
Discussion of Caspi, Friedman and Ribon (2017): “The Immediate Impact and Persistent Effect of FX Purchases on the Exchange Rate”

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SCHWEIZERISCHE NATIONALBANK
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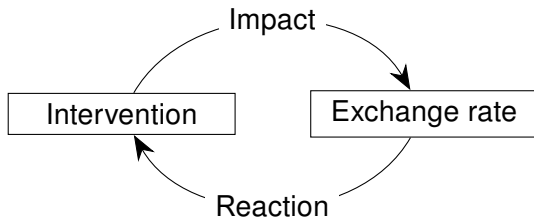
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Main comments:

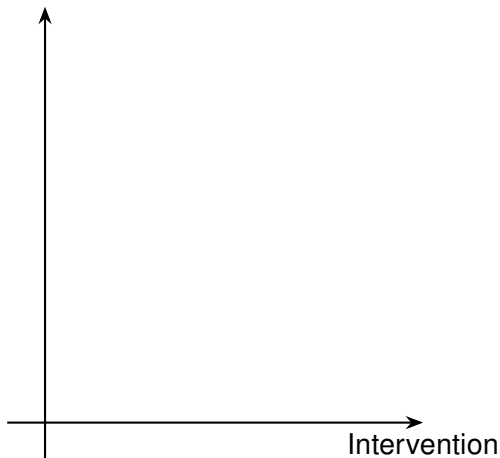
- 1 Emphasizing persistence is important
- 2 Robust methodology able to detect complex decay patterns
- 3 Impact potentially underestimated due to endogeneity bias

Simultaneous causality

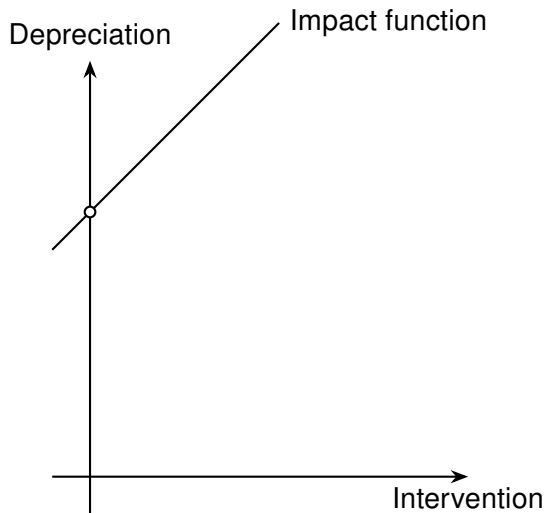


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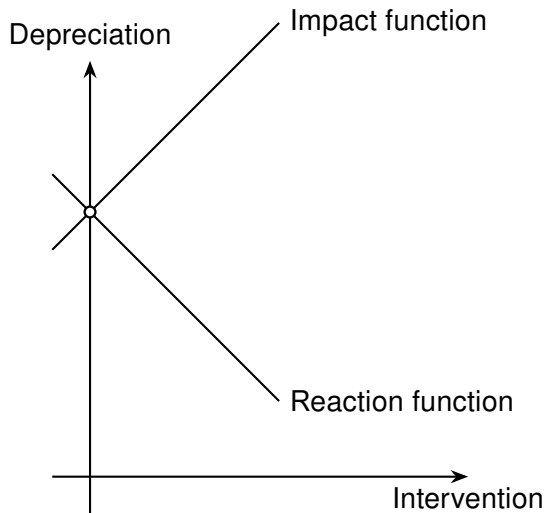
Depreciation



