

# Japanese Monetary Policy Shocks and Exchange Rates: Impacts and Persistence

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## Abstract

We estimate the effects of Japanese monetary policy shocks on exchange rates using daily data from 2003 to 2024. We extract principal components from daily changes in multiple interest-rate instruments over the full sample, and use their announcement-day changes as instruments for yield movements at different maturities. We find that announcement-day exchange-rate movements are driven primarily by long-term yield changes, with economically sizable effects that are largest during the QQE period. Using instrumental-variable local projections, we show that cumulative exchange-rate responses typically dissipate within about two months (roughly 40 business days) in the full sample and under QQE (and somewhat faster for USD/JPY in the pre-QQE period), whereas responses are more persistent during YCC/post-YCC, remaining nonzero over our 50-day horizon.

Keywords: unconventional monetary policy; exchange rates; high-frequency identification; instrumental variable local projections; Japan.

JEL codes: E52, E58, F31, C32.

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