# Article information:

Exchange rate volatility response to macroeconomic news during the global financial crisis - ScienceDirect
<https://www.sciencedirect.com/science/article/pii/S1057521917300686?casa_token=HSlDYGGEEWMAAAAA%3AzsBBjIc0zA-wuiMVooCXB3qwwe2dbKhBm1bxmtROzQHeEecm5KBVnSbivdr8PvRR9ZXI0--Rsqc>

# Article summary:

1. The study investigates the volatility response to macroeconomic news announcements during the global financial crisis, focusing on the euro, pound, and yen against the US dollar.

2. The endogenous estimation of crisis thresholds using different macroeconomic fundamentals provides a more efficient method compared to using exogenously determined crisis dates.

3. The results show that volatility response to news varies over time, with larger reactions during periods of economic growth and for certain news announcements such as those related to housing market and central bank policy decisions during the crisis period.

# Article rating:

Appears moderately imbalanced: The article provides some useful information, but is missing several important points or pieces of evidence that would be required to present the discussed topics in a balanced and reliable way. You are encouraged to seek a more balanced perspective on the presented issues by exploring the provided research topics and looking at different information sources.

# Article analysis:

The article "Exchange rate volatility response to macroeconomic news during the global financial crisis" provides an analysis of the intraday volatility reaction to macroeconomic news announcements during the recent global financial crisis. The authors aim to contribute to the literature by presenting an alternative method for determining changes in economic states, assessing which macroeconomic indicator provides the earliest warning signal for the upcoming crisis, and examining whether there is a systematic change in foreign exchange volatility response to macroeconomic news around the crisis period.

The article is well-structured and presents its findings clearly. However, there are some potential biases and limitations that should be considered. Firstly, the study only focuses on three major currency pairs (euro, pound, and yen against the US dollar), which may limit its generalizability to other currencies or markets. Secondly, while the authors use endogenous estimation of thresholds between different regimes, they do not provide a clear explanation of how these thresholds were determined or why certain transition indicators were chosen over others. This lack of transparency could potentially introduce bias into their results.

Additionally, while the authors find that volatility response to news varies over time and that certain macroeconomic indicators (such as new home sales and Fed funds rate releases) had a consistently larger volatility reaction during the financial crisis period, they do not explore potential counterarguments or alternative explanations for these findings. For example, it is possible that investors' perceptions of risk changed during this period due to factors beyond just macroeconomic news announcements.

Furthermore, while the authors suggest that their findings could be useful for investors and managers of multinational corporations exposed to FX risk or traders/institutional asset managers whose portfolios include international assets, they do not fully explore potential risks associated with using their results for these purposes. For example, relying too heavily on past patterns of volatility response could lead to inaccurate predictions in future market conditions.

Overall, while this article provides valuable insights into foreign exchange market behavior during times of economic uncertainty, it is important to consider potential biases and limitations in its findings. Further research could explore alternative explanations for the observed patterns of volatility response and potential risks associated with using these findings for practical purposes.

# Topics for further research:

* Alternative methods for determining changes in economic states
* Foreign exchange volatility response to macroeconomic news in other currencies/markets
* Transparency in determining thresholds and transition indicators
* Factors beyond macroeconomic news that may affect investors' perceptions of risk
* Risks associated with relying too heavily on past patterns of volatility response
* Potential counterarguments or alternative explanations for observed patterns of volatility response

# Report location:

<https://www.fullpicture.app/item/5634dd49ec7984784fb301dc949542e8>