Table 19

Slope Coefficient from Long-Run Regression , Full Sample for Each Currency

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Currency | Time | Obs. |  | 95% CI | -val |
| CAD | 1979/06-2020/09 | 477 | 46.622 | (41.24, 52) | < 0.01 |
| CHF | 1979/06-2020/09 | 477 | -9.789 | (-20.68, 1.098) | 0.0787 |
| DEM | 1979/06-2020/09 | 477 | 1.472 | (-9.012, 11.96) | 0.783 |
| FRF | 1979/06-2020/09 | 477 | 4.744 | (-2.018, 11.51) | 0.17 |
| GBP | 1979/06-2020/09 | 477 | -3.301 | (-17.50, 10.90) | 0.649 |
| ITL | 1979/06-2020/09 | 477 | 4.683 | (-1.403, 10.77) | 0.132 |
| JPY | 1979/06-2020/09 | 477 | 11.781 | (-3.947, 27.51) | 0.143 |
| NOK | 1986/01-2020/09 | 410 | 50.492 | (45.52, 55.47) | < 0.01 |
| SEK | 1987/01-2020/09 | 398 | 59.699 | (32.41, 86.99) | < 0.01 |

Notes: This table reports the slope coefficient estimates () from equation (12), , based on the full sample (the longest covers 1979:06-2020:09) for each currency, including Canadian dollar (CAD), Swiss franc (CHF), German mark (DEM), French franc (FRF), British pound (GBP), Italian lira (ITL), Japanese yen (JPY), Norwegian krone (NOK) and Swedish krona (SEK). is the transitory component of the exchange rate from the Beveridge-Nelson decomposition, and is the value of exchange rate if UIP held. We use a vector autoregression (VAR) to compute the two measures of exchange rate in the stationary case, and adopt the small-sample bias correction from West (2016), with which we did not encounter the root greater than one problem. The exchange rates are against US dollar, and is the log of the exchange rate expressed as the home currency (dollars) price of foreign currency. Exchange rates of the mark, French franc and lira are converted into euros using the euro conversion rates at the time of origination of the euro in January 1999. is the interest rate on a riskless one-period deposit or security in the home country (U.S.) and is the analogous interest rate in the foreign country. Sample dates vary across currencies, especially for NOK and SEK, as shown in the Time column, due to the data availability of interest rates. The CI column reports the 95% confidence intervals of the slope coefficient. The -value column reports the -value of the two-sided -test for the slope coefficient .

Table 19

Slope Coefficient from Long-Run Regression , Full Sample for Each Currency

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | Transitory Component | UIP measure | Difference |
| Currency | Time/Obs. | /95%CI/*p*-val | /95%CI/*p*-val | /95%CI/*p*-val |
| CAD | 1979/06-2020/09 | -53.498 | -100.12 | 46.622 |
|  | 477 | (-67.38, -39.62) | (-118.7, -81.55) | (41.24, 52) |
|  |  | < 0.01 | < 0.01 | < 0.01 |
| CHF | 1979/06-2020/09 | -32.333 | -22.543 | -9.789 |
|  | 477 | (-41.48, -23.19) | (-25.38, -19.71) | (-20.68, 1.098) |
|  |  | < 0.01 | < 0.01 | 0.0787 |
| DEM | 1979/06-2020/09 | -38.909 | -40.381 | 1.472 |
|  | 477 | (-48.84, -28.98) | (-41.36, -39.40) | (-9.012, 11.96) |
|  |  | < 0.01 | < 0.01 | 0.783 |
| FRF | 1979/06-2020/09 | -21.947 | -26.692 | 4.744 |
|  | 477 | (-29.14, -14.76) | (-31.77, -21.62) | (-2.018, 11.51) |
|  |  | < 0.01 | < 0.01 | 0.17 |
| GBP | 1979/06-2020/09 | -17.412 | -14.112 | -3.301 |
|  | 477 | (-30.71, -4.112) | (-15.06, -13.16) | (-17.50, 10.90) |
|  |  | 0.0106 | < 0.01 | 0.649 |
| ITL | 1979/06-2020/09 | -82.55 | -87.232 | 4.683 |
|  | 477 | (-95.31, -69.79) | (-103.7, -70.73) | (-1.403, 10.77) |
|  |  | < 0.01 | < 0.01 | 0.132 |
| JPY | 1979/06-2020/09 | -4.509 | -16.29 | 11.781 |
|  | 477 | (-16.85, 7.829) | (-19.84, -12.74) | (-3.947, 27.51) |
|  |  | 0.474 | < 0.01 | 0.143 |
| NOK | 1986/01-2020/09 | -29.421 | -79.913 | 50.492 |
|  | 410 | (-36.58, -22.26) | (-85.92, -73.91) | (45.52, 55.47) |
|  |  | < 0.01 | < 0.01 | < 0.01 |
| SEK | 1987/01-2020/09 | -109.265 | -168.964 | 59.699 |
|  | 398 | (-144, -74.54) | (-230.2, -107.8) | (32.41, 86.99) |
|  |  | < 0.01 | < 0.01 | < 0.01 |