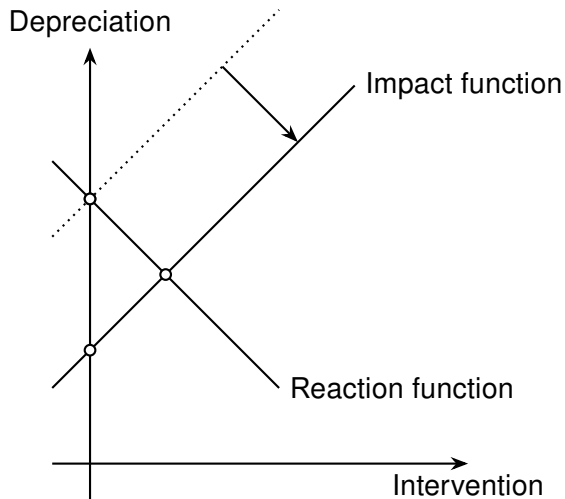
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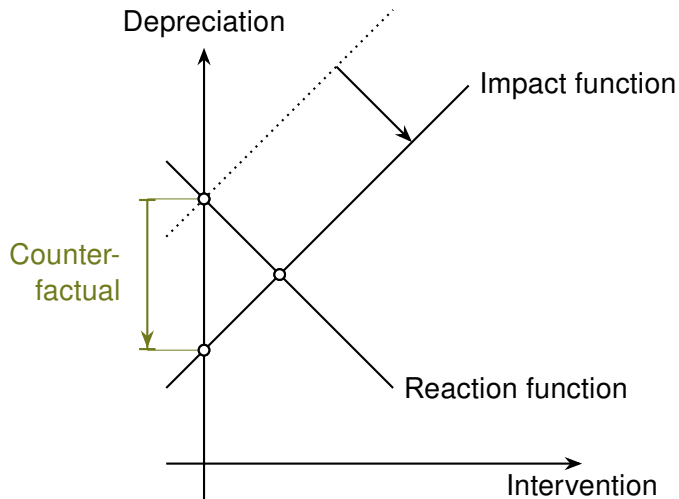
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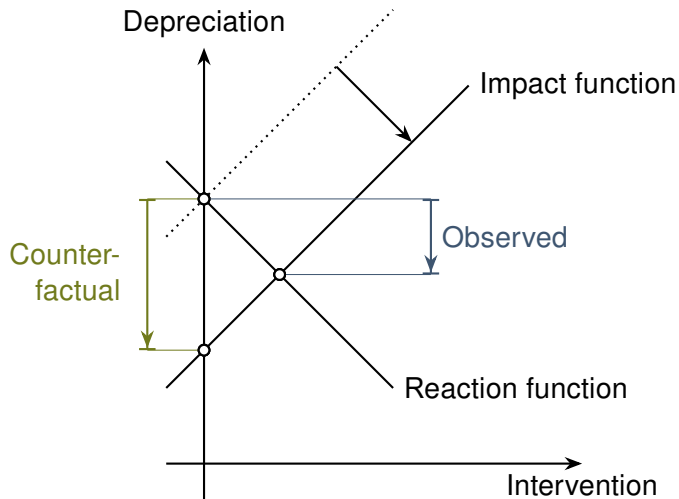
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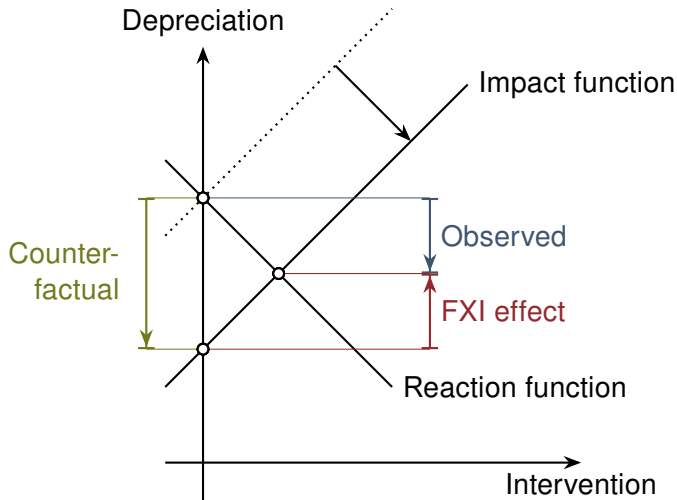
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Identification methodology

- Intra-daily exchange rate components:

