

Table 1: Cointegration regression ($\log y_t$)

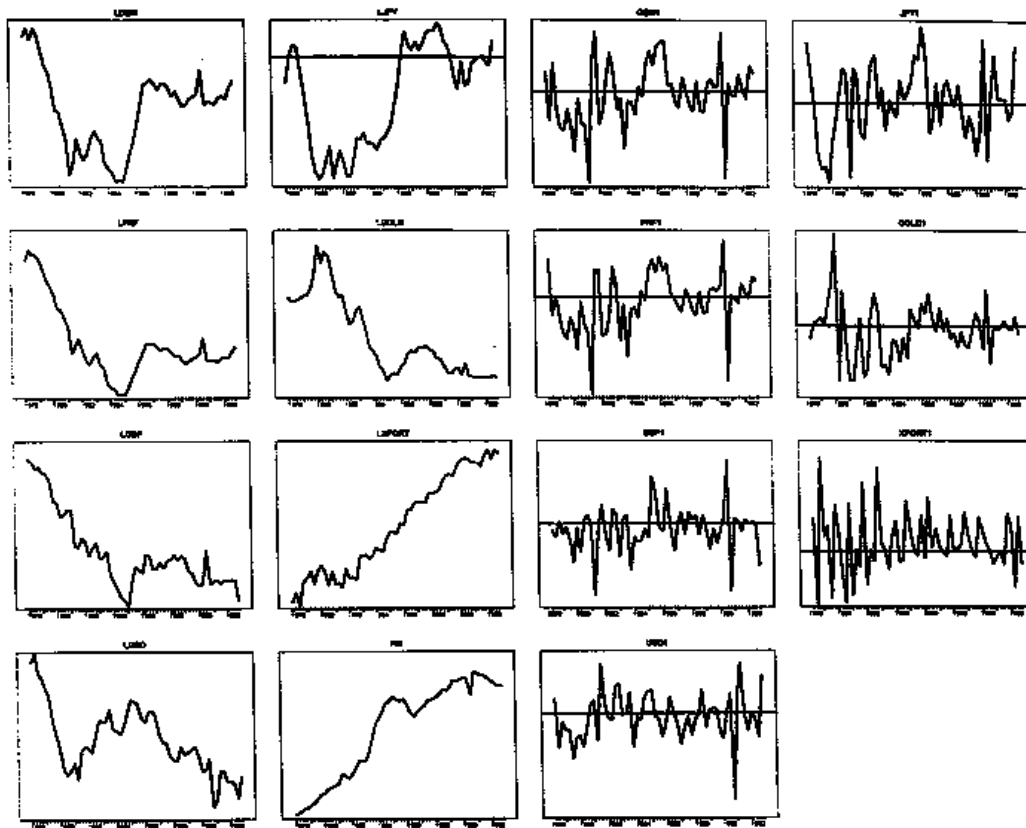
	estimate	st. deviation	t-value
$\log dem$	0.46	0.06	8.24
$\log gold$	0.01	0.03	0.34
\bar{R}^2		0.98	
DW		0.80	
DF_2		-3.06	
N		60	
$\log usd$	0.78	0.16	4.79
$\log gold$	0.33	0.07	5.08
\bar{R}^2		0.97	
DW		0.62	
DF_2		-2.26	
N		60	

Note: regression includes seasonal and trend terms. DF_2 is the Dickey-Fuller statistic with 2 lagged differences.

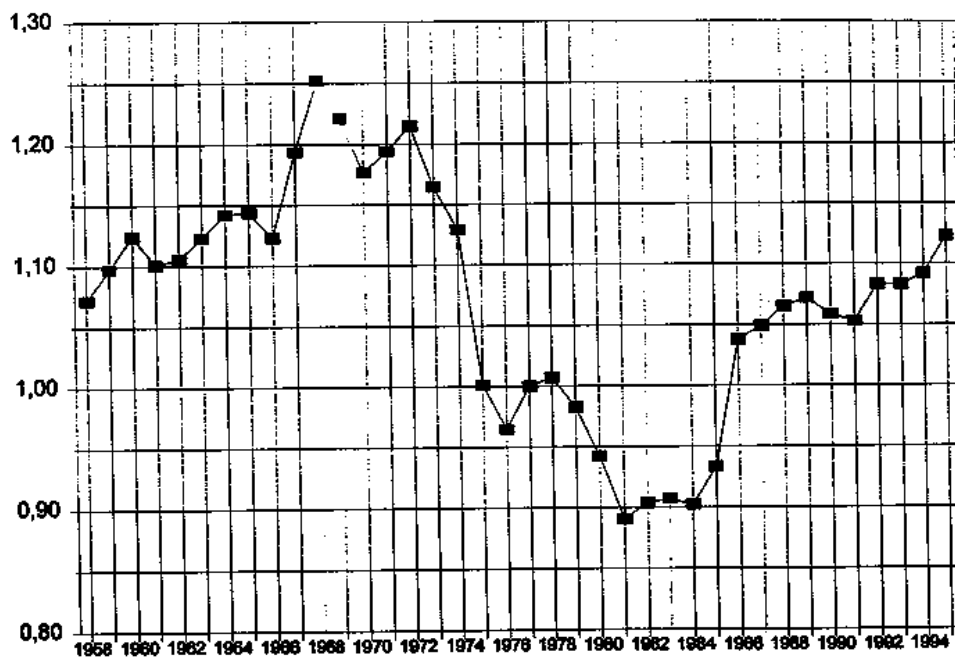
Table 2: Phillips-Loretan regression ($\log y_t$)

	estimate	st. deviation	t-value
$\log dem$	0.61	0.10	5.93
$\log gold$	-0.10	0.07	-1.50
\bar{R}^2	0.99		
N	56		
$\text{var}(\log \hat{y})$	0.016		
$\text{var}(\sum_i \beta_i \log x_i)$	0.012		
$\text{var}(\log \hat{y} - \sum_i \beta_i \log x_i)$	0.006		
	estimate	st. deviation	t-value
$\log usd$	2.35	0.85	2.77
$\log gold$	0.56	0.22	2.54
\bar{R}^2	0.99		
N	56		
$\text{var}(\log \hat{y})$	0.26		
$\text{var}(\sum_i \beta_i \log x_i)$	0.22		
$\text{var}(\log \hat{y} - \sum_i \beta_i \log x_i)$	0.03		

Note: regression includes seasonal and trend terms, an autocorrelation correction, and 1 current, 2 lagged, and 2 leading differenced regressors (see Dumas and Jorion, 1993). The three variances are indicative of the performance of the hedge, as indicated by structural equation ((1)).

