Long Term Memory in Foreign Exchange Market Returns: International Evidence

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ABSTRACT

A long term memory process removes the possibility of arbitrage in the long run and, hence, brings efficiency in financial markets. This study has taken three variables, USD_INR, USD_GBP and USD_EUR, to evaluate long-term memory processes among them. Outcomes suggest that the returns series has a long-term memory process, while variables at level do not have a long-term memory process.

Keywords: Foreign Exchange, Johansen Co-integration, R/S test, Unit Root.