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### Research Announcement

#### Active portfolio strategies to manage exchange rate risk exposure related to external debt portfolio of pakistan

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#### Abstract

The aim of this study is to assess and analyze exchange rate risk related to three currencies i.e. Euro, American Dollar and Japanese yen on External Debt Portfolio of Pakistan (EDPP) through different Value-at-risk (VAR) methodologies from year 2001 to 2006. We apply and compare different VAR methods obtained through GARCH(1,1), Gaussian Multivariate GARCH, PCA Garch, Gaussian Constant Conditional Correlation (CCC), DCC with Exponential Smoothing, GARCH-DCC, Historical Simulation, Weighted Historical Simulation and Filtered Historical Simulation models to estimate the risk EDPP could have suffered due to fluctuations in the exchange rates of three currencies over a one day horizon with 99% confidence level. Unlike much of the literature, this paper focuses the testing of multivariate approach on the out-of-sample time period.

Completed draft available on request from:

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