Notes: This table reports the slope coefficient estimates () from (Transitory component column), (UIP measure column), and equation (12), (Difference column), based on the full sample (the longest covers 1979:06-2020:09) for each currency, including Canadian dollar (CAD), Swiss franc (CHF), German mark (DEM), French franc (FRF), British pound (GBP), Italian lira (ITL), Japanese yen (JPY), Norwegian krone (NOK) and Swedish krona (SEK). is the transitory component of the exchange rate from the Beveridge-Nelson decomposition, and is the value of exchange rate if UIP held. We use a vector autoregression (VAR) to compute the two measures of exchange rate in the stationary case, and adopt the small-sample bias correction from West (2016), with which we did not encounter the root greater than one problem. The exchange rates are against US dollar, and is the log of the exchange rate expressed as the home currency (dollars) price of foreign currency. Exchange rates of the mark, French franc and lira are converted into euros using the euro conversion rates at the time of origination of the euro in January 1999. is the interest rate on a riskless one-period deposit or security in the home country (U.S.) and is the analogous interest rate in the foreign country. Sample dates vary across currencies, especially for NOK and SEK, as shown in the Time column, due to the data availability of interest rates. The CI column reports the 95% confidence intervals of the slope coefficient. The -value column reports the -value of the two-sided -test for the slope coefficient .

Table 20

Slope Coefficient from Long-Run Regression , Full Sample for Each Currency

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Currency | Time | Obs. |  | 95% CI | *p*-val |
| CAD | 1979/06-2020/09 | 477 | 2.796 | (2.215, 3.377) | <0.01 |
| CHF | 1979/06-2020/09 | 477 | 4.609 | (3.001, 6.217) | <0.01 |
| DEM | 1979/06-2020/09 | 477 | 2.158 | (0.842, 3.474) | <0.01 |
| FRF | 1979/06-2020/09 | 477 | 2.919 | (1.963, 3.874) | <0.01 |
| GBP | 1979/06-2020/09 | 477 | 0.28 | (-1.360, 1.920) | 0.738 |
| ITL | 1979/06-2020/09 | 477 | 1.576 | (1.158, 1.994) | <0.01 |
| JPY | 1979/06-2020/09 | 477 | 4.603 | (2.408, 6.798) | <0.01 |
| NOK | 1986/01-2020/09 | 410 | 3.915 | (2.847, 4.983) | <0.01 |
| SEK | 1987/01-2020/09 | 398 | 11.133 | (10.32, 11.95) | <0.01 |

Notes: This table reports the slope coefficient estimates () equation (13), , based on the full sample (the longest covers 1979:06-2020:09) for each currency, including Canadian dollar (CAD), Swiss franc (CHF), German mark (DEM), French franc (FRF), British pound (GBP), Italian lira (ITL), Japanese yen (JPY), Norwegian krone (NOK) and Swedish krona (SEK). is the transitory component of the exchange rate from the Beveridge-Nelson decomposition, and is the value of exchange rate if UIP held. We use a vector autoregression (VAR) to compute the two measures of exchange rate in the stationary case, and adopt the small-sample bias correction from West (2016), with which we did not encounter the root greater than one problem. The exchange rates are against US dollar, and is the log of the exchange rate expressed as the home currency (dollars) price of foreign currency. Exchange rates of the mark, French franc and lira are converted into euros using the euro conversion rates at the time of origination of the euro in January 1999. is the interest rate on a riskless one-period deposit or security in the home country (U.S.) and is the analogous interest rate in the foreign country. is the inflation rate in the U.S. and is the inflation rate in the foreign country. Sample dates vary across currencies, especially for NOK and SEK, as shown in the Time column, due to the data availability of interest rates. The CI column reports the 95% confidence intervals of the slope coefficient. The -value column reports the -value of the two-sided -test for the slope coefficient .

