

## Volatility Model with Markov Regime Switching to Forecast Baht/USD

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**Abstract :** In this paper, we forecast the volatility of Baht/USDs using Markov Regime Switching GARCH (MRS-GARCH) models. These models allow volatility to have different dynamics according to unobserved regime variables. The main purpose of this paper is to find out whether MRS-GARCH models are an improvement on the GARCH type models in terms of modeling and forecasting Baht/USD volatility. The MRS-GARCH is the best performance model for Baht/USD volatility in short term but the GARCH model is best perform for long term.

**Keywords :** volatility, Markov Regime Switching, forecasting, Baht/USD

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