# Reading List for "Currency Risk Premia, Exchange Rates and International Finance"

**Survey articles**

Handbook of International Economics, Volume 4, Chapter 7-12

Handbook of International Economics, Volume 6, Chapter 1-7

Bekaert, Geert, Campbell Harvey, Andrea Kiguel, and Xiaozheng Wang, 2016, Globalization and Asset Returns, Annual Review of Financial Economics

Chernov, Mikhail and Magnus Dahlquist, 2023, Currency Risk Premiums: A Multi-horizon Perspective, Foundations and Trends in Finance

Coeurdacier, Nicolas and Helene Rey, 2013, Home Bias Open Economy Financial Macroeconomics, Journal of Economic Literature

Cooper, Ian, Piet Sercu and Rosanne Vanpee, 2013, The Equity Home Bias Puzzle: A Survey, Foundations and Trends in Finance, Vol. 7

Corsetti, Giancarlo, Luca Dedola and Sylvain Leduc, 2010, Optimal Monetary Policy in Open Economies, Handbook of Monetary Economics

Erten, Bilge, Anton Korinek and Jose Antonio Ocampo, 2021, Capital Controls: Theory and Evidence, Journal of Economic Literature

Florez-Orrego, Matteo Maggiori, Jesse Schreger, Ziwen Sun and Serdil Tinda, Global Capital Allocation, 2023, Annual Review of Economics

Hassan, Tarek and Tony Zhang, 2021, The Economics of Currency Risk, Annual Review of Economics

Itskhoki, Oleg, 2021, The Story of the Real Exchange Rate, Annual Review of Economics

Karolyi, Andrew and Rene Stulz, 2003, Are Financial Assets Priced Locally or Globally?, Handbook of the Economics of Finance

Lewis, Karen, 1999, Trying to Explain Home Bias in Equities and Consumption, Journal of Economic Literature

Lewis, Karen, 2011, Global Asset Pricing, Annual Review of Financial Economics

Obstfeld, Maurice and Kenneth Rogoff, 2000, Six Major Puzzles in International Macroeconomics: Is There A Common Cause?, NBER Macroeconomic Annual

Rogoff, Kenneth, 1996, The Purchasing Power Parity Puzzle, Journal of Economic Literature

Rossi, Barbara, 2013, Exchange Rate Predictability, Journal of Economic Literature

**The time-series and cross-sectional UIP deviation and other sources of currency risk premia**

Antolin-Diaz, Juan, Gino Cenedese, Lucio Sarno and Shangqi Han, 2024, US Interest Rate Surprises and Currency Returns

*Backus, David, Silverio Foresi, and Chris Telmer, 2001, Affine Term Structure Models and the Forward Premium, Journal of Finance

Bakshi, Gurdip, Macrio Cerrato and John Crosby, 2017, Implications of Incomplete Markets for International Economies, Review of Financial Studies

Brennan, Michael and Yihong Xia, 2006, International Capital Markets and Foreign Exchange Risk, Review of Financial Studies

Brunnermeier, Markus, Stefan Nagel and Lasse Pedersen, 2008, Carry Trades and Currency Crashes, NBER Macroeconomic Annual

Burnside, Craig and Jeremy Graveline, 2018, On the Asset Market View of Exchange Rates, Review of Financial Studies

Colacito, Ric, Lucio Sarno and Steven Riddiough, 2020, Business Cycles and Currency Returns, Journal of Financial Economics

Chernov, Mikhail and Drew Creal, 2020, The PPP View of Multihorizon Currency Risk Premiums, Review of Financial Studies

*Chernov, Mikhail and Drew Creal, 2023, International Yield Curves and Currency Puzzles, Journal of Finance

Chernov, Mikhail, Magnus Dahlquist and Lars Lochstoer, 2023, Pricing Currency Risks, Journal of Finance

*Chernov, Mikhail, Valentin Haddad and Oleg Itskhoki, 2024, What Do Financial Markets Say about the Exchange Rate?