Table 20

Slope Coefficient from Long-Run Regression , Full Sample for Each Currency

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | Transitory Component | UIP measure | Difference |
| Currency | Time/Obs. | /95%CI/p-val | /95%CI/p-val | /95%CI/p-val |
| CAD | 1979/06-2020/09 | -1.822 | -4.618 | 2.796 |
|  | 477 | (-3.147, -0.496) | (-6.450, -2.786) | (2.215, 3.377) |
|  |  | <0.01 | <0.01 | <0.01 |
| CHF | 1979/06-2020/09 | 0.994 | -3.615 | 4.609 |
|  | 477 | (-1.165, 3.153) | (-4.304, -2.927) | (3.001, 6.217) |
|  |  | 0.367 | <0.01 | <0.01 |
| DEM | 1979/06-2020/09 | -2.186 | -4.344 | 2.158 |
|  | 477 | (-3.862, -0.510) | (-5.165, -3.524) | (0.842, 3.474) |
|  |  | 0.0109 | <0.01 | <0.01 |
| FRF | 1979/06-2020/09 | -1.748 | -4.667 | 2.919 |
|  | 477 | (-2.973, -0.523) | (-5.081, -4.253) | (1.963, 3.874) |
|  |  | <0.01 | <0.01 | <0.01 |
| GBP | 1979/06-2020/09 | -0.218 | -0.498 | 0.28 |
|  | 477 | (-1.871, 1.436) | (-0.906, -0.0896) | (-1.360, 1.920) |
|  |  | 0.797 | 0.0172 | 0.738 |
| ITL | 1979/06-2020/09 | -10.495 | -12.071 | 1.576 |
|  | 477 | (-10.88, -10.11) | (-12.49, -11.66) | (1.158, 1.994) |
|  |  | <0.01 | <0.01 | <0.01 |
| JPY | 1979/06-2020/09 | 1.89 | -2.713 | 4.603 |
|  | 477 | (0.0907, 3.690) | (-3.201, -2.225) | (2.408, 6.798) |
|  |  | 0.0401 | <0.01 | <0.01 |
| NOK | 1986/01-2020/09 | -0.2 | -4.115 | 3.915 |
|  | 410 | (-1.539, 1.139) | (-6.129, -2.101) | (2.847, 4.983) |
|  |  | 0.77 | <0.01 | <0.01 |
| SEK | 1987/01-2020/09 | -12.124 | -23.257 | 11.133 |
|  | 398 | (-14.90, -9.353) | (-26.84, -19.68) | (10.32, 11.95) |
|  |  | <0.01 | <0.01 | <0.01 |

Notes: This table reports the slope coefficient estimates () from (Transitory component column), (UIP measure column), and equation (13), (Difference column), based on the full sample (the longest covers 1979:06-2020:09) for each currency, including Canadian dollar (CAD), Swiss franc (CHF), German mark (DEM), French franc (FRF), British pound (GBP), Italian lira (ITL), Japanese yen (JPY), Norwegian krone (NOK) and Swedish krona (SEK). is the transitory component of the exchange rate from the Beveridge-Nelson decomposition, and is the value of exchange rate if UIP held. We use a vector autoregression (VAR) to compute the two measures of exchange rate in the stationary case, and adopt the small-sample bias correction from West (2016), with which we did not encounter the root greater than one problem. The exchange rates are against US dollar, and is the log of the exchange rate expressed as the home currency (dollars) price of foreign currency. Exchange rates of the mark, French franc and lira are converted into euros using the euro conversion rates at the time of origination of the euro in January 1999. is the interest rate on a riskless one-period deposit or security in the home country (U.S.) and is the analogous interest rate in the foreign country. is the inflation rate in the U.S. and is the inflation rate in the foreign country. Sample dates vary across currencies, especially for NOK and SEK, as shown in the Time column, due to the data availability of interest rates. The CI column reports the 95% confidence intervals of the slope coefficient. The -value column reports the -value of the two-sided -test for the slope coefficient .

