

# New assessment of the Japanese foreign exchange intervention: A stopping time approach

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I propose a new variable to assess the effect of the Japanese foreign exchange (FX) intervention. The variable is the probability of an FX rate reaching one threshold before the other threshold is reached. Importantly, the probability depends on not only the level but also the trend and volatility of a current FX rate. When an intervention changes the probability into its intending direction, the intervention is effective. The notable feature of the probability is to consider both the level and volatility of an FX rate comprehensively, on those previous literature examine the effect of FX intervention separately.

JEL classification: F31; E58

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Probability reaching a threshold