

Task 2: Estimating exchange rate for RON/Euro or RON/USD or Euro/USD

This proposed study is focused on forecasting exchange rate for RON / Euro, RON / USD or Euro / USD for next years / quarters / months. You should use the following forecasting modelling techniques:

- Trend: **Exchange rate = Function (time) = a x Time + b**
- Autoregressive models: **Exchange rate (t) = Function [(Interest rate (t-i)]**
- Linear regression: **Exchange rate = Function (factors)**

FX rate determinants are the following (in case of Linear Regression only):

- Current Account Deficit (country A vs. country B)
- Real Economic Growth (based on real GDP), relative terms.
- Inflation differential between countries
- Interest rate differential
- Money velocity differential
- Money supply growth rate (relative terms, country A vs. country B).

For data samples we recommend:

- <http://epp.eurostat.ec.europa.eu>
- <http://www.federalreserve.gov/>
- <http://www.imf.org/external/data.htm>
- <http://www.oecd.org/> (Section Statistics)
- <http://web.worldbank.org> (Section Data & Research or Countries)