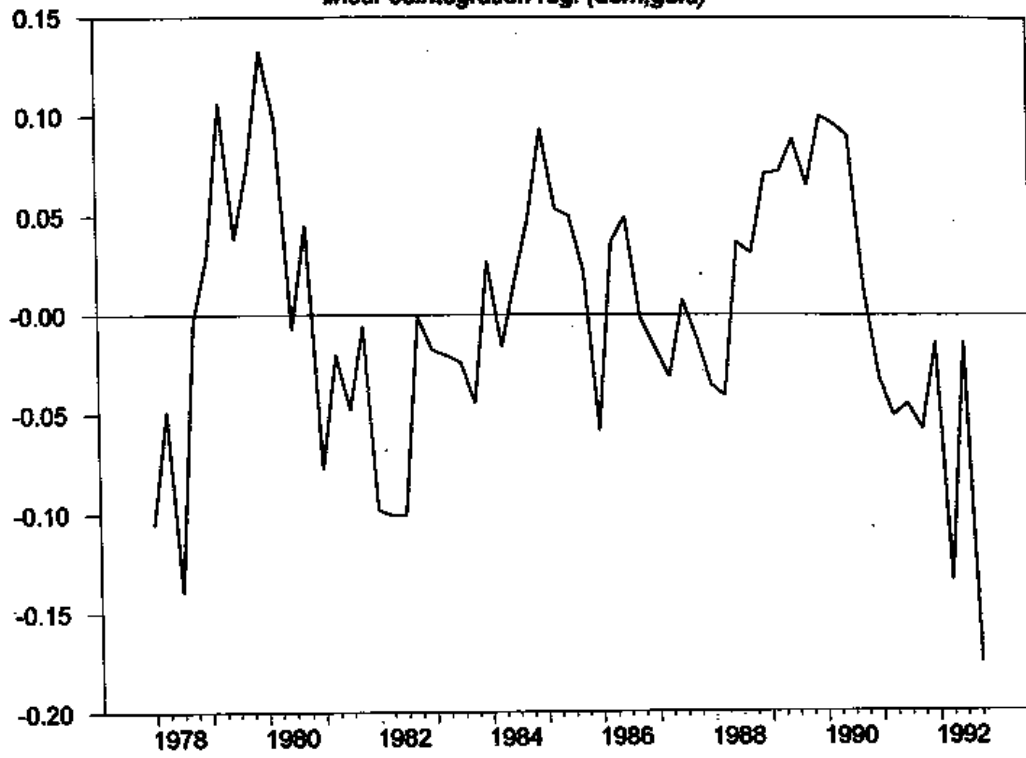


Portugal: Terms of Trade
(1977=1)



