

Impacts of US Quantitative Easing on East Asian Currencies

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Abstract

This study investigates impacts of quantitative easing in the US on currencies' behavior in East Asia. Since the global financial crisis, FRB has promoted untraditional monetary policies including QE in response to economic slowdowns in the US. However, the enormous supply of the US dollar has global spillover effects on foreign exchange markets, especially currencies in East Asia. Thus, it is noteworthy to focus on relationships between the US QE and East Asian currencies to obtain some implications for Fed's QE exit strategy's effects on the currencies. For this purpose, we identify the contribution of the US QE on estimated currencies' dynamics with a three-step approach and then calculate impulse responses of East Asian currencies to the US QE. The results lead to the conclusion that Fed's QE exit strategy would appreciate most East Asian currencies.

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