Della Corte, Pasquale, Alexandre Jeanneret and Ella Patelli, 2021, A Credit-based Theory of the Currency Risk Premium, Journal of Financial Economics

Della Corte, Pasquale, Lucio Sarno, Maik Schmeling and Christian Wagner, 2020, Exchange Rates and Sovereign Risk, Management Science

Della Corte, Pasquale, Steven Riddiough and Lucio Sarno, 2016, Currency Premia and Global Imbalances, Review of Financial Studies

*Engel, Charles, 2016, Exchange Rates, Interest Rates, and the Risk Premium, American Economic Review

Engel, Charles and Steve Wu, Forecasting the US Dollar in the 21st Century, Journal of International Economics

Engel, Charles, Katya Kazanova, Mengqi Wang and Nan Xing, 2022, A Reconsideration of the Failure of Uncovered Interest Parity for the US Dollar, Journal of International Economics

*Hassan, Tarek and Rui Mano, 2019, Forward and Spot Exchange Rates in a Multi-Currency World, Quarterly Journal of Economics

Jiang, Zhengyang, 2023, Market Incompleteness and Exchange Rate Spillover

Jiang, Zhengyang, Arvind Krishnamurthy and Hanno Lustig, 2023, Implications of Asset Market Data for Equilibrium Models of Exchange Rates

Jurek, Jakub, 2014, Crash-Neutral Currency Carry Trades, 2014, Journal of Financial Economics

Kalemli-Ozcan, Sebnem and Liliana Varela, 2024, Five Facts about the UIP Premium

Korsaye, Sofonias, Fabio Trojani and Andrea Vedolin, 2023, Global Factor Structure of Exchange Rates, Journal of Financial Economics

*Kremens, Lukas and Ian Martin, 2019, The Quanto Theory of Exchange Rates, American Economic Review

Lettau, Martin, Matteo Maggiori and Michael Weber, 2014, Conditional Risk Premia in Currency Markets and the Other Asset Classes, Journal of Financial Economics

*Lustig, Hanno, Nikolai Roussanov, and Adrien Verdelhan, 2007, The Cross Section of Foreign Currency Risk Premia and Consumption Growth Risk, American Economic Review

*Lustig, Hanno, Nikolai Roussanov, and Adrien Verdelhan, 2011, Common Risk Factors in Currency Markets, Review of Financial Studies

*Lustig, Hanno, Nikolai Roussanov, and Adrien Verdelhan, 2014, Countercyclical Currency Risk Premia, Journal of Financial Economics

*Lustig, Hanno, Andreas Stathopolous, and Adrien Verdelhan, 2019, The Term Structure of Currency Carry Trade Risk Premia, American Economic Review

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Menkhoff, Lukas, Lucio Sarno, Maik Schmeling, and Andreas Schrimpf, 2012, Carry Trades and Global Foreign Exchange Volatility, Journal of Finance

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Sandules, Mirela, Fabio Trojani and Andrea Vedolin, 2021, Model-Free International Stochastic Discount Factors, Journal of Finance

*Verdelhan, Adrien, 2018, The Share of Systemic Variation in Bilateral Exchange Rates, Journal of Finance

**Macro-finance models of currency risk premia without frictions**

*Andrews, Spencer, Ric Colacito, Max Croce and Federico Gavazzoni, 2024, Concealed Carry, Journal of Financial Economics

*Bansal, Ravi and Ivan Shaliastovich, 2013, A Long-Run Risks Explanation of Predictability Puzzles in Bond and Currency Markets, Review of Financial Studies

Colacito, Ric and Max Croce, 2011, Risks for the Long Run and the Real Exchange Rate, Journal of Political Economy

*Colacito, Ric and Max Croce, 2013, International Asset Pricing with Recursive Preferences, Journal of Finance

*Colacito, Ric, Max Croce, Federico Gavazzaoni, and Robert Ready, 2018, Currency Risk Factors in a Recursive Multicountry Economy, Journal of Finance

*Colacito, Ric, Max Croce, Steven Ho and Philip Howard, 2018, BKK the EZ Way: International Long-Run Growth News and Capital Flows, American Economic Review

