

The dynamics effects of the Japanese current four FX interventions

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Abstract

I adopt the pulse and step functions to examine the effect of the Japanese foreign interventions for its short-run dynamics. The former function captures a spike of the yen/dollar rate at an intervention day. The latter cancels that spike within days after the intervention. The result supports the effectiveness of the interventions on the yen/dollar rate. That effect remains over a week. Additionally, The yen/dollar becomes less volatile after an intervention.

JEL classification: F31

Keywords: Foreign exchange intervention; Pulse and step functions; Realized volatility

Highlights

Pulse and step functions capture the dynamics effect of Japanese FX intervention.
The current four episodes show their persistent impacts on the level of the yen/dollar rate.
The interventions are also successful in terms of mitigating volatility.