

Effects of Japanese Macroeconomic Announcements on the Dollar/Yen Exchange Rate: High-Resolution Picture with High-Frequency Data*

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Abstract:

This paper examines reactions of the yen/dollar exchange rate to macroeconomic news/statistical announcements using high-frequency data collected from the real trading platform. It investigates the exchange rate returns in reaction to a surprise component of various Japanese macroeconomic announcements. Tankan survey (a short-term business survey conducted by Bank of Japan) and GDP forecast were found to have consistently large impacts on the exchange rate returns. Price indices such as CPI and PPI reports were also found to have significant effects on the returns. On the other hand, Trade Balance announcement had little impact on the returns—which is contrast to findings of the U.S. news release on Trade Balance. We also examine the impacts of surprise components of news indicators on transactions. The number of deals also increases at the time of macroeconomic announcements. The number of deals in the 15 minute windows around the news release time, increased most prominently in response to GDP announcements and Tankan.

JEL: E44, F31, F41, G15

Key Words: Exchange Rate, High-frequency data, market microstructure, macro news announcement

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