The Effects of Turkish Central Bank's Interventions Over Currency Rate Volatility

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Abstract

This study aims to identify and analyze the effects of Turkish Central Bank's interventions over currency rate volatility. US Dolar and Euro Returns of Turkish Lira between 04.01.1999 and 24.09.2008 are modelled in the study. Econometric methods used are ARFIMA-GARCH and ARFIMA-FIGARCH models. Findings obtained from model verify the presence of long memory properties, and increasing effects of Central Bank's interventions over currency volatility. According to model's findings, currency shocks have no permanent characteristic and market dynamics will return stability back to markets; therefore, Central Bank should avoid intervening currency markets.

Keywords: *Exchange Rate Volatility, Central Bank Interventions, ARFIMA-GARCH and ARFIMA-FIGARCH Models*

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