

Fernández-Pérez, A., Fernández-Rodríguez, F. Sosvilla-Rivero, S. (2012) Detecting trends in the foreign exchange markets. *Applied Economics Letters* 19, 493-503.

Abstract

We test for the existence of trends in exchange-rate series for 95 currencies against the US dollar. To that end, we make use of Taylor's (1980) price trend model that, instead of focusing on the mean reverting behaviour of exchange rates measured over a long horizon, concentrates on the short-term pattern of the price trend. Employing a maximum likelihood method and a genetic algorithm to estimate the model parameters, in 39 of the 95 cases considered we find evidence in favour of the presence of trends, the trends being more frequent in intermediate exchange-rate regimes.