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The Exchange Rate Effects of Macro News after the Global Financial Crisis

Yin-Wong Cheung, Rasmus Fatum, Yohei Yamamoto

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Yin-Wong Cheung  
Department of Economics and Finance  
City University of Hong Kong  
Tat Chee Ave, Kowloon  
Hong Kong  
Email: yicheung@city.edu.hk

Rasmus Fatum*  
School of Business  
University of Alberta  
Edmonton, Alberta  
Canada, T6G 2R6  
Email: rasmus.fatum@ualberta.ca

Yohei Yamamoto  
Department of Economics  
Hitotsubashi University  
2-1 Naka, Kunitachi  
Tokyo 186-8601, Japan  
Email: yohei.yamamoto@econ.hit-u.ac.jp

Abstract: We explore whether the exchange rate effects of macro news are time- and state-dependent by analyzing and comparing the relative influence of US and Japanese macro news on the JPY/USD rate before, during, and after the Global Financial Crisis. A comprehensive set totaling 40 time-stamped US and Japanese news variables and preceding survey expectations along with 5-minute indicative JPY/USD quotes spanning the 1 January 1999 to 31 August 2016 period facilitate our analysis. Our results suggest that while US macro news are now more important than before the Crisis, the influence of Japanese macro news has waned to the point of near-irrelevance. These findings are of particular importance to exchange rate modeling of the New Era.

Key words: Foreign Exchange Rates; Macro News Surprises; Global Financial Crisis.

JEL Classifications: F31, G15.

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