

**Banka Slovenije**  
in cooperation with  
**the Research Centre of the School of Economics and Business**  
invites you to a seminar

***Economic policy uncertainty in the US and EUR/USD real exchange rate  
fluctuations***

Author:  
**Filippo Arigoni**  
**Central Bank of Ireland**

The seminar will be held in the  
**Great Hall of Banka Slovenije**  
**on Friday 20 October 2023 at 9:30 CEST**

**Abstract:**

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Arigoni studies the effects of economic policy uncertainty (EPU) shocks on three major currencies' real exchange rates vis-à-vis US dollar. With his team they do this by estimating a large Bayesian VAR model on US and domestic economies' monthly data. They reproduce the main stylized features at business-cycle frequencies documented in the literature on EPU and the currencies considered. The results are in order. The US dollar appreciates after a US EPU shock and exogenous changes in US uncertainty substantially contribute to the volatility of the US dollar-EUR real exchange rate (Kido, 2016; Arigoni and Lenarčič, 2023). The function of the US dollar as safe asset in period of economic turbulence is also detected in comparison with British pound fluctuations, despite domestic political instability accounts more than external uncertainty (Bartsch, 2019; Nilavongse et al., 2020). With regard to the Japanese Yen, the team documents its exposure to carry-trade and carry-trade reversal strategies in line with its role of funding currency (Ranaldo and Söderlind, 2010; Kido, 2016; Han and Westelius, 2019). Counterfactual simulations describe the role of the US and domestic monetary policy response to US and domestic EPU shocks. The exercise shows that the uncertainty-induced monetary accommodation plays a large role in the transmission mechanism of uncertainty shocks to the real exchange rate. It also highlights that the source of uncertainty is key to frame policy-makers' monetary policy stance.

**About the author:**

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Filippo Arigoni is an Economist in the Macro-Financial Division at the Central Bank of Ireland. He previously worked as researcher in the Monetary Policy unit of Banka Slovenije and got a PhD in Economics at the University of Padova (Italy). His research interests fall in the fields of International Macroeconomics and Macroeconometrics. He mainly uses empirical models to study the effects of international developments on the Euro area business cycle and investigates the transmission channels through which such shocks enter the domestic economy. Arigoni presented his research work in several international conferences and workshops.

**How to sign up:**

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To sign up for the seminar, please send an email to [seminar@bsi.si](mailto:seminar@bsi.si). You can sign up by **Wednesday 18 October 2023**. The seminar will be held in **English**.