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# Does Inverted Fisher Hypothesis Hold in the CIS Countries?

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*This paper examines the inverted Fisher hypothesis (FH) for five countries of the Common Wealth of Independent States – Armenia, Georgia, Kazakhstan, Kyrgyzstan and Moldova – using quarterly data on three-month Treasury bills interest rates and consumer prices over the period 1995:01-2010:02. Results based on regression analysis are strongly supportive of the inverted FH in all cases, except for Kazakhstan. The regression estimates of the coefficient on inflation rate are not only correctly significantly signed in all cases but are also very close to unity. The results show that the proposition of a oneto-one proportionality between real interest and inflation rates cannot be rejected in all cases. One important implication that emerges from these results is that Treasury bills markets in the CIS countries are unlikely to provide any hedge against inflation. Another important implication is that monetary policy cannot be conducted effectively to contain inflation by reducing nominal interest rates.*

**JEL Codes:** E43, E430,

**Key Words:** Fisher effect, T-bills