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Dahlquist, Magnus, Christian Heyerdahl-Larsen, Anna Pavlova and Julien Penasse, 2023, International Capital Markets and Wealth Transfers

*Farhi, Emmanuel and Xavier Gabaix, 2016, Rare Disasters and Exchange Rates, Quarterly Journal of Economics

Gourio, Francois and Adrien Verdelhan, 2013, International Risk Cycles, Journal of International Economics

*Hassan, Tarek, 2013, Country Size, Currency Unions, and International Asset Returns, Journal of Finance

Hassan, Tarek, Thomas Mertens, and Tony Zhang, 2022, A Risk-based Theory of Exchange Rate Stabilization, Review of Economic Studies

Hassan, Tarek, Thomas Mertens, and Jingye Wang, 2024, A Currency Premium Puzzle

Heyerdahl-Larsen, Christian, 2014, Asset Prices and Real Exchange Rates with Deep Habits, Review of Financial Studies

Jiang, Zhengyang, 2022, Fiscal Cyclicality and Currency Risk Premia, Review of Financial Studies

Liu, Yang and Ivan Shaliastovich, 2022, Government Policy Approval and Exchange Rates, Journal of Financial Economics

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*Ready, Robert, Nikolai Roussanov, Colin Ward, 2017, Commodity Trade and the Carry Trade: A Tale of Two Countries, Journal of Finance

*Richmond, Robert, 2019, Trade Network Centrality and Currency Risk Premia, Journal of Finance

Stathopolous, Andrea, 2017, Asset Prices and Risk Sharing in Open Economies, Review of Financial Studies

Verdelhan, 2010, A Habit-based Explanation of the Exchange Rate Risk Premium, Journal of Finance

**Exchange rates in international macroeconomics: real factors**

Backus, David, Patrick Kehoe and Finn Kydland, 1994, Dynamics of the Trade Balance and the Terms of Trade: The J-Curve, American Economic Review

Backus, David and Gregor Smith, 1993, Consumption and Read Exchange Rates in Dynamic Economies with Nontraded Goods, Journal of International Economics

Cole and Obstfeld, 1991, Commodity Trade and International Risk Sharing: How Much Do Financial Markets Matter?, Journal of Monetary Economics

Engel, Charles, 1999, Accounting for US Real Exchange Rate Changes, Journal of Political Economy

Heathcote, Jonathan and Fabrizio Perri, 2002, Financial Autarky and International Business Cycles, Journal of Monetary Economics

Mendoza, Enrique, 1995, The Terms of Trade, The Real Exchange Rate and Economic Fluctuations, International Economic Review

Stockman, Alan and Linda Tesar, 1995, Tastes and Technology in a Two-Country Model of the Business Cycle: Explaining International Comovements, American Economic Review

**Exchange rates in international macroeconomics: monetary factors (Exchange rate disconnect)**

Atkeson, Andrew and Ariel Burnstein, 2008, Pricing to Market, Trade Costs, and International Relative Prices, American Economic Review

Benigno, Gianluca, 2004, Real Exchange Rate Persistence and Monetary Policy Rule, Journal of Monetary Economics

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*Chari, V.V., Patrick Kehoe and Ellen McGrattan, 2002, Can Sticky Price Models Generate Volatile and Persistent Real Exchange Rates?, Review of Economic Studies

Chahrour, Ryan, Vito Cormun, Pierre De Leo, Pablo Guerron-Quintana and Rosen Valchev, 2023, Exchange Rate Disconnect Revisit

*Devereux, Michael and Charles Engel, 2003, Monetary Policy in the Open Economy Revisited: Price Setting and Exchange Rate Flexibility, Review of Economic Studies

Eichenbaum, Martin, Benjamin Johannsen and Sergio Rebelo, 2021, Monetary Policy and the Predictability of Nominal Exchange Rates, Review of Economic Studies

Engel, Charles, 2019, Real Exchange Rate Convergence: The Roles of Price Stickiness and Monetary Policy, Journal of Monetary Economics

