apply two non-linear causality tests and provide clear evidence for the predictability of stock prices at long-horizons (greater than 32 months). However, there is no predictability for shorter forecast horizons. It is noteworthy that the findings are robust across the decomposition processes and the non-linear causality tests considered in this analysis.

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Aksoy et al. investigate the relationship among inflation, inflation uncertainty, and relative price dispersion using highly disaggregated price data for the US and the UK. This approach is important from a theoretical point of view given the likely impact of relative price dispersion on economic efficiency and aggregate output. Using an asymmetric bivariate GARCH-M model of inflation and relative price dispersion the authors find some interesting results. First, the effects of inflation on relative price dispersion are mixed across the two countries supporting the menu costs model in the US and the monetary search model in the UK. Second, the effect of inflation uncertainty on relative price dispersion is insignificant in both countries.

Chortareas and Jiang provide an empirical analysis of the effect of foreign exchange market intervention by the Bank of Japan on the volatility of the US dollar/Japanese yen exchange rate. The paper has crucial policy relevance given the frequency of central bank interventions in Japan and the signaling effect that interventions have for monetary policy. The paper employs a Markov regime-switching GARCH model that distinguishes between the states of high and low exchange rate volatility. The authors conclude that the Bank of Japan's interventions have an impact on volatility only when the market is at the low-volatility regime.

References

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