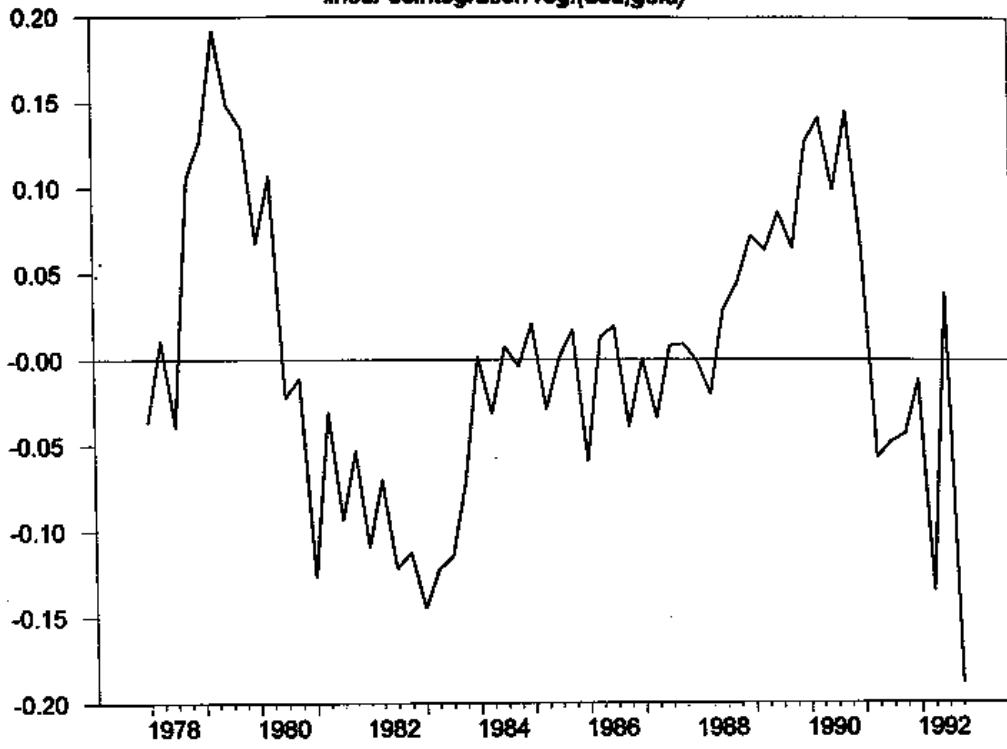
residuals

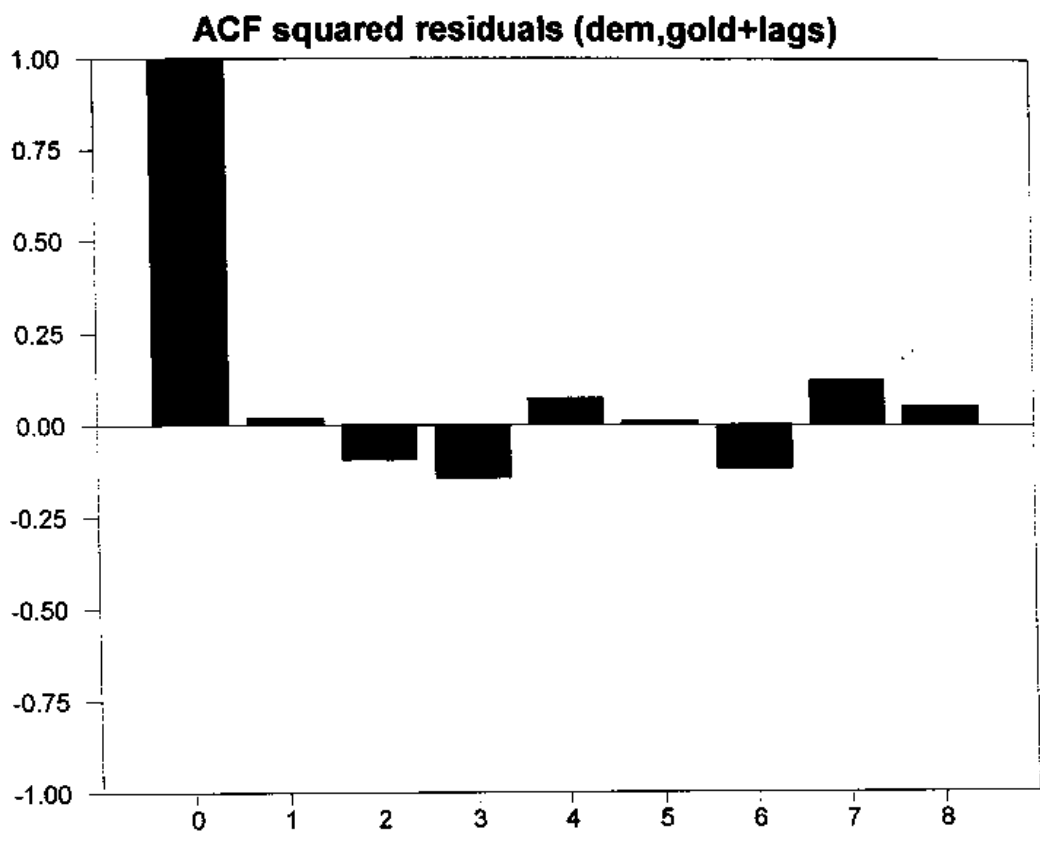
linear cointegration reg. (dem,gold)

