List of definitions and equations

Effective exchange rates:

$$w_{eff} = a_1 \left(\frac{EUR}{USD} - \text{Index} \right) + a_2 \left(\frac{EUR}{JPY} - \text{Index} \right) + a_3 \left(\frac{EUR}{GBP} - \text{Index} \right) + \dots$$

where a_1, a_2, ... are weights

Covered interest parity

$$\frac{(1 + i_{€})}{(1 + i_{\$})} = \frac{w^t}{w} \quad approx. \ i_{€} - i_{\$} = \frac{\Delta w^t}{w}$$

Unovered interest parity

$$\frac{(1 + i_{€})}{(1 + i_{\$})} = \frac{w^e}{w} \ approx. \ i_{€} - i_{\$} = \frac{\Delta w^e}{w}$$

The real x-rate
 z = w (P* / P)

Gross domestic product

GDP = Y = C + I + G + (Ex–Im)

Aggregate domestic saving

S = Y – (C+G)

Absolute purchasing power parity

$$\widehat{w} = \frac{P}{P*}$$

Relative purchasing power parity

$$\frac{\Delta w}{w} = \pi - \pi^*$$