

A Neural Network Model to Forecast Exchange Rate

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This paper analyses alternative non linear models to predict the exchange rate dynamic. Based on artificial neural models, and using macroeconomic data, we developed a model which outperforms traditional univariate time series models and vector autoregressive models in and out of sample forecasting. Monte Carlo simulations allow building forecasting confidence intervals for the exchange rate dynamics. Analyzing the close relationship between inflation and nominal exchange rate we can discuss the pass-through endogeneity to the real business cycle.

JEL Classification: C45, C53, F47

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