

## Three Exchange Rate Puzzles: Fact or Fiction?

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### **Abstract**

In this paper we re-examine the PPP Puzzle, and the two puzzles contained in the so-called exchange rate disconnect, namely the level and volatility puzzles. These puzzles are overviewed and some solutions to resolving the puzzles are provided. In particular, we argue that traditional macroeconomic fundamentals have an important role to play in explaining the three puzzles.