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Note:

CUB MB: Main Building of the Corvinus University of Budapest, address: Fővám tér 9., accessible through the main (Danube-side) and the southern entrance CUB NB: New Building of the Corvinus University of Budapest, address: Közraktár utca 4-6.

Abstract

Is it still possible to increase interest rates in the Eurozone?

Gábor Dávid Kiss, assistant professor, University of Szeged, Faculty of Economics and Business Administration

Ákos Uhrin, PhD student, University of Szeged, Faculty of Economics and Business Administration

Tamás Schusztér, PhD student, University of Szeged, Faculty of Economics and Business Administration

Beáta Udvari, assistant professor, University of Szeged, Faculty of Economics and Business Administration

6722 Szeged, Dugonics tér 13 kiss.gabor.david@eco.u-szeged.hu

During the last five years, since the onset of subprime crisis, liquidity allocation through official swap lines was the product of the existing need for monetary easing. Zero bound interest rate is supported by a unique balance of price and financial stability in the Eurozone. This paper analyzed the fluctuations of interest rates through three different approaches: a probabilistic and two kurtosis-based (one focused on the difference between theoretical and normal distribution, while another applied cluster analysis). Monetary reactions of the European Central Bank (ECB), the US Federal Reserve (FED) and the Bank of Japan (BoJ) were monitored to capture market reactions. Occurrences of extreme interest rate fluctuations were concentrated around announcements of monetary cooperation and liquidity programs.

Keywords: interest rate, extreme fluctuations, monetary cooperation

JEL-codes: G15, G01, C32, E44, E58