Table 21

Estimated variances of and

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Currency | Time | Obs. | var() | var() | F-stat |
| CAD | 1979/06-2020/09 | 477 | 0.0219 | 0.0458 | 0.4777 |
| CHF | 1979/06-2020/09 | 477 | 0.0222 | 0.0031 | 7.1136 |
| DEM | 1979/06-2020/09 | 477 | 0.0232 | 0.0070 | 3.3279 |
| FRF | 1979/06-2020/09 | 477 | 0.0184 | 0.0087 | 2.1206 |
| GBP | 1979/06-2020/09 | 477 | 0.0135 | 0.0008 | 17.9024 |
| ITL | 1979/06-2020/09 | 477 | 0.0967 | 0.1254 | 0.7710 |
| JPY | 1979/06-2020/09 | 477 | 0.0247 | 0.0034 | 7.2763 |
| NOK | 1986/01-2020/09 | 410 | 0.0192 | 0.0432 | 0.4454 |
| SEK | 1987/01-2020/09 | 398 | 0.1509 | 0.3475 | 0.4341 |

Notes: This table reports the variance of and , based on the full sample (the longest covers 1979:06-2020:09) for each currency, including Canadian dollar (CAD), Swiss franc (CHF), German mark (DEM), French franc (FRF), British pound (GBP), Italian lira (ITL), Japanese yen (JPY), Norwegian krone (NOK) and Swedish krona (SEK). is the transitory component of the exchange rate from the Beveridge-Nelson decomposition, and is the value of exchange rate if UIP held. We use a vector autoregression (VAR) to compute the two measures of exchange rate in the stationary case, and adopt the small-sample bias correction from West (2016), with which we did not encounter the root greater than one problem. The exchange rates are against US dollar, and is the log of the exchange rate expressed as the home currency (dollars) price of foreign currency. Exchange rates of the mark, French franc and lira are converted into euros using the euro conversion rates at the time of origination of the euro in January 1999. is the interest rate on a riskless one-period deposit or security in the home country (U.S.) and is the analogous interest rate in the foreign country. Sample dates vary across currencies, especially for NOK and SEK, as shown in the Time column, due to the data availability of interest rates. The CI column reports the 95% confidence intervals of the slope coefficient. The -stat column reports the -statistics of the -test for the variance difference , specifically, .

Table S.19

Slope Coefficient from Long-Run Regression , Full Sample for Each Currency, nonstationary case

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Currency | Time | Obs. | beta\_T-IP | 95% CI | p-val |
| CAD | 1979/06-2020/09 | 477 | 20.874 | (17.68, 24.06) | <0.01 |
| CHF | 1979/06-2020/09 | 477 | 34.166 | (25.85, 42.48) | <0.01 |
| DEM | 1979/06-2020/09 | 477 | 64.898 | (60.10, 69.69) | <0.01 |
| FRF | 1979/06-2020/09 | 477 | 7.949 | (7.474, 8.425) | <0.01 |
| GBP | 1979/06-2020/09 | 477 | 34.953 | (33.75, 36.16) | <0.01 |
| ITL | 1979/06-2020/09 | 477 | 8.485 | (6.265, 10.71) | <0.01 |
| JPY | 1979/06-2020/09 | 477 | 71.71 | (69.46, 73.97) | <0.01 |
| NOK | 1986/01-2020/09 | 410 | 62.841 | (56.13, 69.55) | <0.01 |
| SEK | 1987/01-2020/09 | 398 | 14.277 | (0.888, 27.67) | 0.0373 |

Notes: This table reports the slope coefficient estimates () from equation (12), , based on the full sample (the longest covers 1979:06-2020:09) for each currency, including Canadian dollar (CAD), Swiss franc (CHF), German mark (DEM), French franc (FRF), British pound (GBP), Italian lira (ITL), Japanese yen (JPY), Norwegian krone (NOK) and Swedish krona (SEK). is the transitory component of the exchange rate from the Beveridge-Nelson decomposition, and is the value of exchange rate if UIP held. We use a vector autoregression (VAR) to compute the two measures of exchange rate in the nonstationary case, and adopt the small-sample bias correction from West (2016), with which we did not encounter the root greater than one problem. The exchange rates are against US dollar, and is the log of the exchange rate expressed as the home currency (dollars) price of foreign currency. Exchange rates of the mark, French franc and lira are converted into euros using the euro conversion rates at the time of origination of the euro in January 1999. is the interest rate on a riskless one-period deposit or security in the home country (U.S.) and is the analogous interest rate in the foreign country. Sample dates vary across currencies, especially for NOK and SEK, as shown in the Time column, due to the data availability of interest rates. The CI column reports the 95% confidence intervals of the slope coefficient. The -value column reports the -value of the two-sided -test for the slope coefficient .

