

The BOJ interventions, order flow, and financial crisis

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Abstract:

We investigate the intra-day effect of recent interventions in 2010 by the Bank of Japan (BOJ) in foreign exchange markets, using market order quotes and transaction data in intra-day high frequency. We examine whether the duration of order flow and dollar/yen return are affected by the order size. We find that the relationship between order flow and market return in dollar/yen exchange market experiences a structural change following unexpected and very high volume of offer/sell orders by the BOJ interventions.

Journal of Economic Literature Classification: F31(foreign exchange), G12(trading volume), G14(information and market efficiency), G15(international financial markets), E58(central bank).

Keywords: the Bank of Japan; Central bank interventions; Foreign exchange market; Order flow.

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