

The effectiveness of Japanese FX intervention in 2024

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Abstract

This paper evaluates the effectiveness of yen-buying and dollar-selling intervention by the Japanese monetary authorities in 2024. To this end, we estimate the lasting effect of foreign exchange (FX) intervention using a simple methodology using synthetic control methods. We find that the yen-buying intervention event of April 29 and May 2, 2024, significantly maintained the yen's value above its counterfactual value for 7 business days after the end of the intervention, indicating that the effect of the FX intervention event lasted for 7 business days. Comparing the yen-buying intervention in 2024, with that in 2022, the lasting effect in the event of April 29 and May 2, 2024, was greater than that in the event of September 22, 2022 (it was 1 day), but smaller than that in the event of October 21 and 24, 2022 (it was more than 10 business days). Therefore, the FX intervention event of April 29 and May 2, 2024, was not highly effective, but it did have some effect.