Table S.19

Slope Coefficient from Long-Run Regression , Full Sample for Each Currency, nonstationary case

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | Transitory Component | UIP measure | Difference |
| Currency | Time/Obs. | b/95%CI/p-val | b\_IP/95%CI/p-val | b/95%CI/p-val |
| CAD | 1979/06-2020/09 | 5.925 | -14.949 | 20.874 |
|  | 477 | (3.334, 8.516) | (-15.56, -14.34) | (17.68, 24.06) |
|  |  | <0.01 | <0.01 | <0.01 |
| CHF | 1979/06-2020/09 | 14.404 | -19.762 | 34.166 |
|  | 477 | (8.853, 19.96) | (-22.53, -17) | (25.85, 42.48) |
|  |  | <0.01 | <0.01 | <0.01 |
| DEM | 1979/06-2020/09 | 26.119 | -38.779 | 64.898 |
|  | 477 | (22.23, 30.01) | (-39.72, -37.83) | (60.10, 69.69) |
|  |  | <0.01 | <0.01 | <0.01 |
| FRF | 1979/06-2020/09 | -16.272 | -24.221 | 7.949 |
|  | 477 | (-21.33, -11.21) | (-29.12, -19.32) | (7.474, 8.425) |
|  |  | <0.01 | <0.01 | <0.01 |
| GBP | 1979/06-2020/09 | 19.307 | -15.646 | 34.953 |
|  | 477 | (18.27, 20.34) | (-16.02, -15.27) | (33.75, 36.16) |
|  |  | <0.01 | <0.01 | <0.01 |
| ITL | 1979/06-2020/09 | -63.467 | -71.952 | 8.485 |
|  | 477 | (-73.19, -53.75) | (-83.74, -60.16) | (6.265, 10.71) |
|  |  | <0.01 | <0.01 | <0.01 |
| JPY | 1979/06-2020/09 | 44.431 | -27.279 | 71.71 |
|  | 477 | (43.41, 45.45) | (-28.54, -26.01) | (69.46, 73.97) |
|  |  | <0.01 | <0.01 | <0.01 |
| NOK | 1986/01-2020/09 | 9.248 | -53.593 | 62.841 |
|  | 410 | (5.800, 12.70) | (-57.06, -50.12) | (56.13, 69.55) |
|  |  | <0.01 | <0.01 | <0.01 |
| SEK | 1987/01-2020/09 | -26.892 | -41.168 | 14.277 |
|  | 398 | (-30.94, -22.84) | (-50.73, -31.60) | (0.888, 27.67) |
|  |  | <0.01 | <0.01 | 0.0373 |

Notes: This table reports the slope coefficient estimates () from (Transitory component column), (UIP measure column), and equation (12), (Difference column), based on the full sample (the longest covers 1979:06-2020:09) for each currency, including Canadian dollar (CAD), Swiss franc (CHF), German mark (DEM), French franc (FRF), British pound (GBP), Italian lira (ITL), Japanese yen (JPY), Norwegian krone (NOK) and Swedish krona (SEK). is the transitory component of the exchange rate from the Beveridge-Nelson decomposition, and is the value of exchange rate if UIP held. We use a vector autoregression (VAR) to compute the two measures of exchange rate in the nonstationary case, and adopt the small-sample bias correction from West (2016), with which we did not encounter the root greater than one problem. The exchange rates are against US dollar, and is the log of the exchange rate expressed as the home currency (dollars) price of foreign currency. Exchange rates of the mark, French franc and lira are converted into euros using the euro conversion rates at the time of origination of the euro in January 1999. is the interest rate on a riskless one-period deposit or security in the home country (U.S.) and is the analogous interest rate in the foreign country. Sample dates vary across currencies, especially for NOK and SEK, as shown in the Time column, due to the data availability of interest rates. The CI column reports the 95% confidence intervals of the slope coefficient. The -value column reports the -value of the two-sided -test for the slope coefficient .