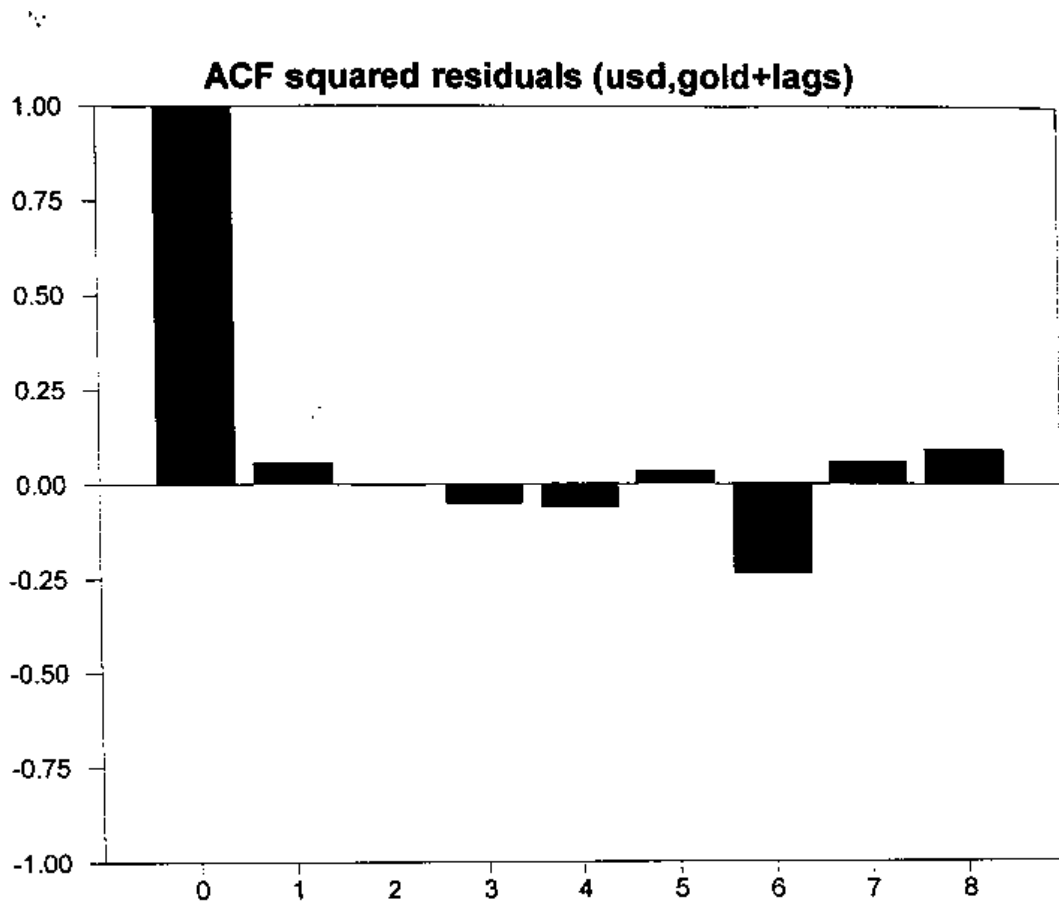


residuals

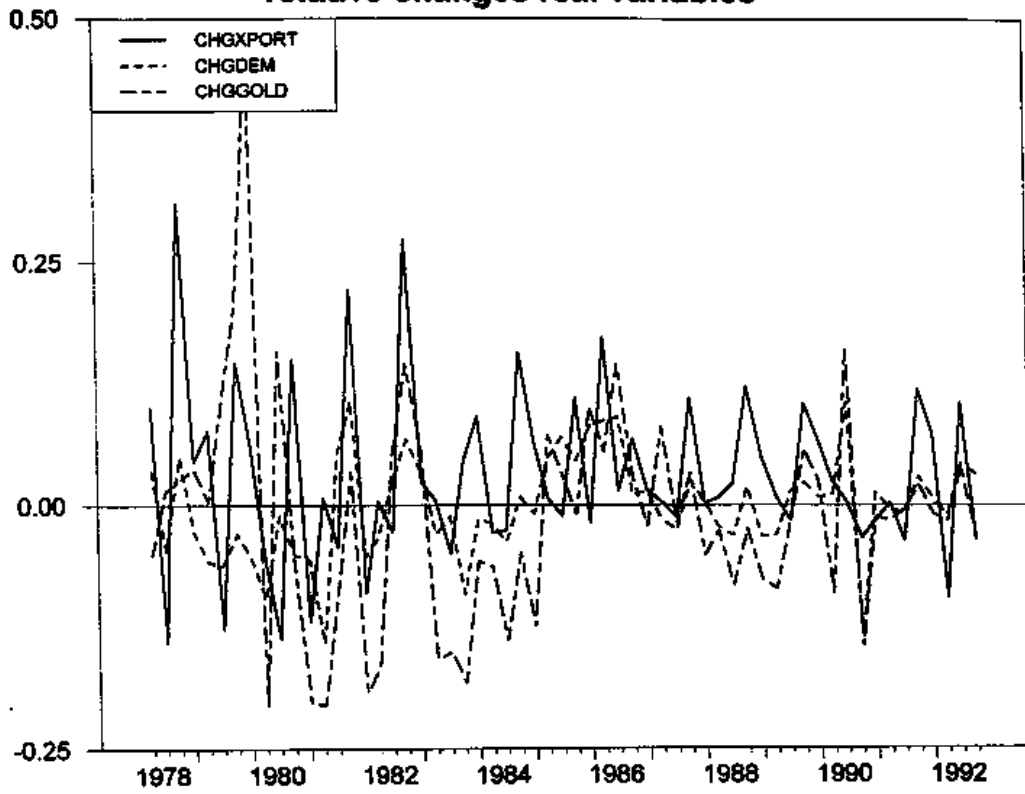
linear cointegration reg.(usd,gold)