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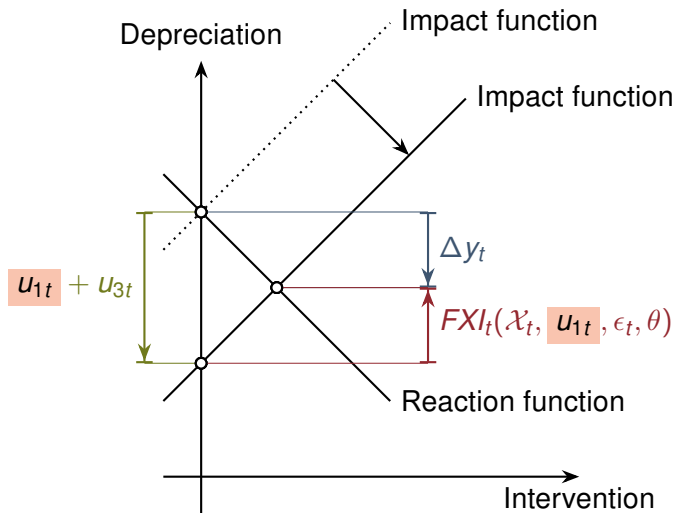
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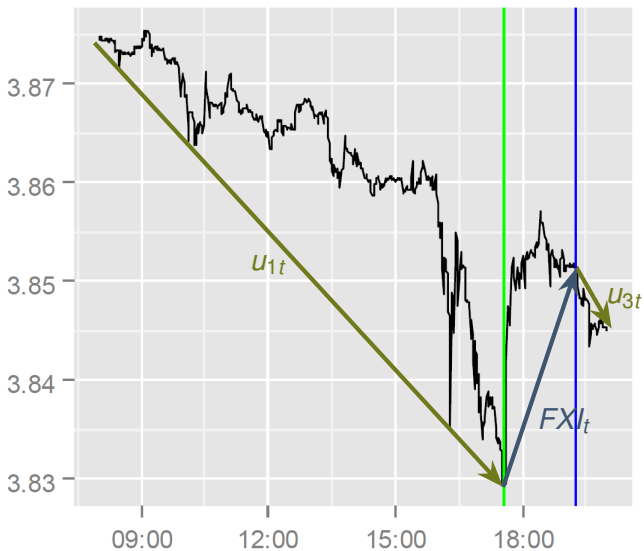
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- Selection on variables \rightarrow include u_{1t} in \mathcal{X}_t ?

Identification methodology



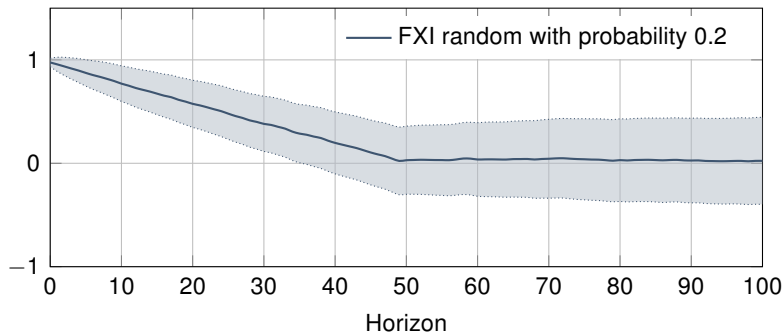
Example of potentially endogenous intervention



Simulation study of endogeneity bias

Simulation settings:

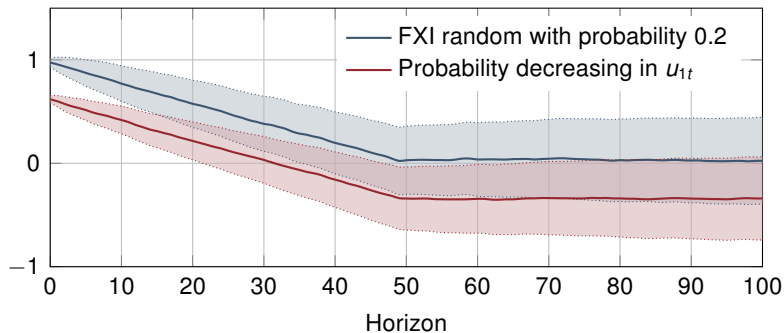
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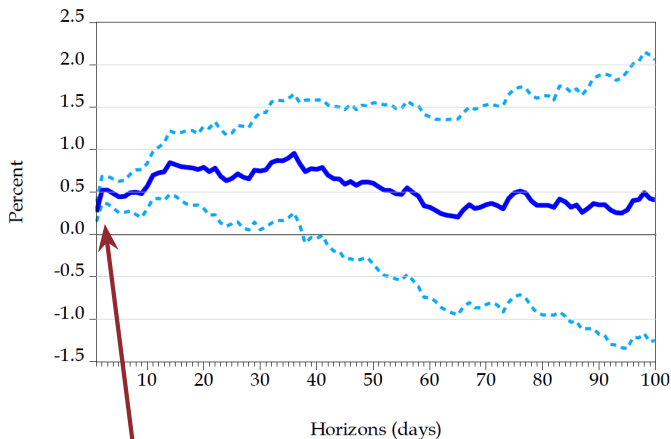
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Bias or decay in empirical results?



Endogeneity bias (u_{1t}) or decay on same day (u_{3t})?

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- Direct identification of FXI as change in exchange rate does not address intervention efficiency.
- Interesting theoretical discussion about portfolio balance versus signaling channel, but little connection to empirical results.
- Why not identifying the shock on the NEER instead of USDILS? Weight of USDILS in NEER will result in coefficients below 1 as well.