Table S.20

Slope Coefficient from Long-Run Regression , Full Sample for Each Currency, nonstationary case

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Currency | Time | Obs. | beta\_T-IP | 95% CI | p-val |
| CAD | 1979/06-2020/09 | 477 | 2.162 | (1.950, 2.375) | <0.01 |
| CHF | 1979/06-2020/09 | 477 | 7.946 | (7.215, 8.677) | <0.01 |
| DEM | 1979/06-2020/09 | 477 | 8.915 | (7.846, 9.985) | <0.01 |
| FRF | 1979/06-2020/09 | 477 | 0.461 | (0.257, 0.666) | <0.01 |
| GBP | 1979/06-2020/09 | 477 | 1.791 | (0.818, 2.764) | <0.01 |
| ITL | 1979/06-2020/09 | 477 | 1.288 | (1.248, 1.327) | <0.01 |
| JPY | 1979/06-2020/09 | 477 | 7.072 | (5.441, 8.703) | <0.01 |
| NOK | 1986/01-2020/09 | 410 | 4.904 | (3.551, 6.257) | <0.01 |
| SEK | 1987/01-2020/09 | 398 | 5.228 | (5.127, 5.330) | <0.01 |

Notes: This table reports the slope coefficient estimates () equation (13), , based on the full sample (the longest covers 1979:06-2020:09) for each currency, including Canadian dollar (CAD), Swiss franc (CHF), German mark (DEM), French franc (FRF), British pound (GBP), Italian lira (ITL), Japanese yen (JPY), Norwegian krone (NOK) and Swedish krona (SEK). is the transitory component of the exchange rate from the Beveridge-Nelson decomposition, and is the value of exchange rate if UIP held. We use a vector autoregression (VAR) to compute the two measures of exchange rate in the nonstationary case, and adopt the small-sample bias correction from West (2016), with which we did not encounter the root greater than one problem. The exchange rates are against US dollar, and is the log of the exchange rate expressed as the home currency (dollars) price of foreign currency. Exchange rates of the mark, French franc and lira are converted into euros using the euro conversion rates at the time of origination of the euro in January 1999. is the interest rate on a riskless one-period deposit or security in the home country (U.S.) and is the analogous interest rate in the foreign country. is the inflation rate in the U.S. and is the inflation rate in the foreign country. Sample dates vary across currencies, especially for NOK and SEK, as shown in the Time column, due to the data availability of interest rates. The CI column reports the 95% confidence intervals of the slope coefficient. The -value column reports the -value of the two-sided -test for the slope coefficient .

Table S.20

Slope Coefficient from Long-Run Regression , Full Sample for Each Currency, nonstationary case

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | Transitory Component | UIP measure | Difference |
| Currency | Time/Obs. | b/95%CI/p-val | b\_IP/95%CI/p-val | b/95%CI/p-val |
| CAD | 1979/06-2020/09 | 1.494 | -0.669 | 2.162 |
|  | 477 | (1.439, 1.548) | (-0.849, -0.488) | (1.950, 2.375) |
|  |  | <0.01 | <0.01 | <0.01 |
| CHF | 1979/06-2020/09 | 4.6 | -3.346 | 7.946 |
|  | 477 | (4.432, 4.767) | (-3.933, -2.760) | (7.215, 8.677) |
|  |  | <0.01 | <0.01 | <0.01 |
| DEM | 1979/06-2020/09 | 4.713 | -4.202 | 8.915 |
|  | 477 | (4.417, 5.010) | (-4.987, -3.417) | (7.846, 9.985) |
|  |  | <0.01 | <0.01 | <0.01 |
| FRF | 1979/06-2020/09 | -4.106 | -4.568 | 0.461 |
|  | 477 | (-4.273, -3.940) | (-4.885, -4.250) | (0.257, 0.666) |
|  |  | <0.01 | <0.01 | <0.01 |
| GBP | 1979/06-2020/09 | 1.239 | -0.552 | 1.791 |
|  | 477 | (0.709, 1.769) | (-1, -0.105) | (0.818, 2.764) |
|  |  | <0.01 | 0.0159 | <0.01 |
| ITL | 1979/06-2020/09 | -8.118 | -9.406 | 1.288 |
|  | 477 | (-8.425, -7.811) | (-9.716, -9.095) | (1.248, 1.327) |
|  |  | <0.01 | <0.01 | <0.01 |
| JPY | 1979/06-2020/09 | 4.08 | -2.992 | 7.072 |
|  | 477 | (3.028, 5.132) | (-3.571, -2.413) | (5.441, 8.703) |
|  |  | <0.01 | <0.01 | <0.01 |
| NOK | 1986/01-2020/09 | 1.713 | -3.191 | 4.904 |
|  | 410 | (1.581, 1.845) | (-4.413, -1.969) | (3.551, 6.257) |
|  |  | <0.01 | <0.01 | <0.01 |
| SEK | 1987/01-2020/09 | -0.533 | -5.761 | 5.228 |
|  | 398 | (-0.950, -0.115) | (-6.086, -5.435) | (5.127, 5.330) |
|  |  | 0.0128 | <0.01 | <0.01 |