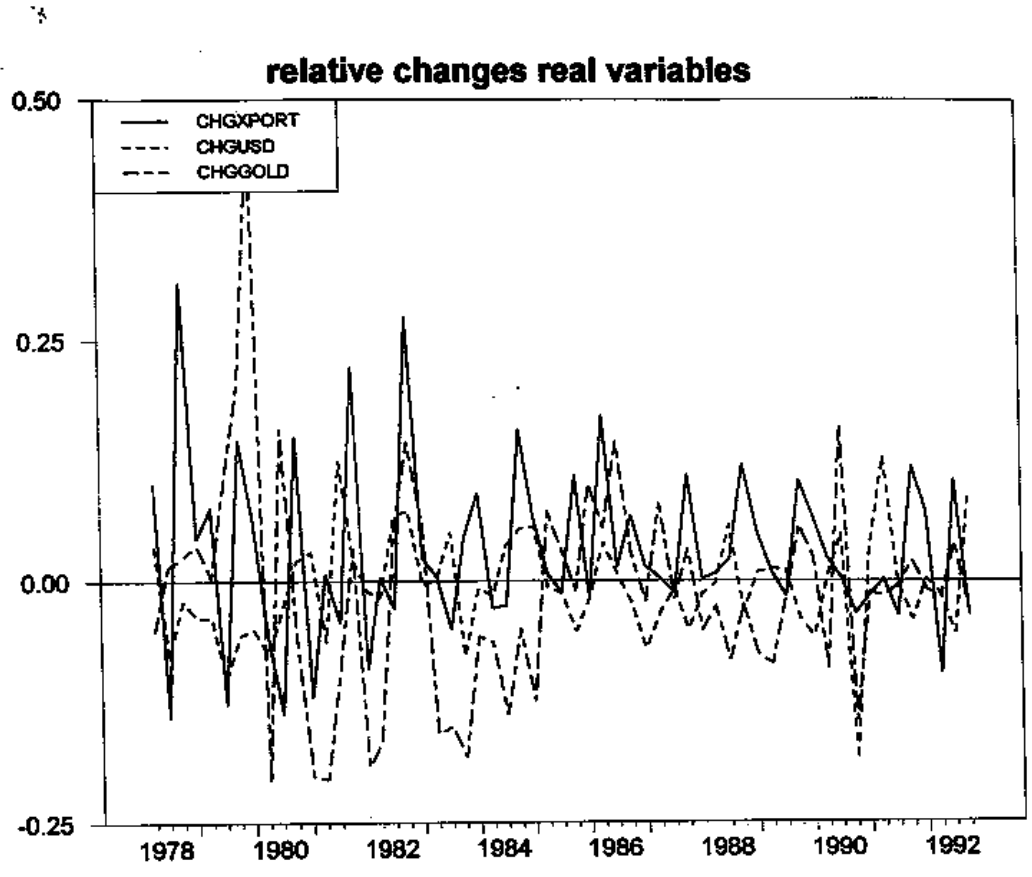






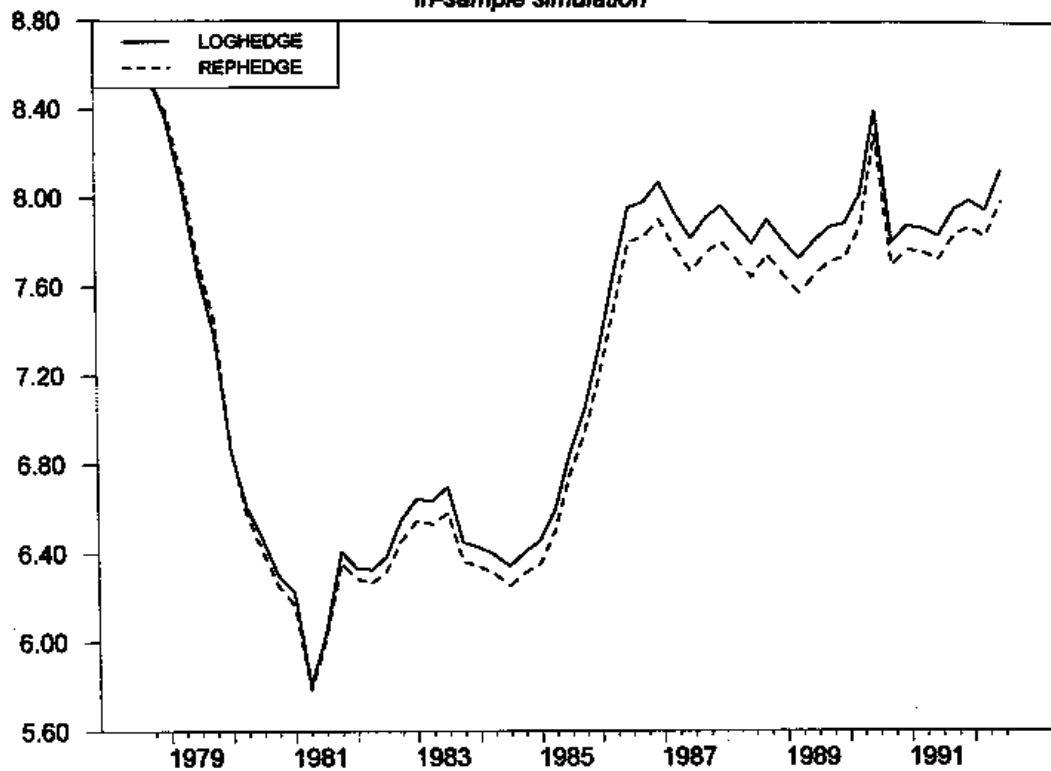
relative changes real variables





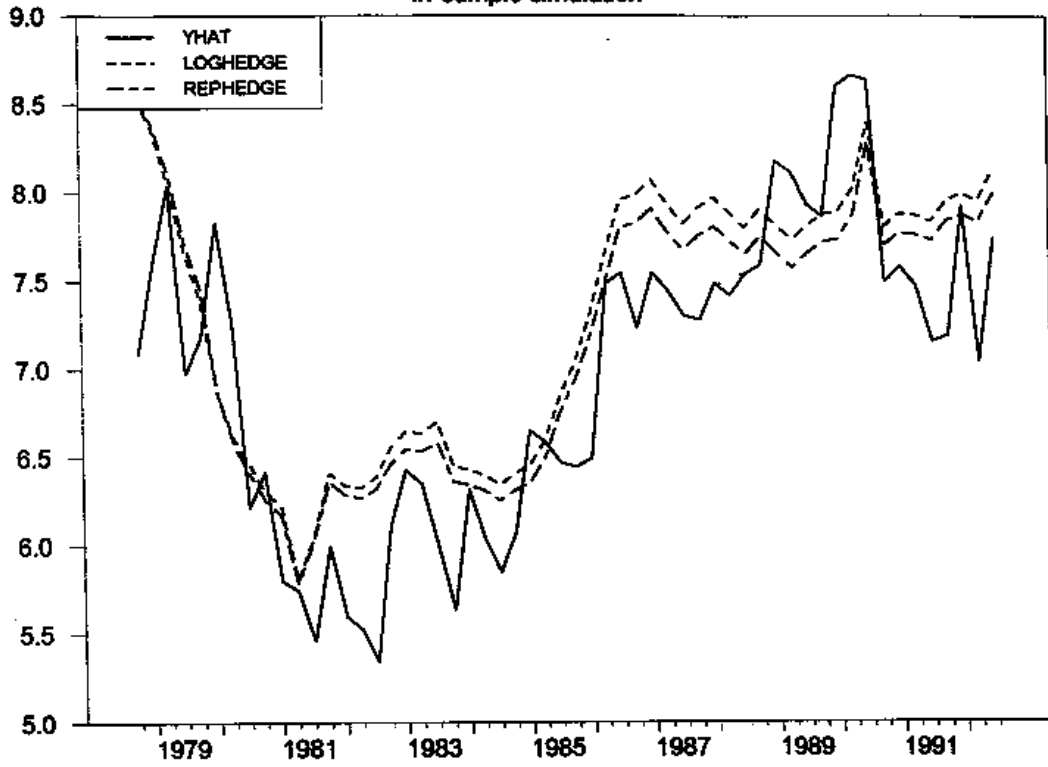
log hedge and replicator hedge

