

Contents

1 Detecting Intraday Price Shocks and Their Use in Testing the Efficient Market Hypothesis	
<i>by Octavian Alexandru</i>	1
1.1 Introduction	1
1.2 Literature Review	3
1.3 Jump Detection Methodology	4
1.4 Empirical Results	9
1.5 Conclusions	17
1.6 References	19
2 Disentangling Exchange Rate Volatility for the CEE Countries	
<i>by Ileana Sârghi</i>	21
2.1 Introduction	21
2.2 Literature Review	24
2.3 Methodology	26
2.4 A Multivariate Stochastic Volatility Model for Exchange Rates .	37
2.5 Estimation and Empirical Results	41
2.6 Concluding Remarks	47
2.7 References	48

3 Testing the Efficient Markets Hypothesis on the Romanian Stock Exchange	
<i>by Mihaela Sultanovici</i>	51
3.1 Introduction	51
3.2 Literature Review	53
3.3 Short Term Autocorrelation Tests	57
3.4 Trading Rules	63
3.5 Long Term Dependence Tests	66
3.6 Conclusions	73
3.7 References	75
4 Contagion Phenomenon and Volatility Transmission during the US Crisis	
<i>by Aura Tasca</i>	79
4.1 Introduction	79
4.2 Literature Review	82
4.3 Methodology	84
4.4 Empirical Data and Results	88
4.5 Conlcuding Remarks	105
4.6 References	107
5 Analyzing the Portfolio Implications of Gold Investment using Extreme Events, Copulas Functions and VaR: a Comparison between the US and Romania	
<i>by Amalia Temneanu</i>	111
5.1 Introduction	111
5.2 Literature Review	113
5.3 Methodology	116
5.4 Data Preparing	119
5.5 Data and Results	120

5.6 Conclusions	135
5.7 References	139
6 Macroeconomic Determinants of Credit Risk	
<i>by Elisabeta Dumitrescu</i>	141
6.1 Introduction	141
6.2 Literature Review	143
6.3 Methodology	148
6.4 Data and Estimation Methodology	153
6.5 Results	158
6.6 Conclusions	168
6.7 References	170
7 Credit Scoring Models for Default Probabilities in a Corporate Bank Portfolio	
<i>by Şenis Gafar</i>	173
7.1 Introduction	173
7.2 Literature Review	174
7.3 Methodology	175
7.4 Data Analysis	181
7.5 Empirical Results	183
7.6 Conclusions	194
7.7 References	196
8 A Macroeconomic Credit Risk Model for Stress-testing the Romanian Corporate Credit Portfolio	
<i>by Maria Tănase</i>	199
8.1 Introduction	199
8.2 Literature Review	201
8.3 Methodology	205
8.4 Data	210

8.5 Model Estimation	213
8.6 Stress-testing	222
8.7 Conclusions	225
8.8 References	228
9 Estimating Fiscal Sustainability	
<i>by Daniel Rusu</i>	231
9.1 Introduction	231
9.2 Literature Review	234
9.3 Methodology	237
9.4 Data and Results	245
9.5 Concluding Remarks	254
9.6 References	257
10 Public Debt Sustainability: A Probabilistic Approach	
- The Case of Romania -	
<i>by Alina Niculae</i>	261
10.1 Introduction	261
10.2 Literature Review	264
10.3 Stochastic Debt Sustainability Analysis	270
10.4 Analysis of the Model and Results	271
10.5 Conclusions	291
10.6 References	293
11 Sovereign Risk: Quantification and Analysis	
<i>by Iuliana Oprea</i>	295
11.1 Objectives of the paper	295
11.2 Literature Review	296
11.3 Methodology	300
11.4 Data Description	305
11.5 Results	308

11.6 Conclusions	322
11.7 References	324
12 Approaches to Estimating Romania's Potential Output and Structural Budget Balance	
<i>by Dinu Bârnea</i>	327
12.1 Introduction	327
12.2 Data	330
12.3 Statistical Approach	331
12.4 Hybrid Approach	338
12.5 The Cyclically-adjusted Budget Balance	342
12.6 Conclusions and Remarks	347
12.7 References	350
13 Studying Business Cycle Synchronization using Wavelets	
<i>by Matei Kubinschi</i>	355
13.1 Introduction	355
13.2 Literature Review	357
13.3 The Wavelet	358
13.4 The Discrete Wavelet Transform	359
13.5 The Continuous Wavelet Transform	371
13.6 References	387
14 An Estimated DSGE Model with Financial and Employment Frictions for the Romanian Economy	
<i>by Bogdan Mititelu</i>	389
14.1 Introduction	389
14.2 Literature Review	392
14.3 The Model	397
14.4 Introducing Financial Frictions	411
14.5 Introducing Labor Market Frictions	413

14.6 Estimation	415
14.7 Results	417
14.8 Conclusions	427
14.9 References	428
 15 Changes in the Transmission Mechanism of Monetary Policy in Romania	
<i>by Sorina Năstase</i>	431
15.1 Introduction	431
15.2 Literature Review	432
15.3 Methodology	435
15.4 A Small TVP-VAR with Stochastic Volatility for the Romanian Economy	442
15.5 Conclusions	454
15.6 Bibliography	455
 16 Monetary Policy Transmission Mechanism in Romania	
- A VAR Approach -	
<i>by Diana Mocanu</i>	457
16.1 Introduction	457
16.2 Related Literature Review	459
16.3 Economic and Econometric Methodology	460
16.4 The "Pure Sign-Restriction" Approach	462
16.5 The "Penalty Function" Approach	464
16.6 Data Description	464
16.7 Results	466
16.8 Comparative Analysis Results for the CEE Countries	478
16.9 Conclusions	482
16.10 References	486

**17 Current Account Fundamentals
and Post-Crisis Adjustments**

<i>by Vlad Lixandru</i>	489
17.1 Introduction	489
17.2 Literature Review	490
17.3 A Panel Regression Analysis of the Current Account Fundamen- tals and Post-Crisis Rebalancing	494
17.4 Empirical Results	499
17.5 Current Account Determinants and Long-run Relationships in the CEE Countries - a VEC approach	511
17.6 Methodology and Data	511
17.7 Conclusions	523
17.8 References	525

**18 Business Cycle Synchronization with the Euro Area.
Evidence for Romania and the other CEE Countries**

<i>by Manuela Sava</i>	527
18.1 Introduction	527
18.2 Literature Review	528
18.3 Theoretical Foundation and Methodology	531
18.4 Data	535
18.5 Empirical Results	537
18.6 Conclusions	550
18.7 References	553

**19 Exchange Rate Volatility and Macroeconomic Consequences.
Evidence from CEE Economies**

<i>by Amalia Stamate</i>	557
19.1 Introduction	557
19.2 Literature Review	558

19.3 Data Description	561
19.4 Measures of REER Volatility	566
19.5 GMM Estimation Methodology	570
19.6 Estimation Results	571
19.7 Conclusions	573
19.8 References	575