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

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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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