*Engel, Charles and Kenneth West, 2005, Exchange Rates and Fundamentals, Journal of Political Economy

Engel, Charles and Steve Wu, 2024, Exchange Rate Models are Better than You Think, and Why They Didn't Work in the Old Days

*Gali, Jordi and Tomaso Monacelli, 2005, Monetary Policy and Exchange Rate Volatility in a Small Open Economy

Nguyen, Thuy Lan, Wataru Miyamoto and Hyunseung Oh, 2023, In Search of Dominant Drivers of the Real Exchange Rate, Review of Economics and Statistics

*Obstfeld, Maurice and Kenneth Rogoff, 1995, Exchange rate Dynamics Redux, Journal of Political Economy

Schmitt-Grohe, Stephanie and Martin Uribe, 2021, The Effects of Permanent Monetary Shocks on Exchange Rates and Uncovered Interest Rate Differentials, Journal of International Economics

**Exchange rate expectations, learning and sunspots equilibrium**

Bacchetta, Philippe and Eric van Wincoop, 2006, Can Information Heterogeneity Explain the Exchange Rate Disconnect Puzzle? American Economic Review

*Bacchetta, Philippe and Eric van Wincoop, 2013, On the Unstable Relationship between Exchange Rates and Macroeconomic Fundamentals, Journal of International Economics

Bacchetta, Philippe, Eric van Wincoop and Toni Beutler, 2009, Can Parameter Instability Explain the Meese-Rogoff Puzzle? NBER International Seminar on Macroeconomics

Dahlquist, Magnus and Paul Soderlind, 2023, Individual Forecasts of Exchange Rates

*Gourinchas, Pierre Olivier and Aaron Tornell, 2004, Exchange Rate Puzzles and Distorted Beliefs, Journal of International Economics

Kremens, Lukas, Ian Martin and Liliana Varela, 2023, Long-horizon Exchange Rate Expectations

Lewis, Karen, 1989, Changing Beliefs and Systematic Rational Forecast Errors with Evidence from Foreign Exchange, American Economic Review

**International financial market frictions and the role of portfolio flows**

Alvarez, Atkeson, and Kehoe, 2002, Money, Interest Rates, and Exchange Rates with Endogenously Incomplete Markets, Journal of Political Economy

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Bacchetta, Philippe and Eric van Wincoop, 2010, Infrequent Portfolio Decisions: A Solution to the Forward Discount Puzzle, American Economic Review

*Bacchetta, Philippe and Eric van Wincoop, 2021, Puzzling Exchange Rate Dynamics and Delayed Portfolio Adjustment, Journal of International Economics

Bacchetta, Philippe, Margaret Davenport and Eric van Wincoop, 2023, Can Sticky Portfolios Explain International Capital Flows and Asset Prices?, Journal of International Economics

Bacchetta, Philippe, Scott Davis and Eric van Wincoop, 2023, Dollar Shortages, CIP Deviations, and the Safe Haven Role of the Dollar

Bacchetta, Philippe, Eric Young and Eric van Wincoop, 2023, Infrequent Random Portfolio Decisions in an Open Economy Model, Review of Economic Studies

Bianchi, Javier, Saki Bigio, and Charles Engel, 2023, Banks, Dollar Liquidity, and Exchange Rates,

*Camanho, Nelson, Harald Hau and Helene Rey, 2022, Global Portfolio Rebalancing and Exchange Rates, Review of Financial Studies

Chien, Yili, Hanno Lustig and Kanda Naknoi, 2019, Why Are Exchange Rates so Smooth? A Household Finance Explanation, Journal of Monetary Economics

*Du, Wenxin, Alexander Tepper, and Adrien Verdelhan, 2018, Deviations from Covered Interest Rate Parity, Journal of Finance

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Hau, Harald and Helene Rey, 2006, Exchange Rates, Equity Prices, and Capital Flows, Review of Financial Studies

*Itskhoki, Oleg and Dmitry Mukhin, 2021, Exchange Rate Disconnect in General Equilibrium, Journal of Political Economy

