

## Interest Rate Prediction with Taylor Rule

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**Abstract :** This paper presents simulation results of Forex predicting model equations in order to give approximately a prevision of interest rates. First, Hall-Taylor (HT) equations have been used with Taylor rule (TR) to adapt them to European and American Forex Markets. Indeed, initial Taylor Rule equation is conceived for all Forex transactions in every States: It includes only one equation and six parameters. Here, the model has been used with Hall-Taylor equations, initially including twelve equations which have been reduced to only three equations. Analysis has been developed on the following base macroeconomic variables: Real change rate, investment wages, anticipated inflation, realized inflation, real production, interest rates, gap production and potential production. This model has been used to specifically study the impact of an inflation shock on macroeconomic director interest rates.

**Keywords :** interest rate, Forex, Taylor rule, production, European Central Bank (ECB), Federal Reserve System (FED).

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