in-sample simulation



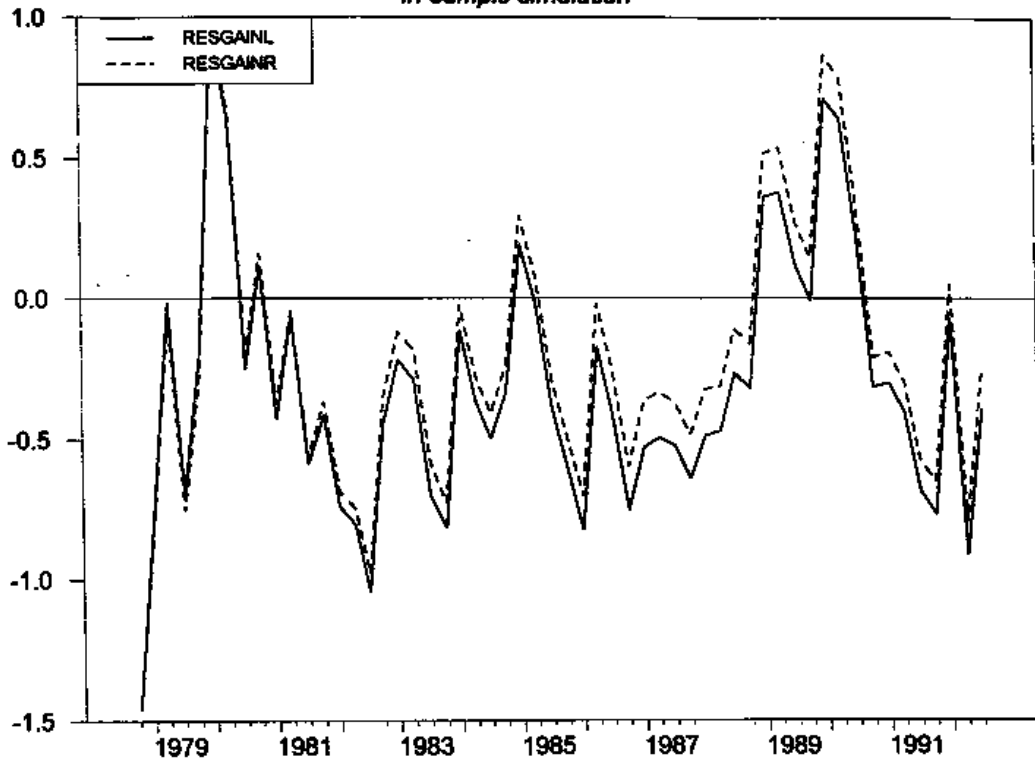
Yhat, log hedge, and replicator hedge

In-sample simulation



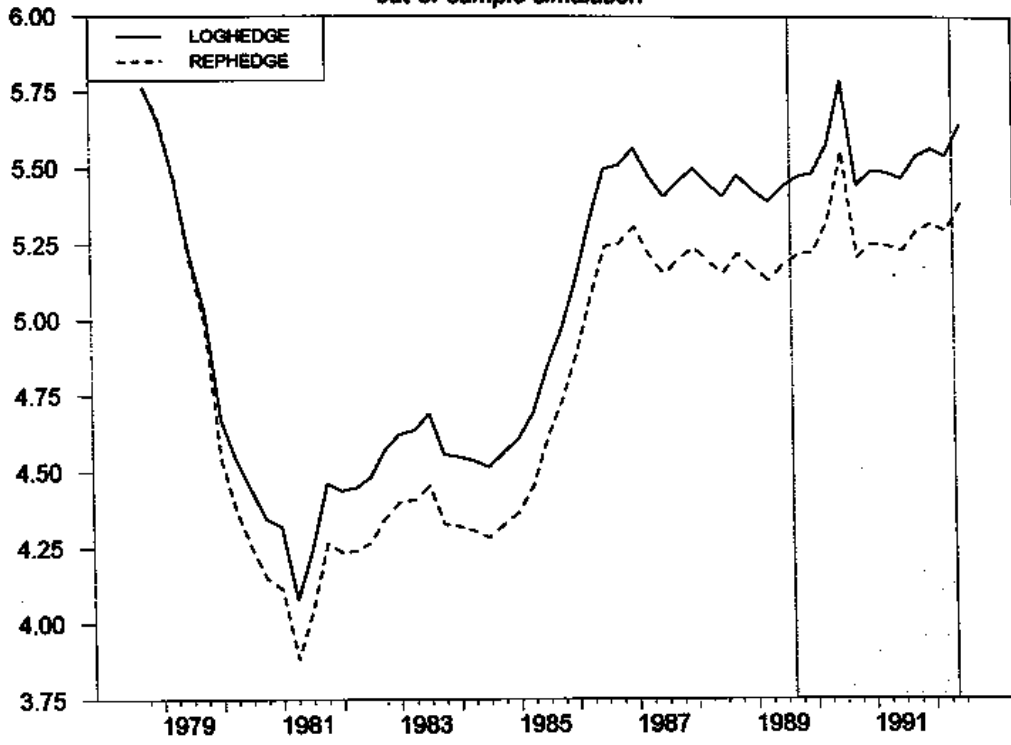
res gains: log hedge and replicator hedge

