

Do Emergent Market Currencies Lure The Forward Premium Bias To Its Doom?

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Hundreds of studies have always shown that the forward premium is a biased predictor of the future change in the spot exchange rates; they have all tested major currencies with the exception of a few recent researches which instigate us to launch this work. The aim of this study is to check, using the SUR procedure, if the forward premium bias tends to be less or more pronounced for emergent market currencies for the four-year span from 2004 to 2008. This research is crown by key results revealing that, in these emergent markets, the forward premium bias is not doomed to disappearance but it is less severe than it was commonly recognized for major currencies in previous studies. These results are perfectly in line with those obtained by Frankel and Poonawala (2010).

Field of research: International Finance.

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