I identify intraday jumps and cojumps in exchange rates controlling for volatility patterns and relate these events to pre-scheduled macroeconomic news and market conditions. Event study results show that preceding jump and cojump events, exchange rate quote volume, illiquidity, signed order flow, and informed trades are at heightened levels revealing that jump events are consistent with rational dealer quoting behavior. Following jump and cojump events, quote volume and return variance remain at heightened levels while illiquidity, informed trade, and signed order flow remain at depressed levels providing evidence that order flow following jump events is largely uninformed liquidity provision.

**Keywords:** Jumps, Cojumps, Foreign exchange market, Market efficiency, Stochastic volatility bias.

1. **INTRODUCTION**

Jumps are rare discontinuous events in asset prices that have important implications for risk management (Boes, et al. (2007), Christoffersen, et al. (2012), Eraker (2004), Jiang, et al. (2011), Johannes (2004), Kim, et al. (1994), Maheu and McCurdy (2004), and Merton (1976)), optimal portfolio allocation (Das and Uppal (2014), Jin and Zhang (2012), Liu and Pan (2003), and Liu, et al. (2003)), and the equity risk premium (Jiang and Yao (2014), Maheu, et al. (2013), Ornthanalai (2014), and Yan (2011)). Despite the advances that the extant literature has made on the implications of jumps for portfolio theory, there have been relatively few empirical studies looking at the nature of jump events, the sources of jumps, and their effects on market efficiency. I fill this gap in the literature by examining market efficiency and market conditions surrounding jump and...
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