Itskhoki, Oleg and Dmitry Mukhin, 2023, Mussa Puzzle Redux

Itskhoki, Oleg and Dmitry Mukhin, 2023, Optimal Exchange Rate Policy

Jeanne, Oliver and Andrew Rose, 2002, Noise Trading and Exchange Rate Regimes, Quarterly Journal of Economics

Jiang, Zhengyang, 2021, US Fiscal Cycle and the Dollar, Journal of Monetary Economics

Liao, Gordon and Tony Zhang, 2024, The Hedging Channel of Exchange Rate Determination

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*Maggiori, Matteo, 2017, Financial Intermediation, International Risk Sharing, and Reserve Currencies, American Economic Review

Pavlova, Anna and Roberto Rigobon, 2008, The Role of Portfolio Constraints in the International Propagation of Shocks, Review of Economic Studies

**Convenience yield view of exchange rates**

Du, Wenxin, Joanne Im and Jesse Schreger, 2018, The US Treasury Premium, Journal of International Economics

Engel, Charles and Steve Wu, 2023, Liquidity and Exchange Rates: An Empirical Investigation, Review of Economic Studies

*Jiang, Zhengyang, Arvind Krishnamurthy and Hanno Lustig, 2021, Foreign Safe Asset Demand and the Dollar Exchange Rate, Journal of Finance

*Jiang, Zhengyang, Arvind Krishnamurthy and Hanno Lustig, 2023, Dollar Safety and the Global Financial Cycle, Review of Economic Studies

Jiang, Zhengyang, Arvind Krishnamurthy, Hanno Lustig and Jialu Sun, 2024, Convenience Yields and Exchange Rate Puzzles

Kekre, Rohan and Moritz Lenel, 2024, The Flight to Safety and International Risk Sharing, American Economic Review

Valchev, Rosen, 2020, Bond Convenience Yields and Exchange Rate Dynamics, American Economic Journal: Macroeconomics

**Global imbalance, global financial cycle, dollar invoicing and the international monetary system**

Atkeson, Andrew, Fabrizio Perri and Jonathan Heathcote, 2023, The End of Privilege: A Reexamination of the Net Foreign Asset Position of the United States

Caballero, Ricardo, Emmanuel Farhi and Pierre-Olivier Gourinchas, 2008, An Equilibrium Model of Global Imbalances and Low Interest Rates, American Economic Review

Caballero, Ricardo, Emmanuel Farhi and Pierre-Olivier Gourinchas, 2021, Global Imbalances and Policy Wars at the Zero Lower Bound, Review of Economic Studies

Farhi Emmanuel and Matteo Maggiori, 2018, A Model of the International Monetary System, Quarterly Journal of Economics

Gopinath, Gita and Jeremy Stein, 2021, Banking, Trade, and the Making of a Dominant Currency, Quarterly Journal of Economics

*Gopinath, Gita, Emine Boz, Camila Casas, Federico Diez, Pierre-Olivier Gourinchas and Mikkel Plagborg-Moller, 2020, Dominant Currency Paradigm, American Economic Review

*Gourinchas, Pierre Olivier and Helene Rey, 2007a, From World Banker to World Venture Capitalist: US External Adjustment and the Exorbitant Privilege, G7 Current Account Imbalances: Sustainability and Adjustment, University of Chicago Press

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Mendoza, Enrique and Vincenzo Quadrini, 2023, Unstable Prosperity: How Globalization Made the World Economy More Volatile

*Mendoza, Enrique, Vincenzo Quadrini and Victor Rios Rull, 2009, Financial Integration, Financial Development and Global Imbalances, Journal of Political Economy

**International capital allocation**

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Global Capital Flows: The Role of Cross-Border Financing and Tax Havens, Quarterly Journal of Economics

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Gopinath, Gita, Sebnum Kalemli-Ozcan, Loukas Karabarbounis and Carolina Villegas-Sanchez, 2017, Capital Allocation and Productivity in South Europe, Quarterly Journal of Economics

Articles labelled with * are core readings in each topic.