

## **Price Discovery and Liquidity Recovery: Forex Market Reactions to Macro Announcements**

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We examine the improvement of Forex market quality, measured by speed of price discovery and liquidity recovery after macro announcements, with 20 years of high-frequency data. We find that both measures have improved little over years. The price discovery is positively affected by the impact of news surprise on returns, which does not show a time trend. Despite improving liquidity, an increasing number of traders slows down rather than fasten the price discovery. We fit a classical microstructure model for explaining why: such fast traders behave like uninformed.

**Keywords:** Price discovery, Liquidity, Foreign exchange markets, Macro-announcements, Market Microstructure

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