Notes: This table reports the slope coefficient estimates () from (Transitory component column), (UIP measure column), and equation (13), (Difference column), based on the full sample (the longest covers 1979:06-2020:09) for each currency, including Canadian dollar (CAD), Swiss franc (CHF), German mark (DEM), French franc (FRF), British pound (GBP), Italian lira (ITL), Japanese yen (JPY), Norwegian krone (NOK) and Swedish krona (SEK). is the transitory component of the exchange rate from the Beveridge-Nelson decomposition, and is the value of exchange rate if UIP held. We use a vector autoregression (VAR) to compute the two measures of exchange rate in the nonstationary case, and adopt the small-sample bias correction from West (2016), with which we did not encounter the root greater than one problem. The exchange rates are against US dollar, and is the log of the exchange rate expressed as the home currency (dollars) price of foreign currency. Exchange rates of the mark, French franc and lira are converted into euros using the euro conversion rates at the time of origination of the euro in January 1999. is the interest rate on a riskless one-period deposit or security in the home country (U.S.) and is the analogous interest rate in the foreign country. is the inflation rate in the U.S. and is the inflation rate in the foreign country. Sample dates vary across currencies, especially for NOK and SEK, as shown in the Time column, due to the data availability of interest rates. The CI column reports the 95% confidence intervals of the slope coefficient. The -value column reports the -value of the two-sided -test for the slope coefficient .

Table S.21

Estimated variances of and , nonstationary case

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Currency | Time | Obs. | var() | var() | F-stat |
| CAD | 1979/06-2020/09 | 477 | 0.0004 | 0.0003 | 1.2395 |
| CHF | 1979/06-2020/09 | 477 | 0.0032 | 0.0025 | 1.2747 |
| DEM | 1979/06-2020/09 | 477 | 0.0044 | 0.0064 | 0.6820 |
| FRF | 1979/06-2020/09 | 477 | 0.0059 | 0.0078 | 0.7627 |
| GBP | 1979/06-2020/09 | 477 | 0.0015 | 0.0009 | 1.6789 |
| ITL | 1979/06-2020/09 | 477 | 0.0574 | 0.0758 | 0.7570 |
| JPY | 1979/06-2020/09 | 477 | 0.0083 | 0.0033 | 2.5087 |
| NOK | 1986/01-2020/09 | 410 | 0.0012 | 0.0182 | 0.0635 |
| SEK | 1987/01-2020/09 | 398 | 0.0060 | 0.0145 | 0.4130 |

Notes: This table reports the variance of and , based on the full sample (the longest covers 1979:06-2020:09) for each currency, including Canadian dollar (CAD), Swiss franc (CHF), German mark (DEM), French franc (FRF), British pound (GBP), Italian lira (ITL), Japanese yen (JPY), Norwegian krone (NOK) and Swedish krona (SEK). is the transitory component of the exchange rate from the Beveridge-Nelson decomposition, and is the value of exchange rate if UIP held. We use a vector autoregression (VAR) to compute the two measures of exchange rate in the nonstationary case, and adopt the small-sample bias correction from West (2016), with which we did not encounter the root greater than one problem. The exchange rates are against US dollar, and is the log of the exchange rate expressed as the home currency (dollars) price of foreign currency. Exchange rates of the mark, French franc and lira are converted into euros using the euro conversion rates at the time of origination of the euro in January 1999. is the interest rate on a riskless one-period deposit or security in the home country (U.S.) and is the analogous interest rate in the foreign country. Sample dates vary across currencies, especially for NOK and SEK, as shown in the Time column, due to the data availability of interest rates. The CI column reports the 95% confidence intervals of the slope coefficient. The -stat column reports the -statistics of the -test for the variance difference , specifically, .