in-sample simulation



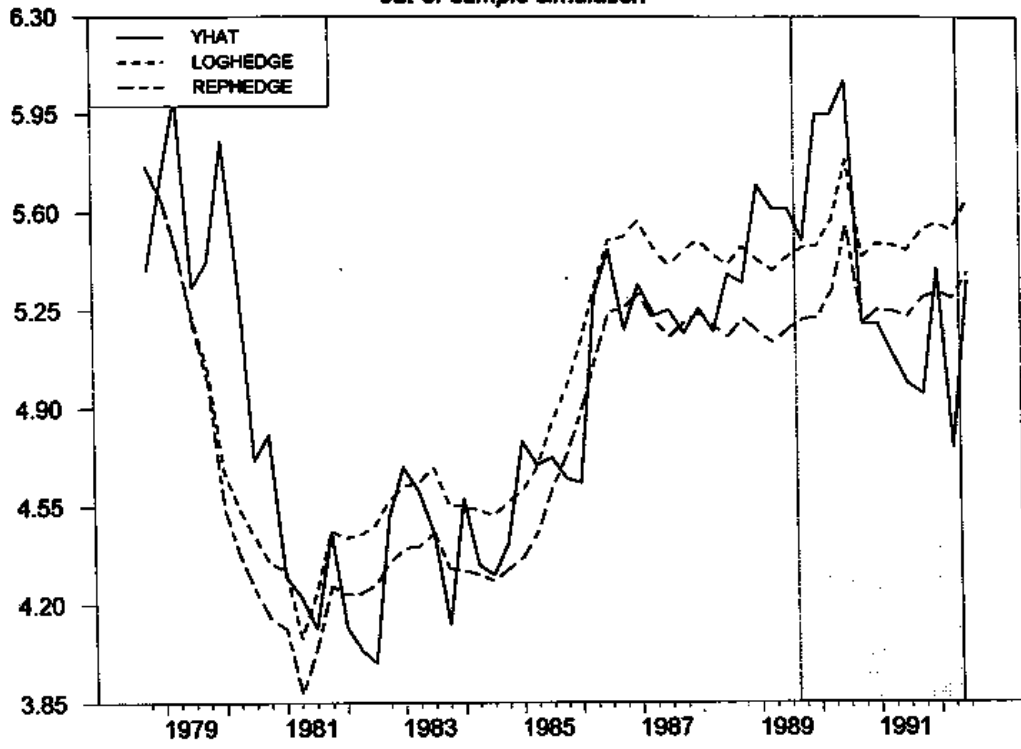
log hedge and replicator hedge

out-of-sample simulation



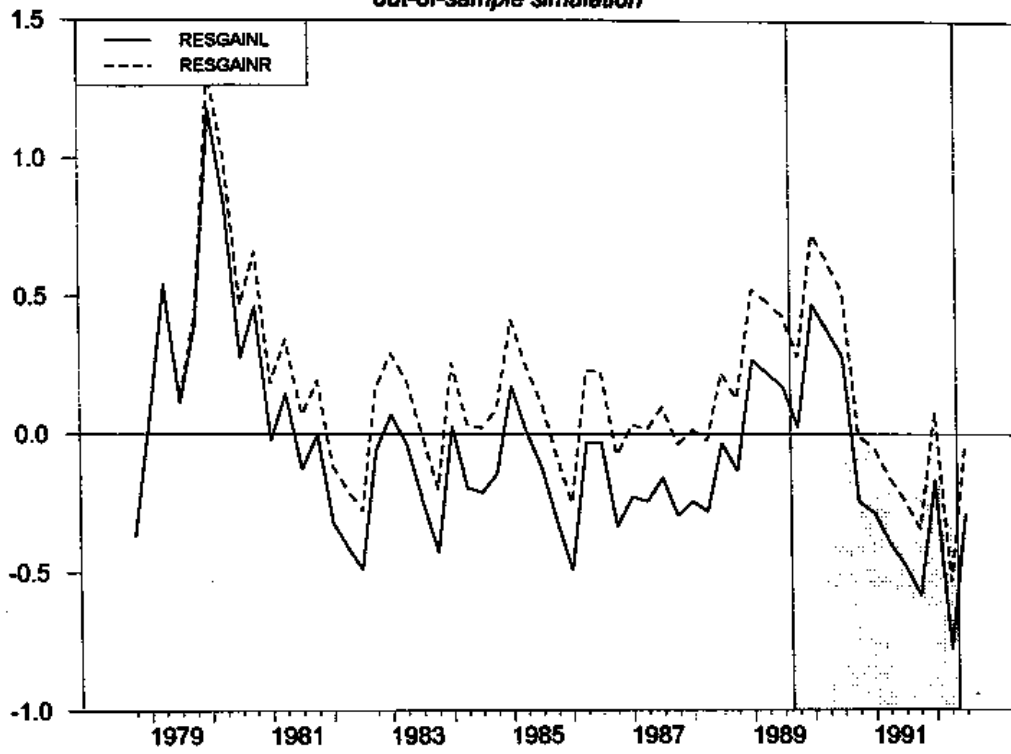
Yhat, log hedge, and replicator hedge

out-of-sample simulation



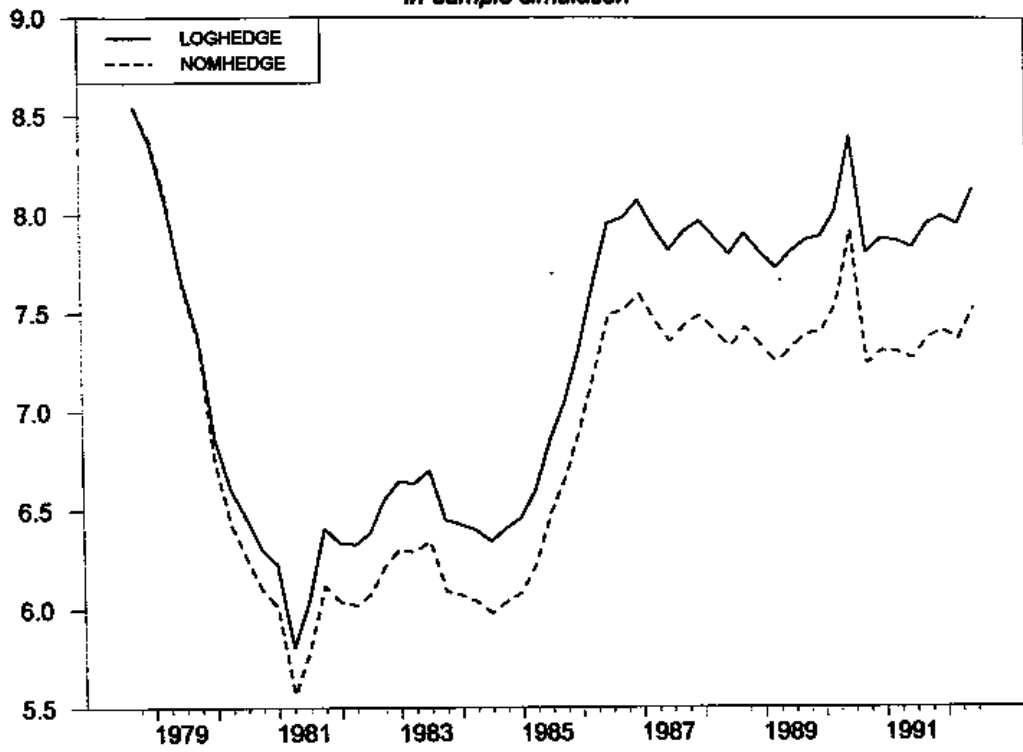
res gains: log hedge and replicator hedge

out-of-sample simulation



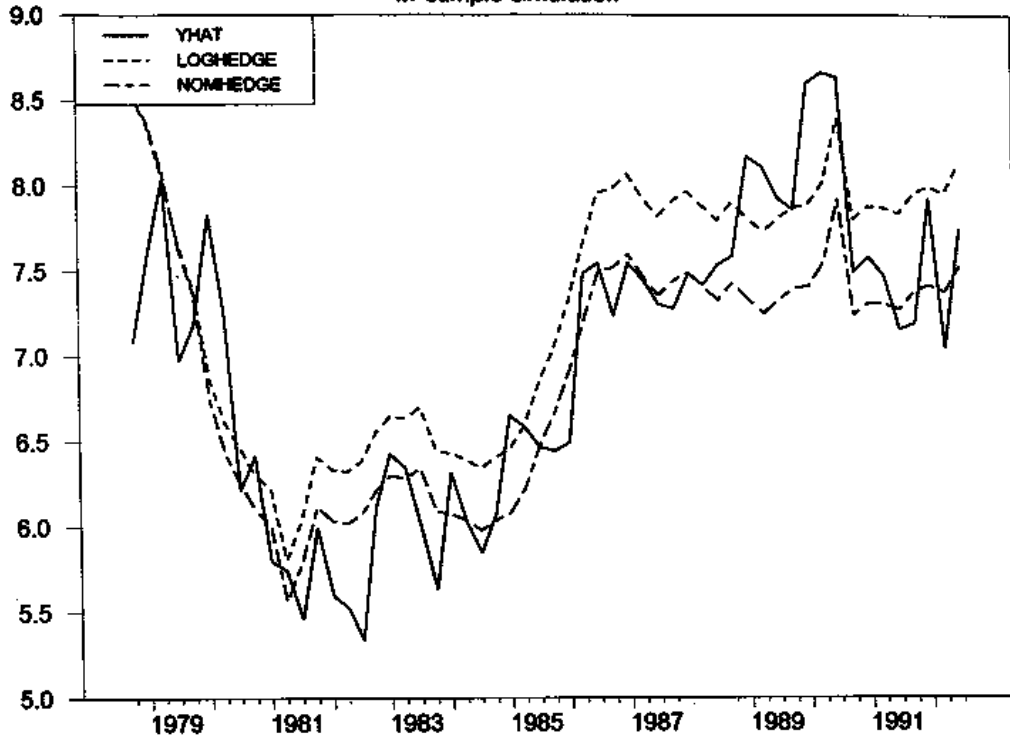
log hedge and nominal hedge

in-sample simulation



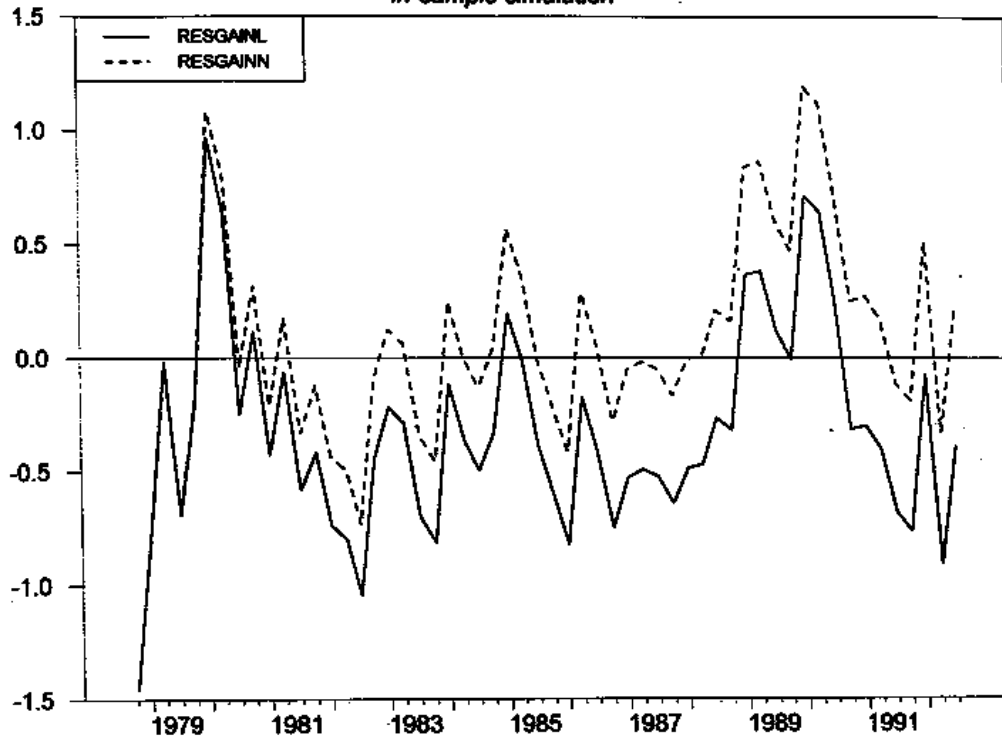
Yhat, log hedge, and nominal hedge

in-sample simulation



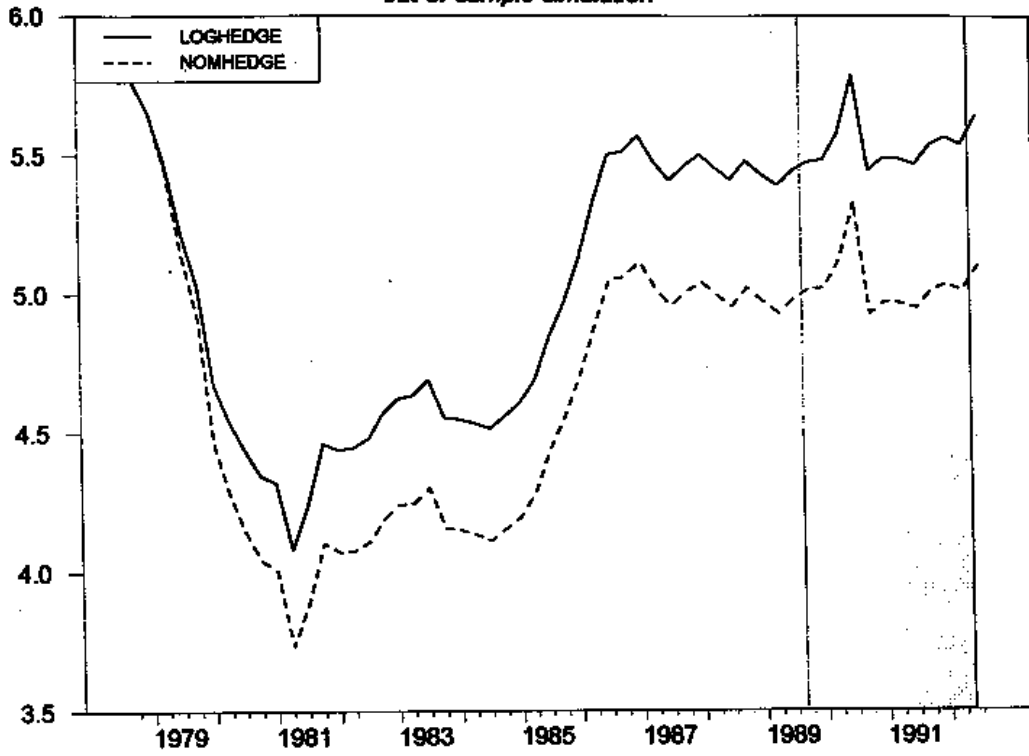
res gains: log hedge and nominal hedge

in-sample simulation



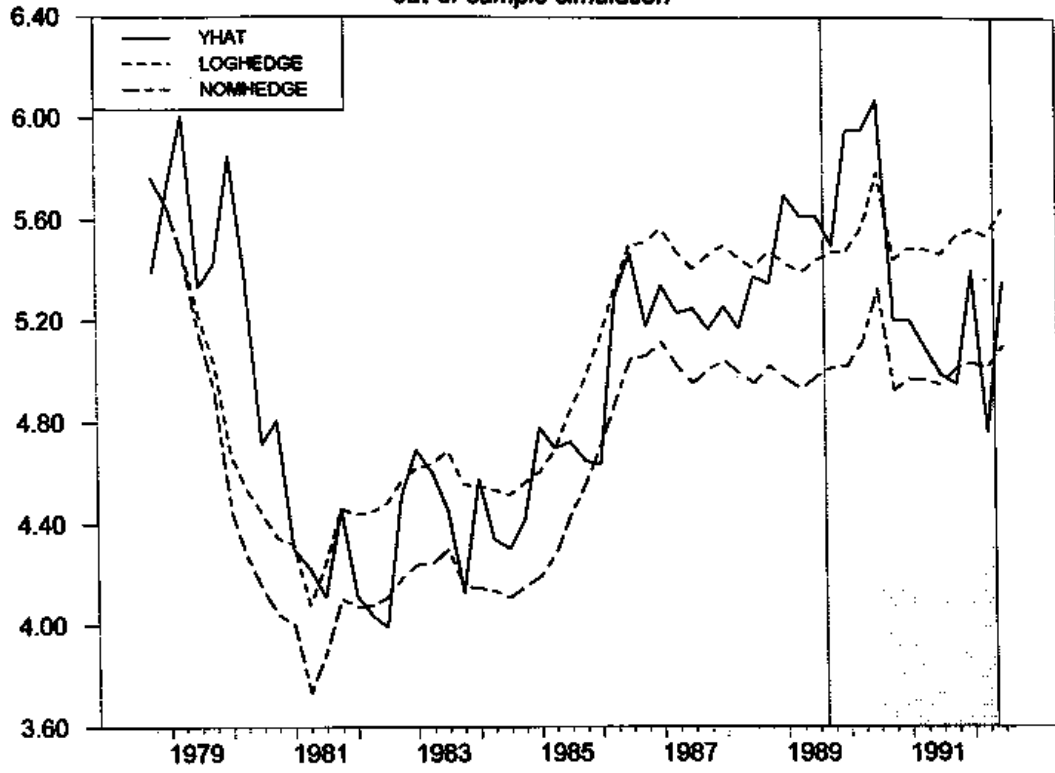
log hedge and nominal hedge

out-of-sample simulation



Yhat, log hedge, and nominal hedge

out-of-sample simulation



res gains: log hedge and nominal hedge

out-of-sample simulation

