

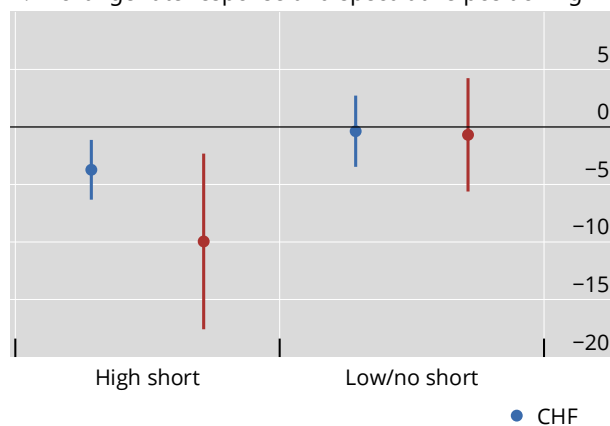
## Online appendix for BIS Bulletin no 124: "Monetary policy transmission to exchange rates: the role of currency carry trades"

### Monetary policy transmission to exchange rates amplified by carry trade activity<sup>1</sup>

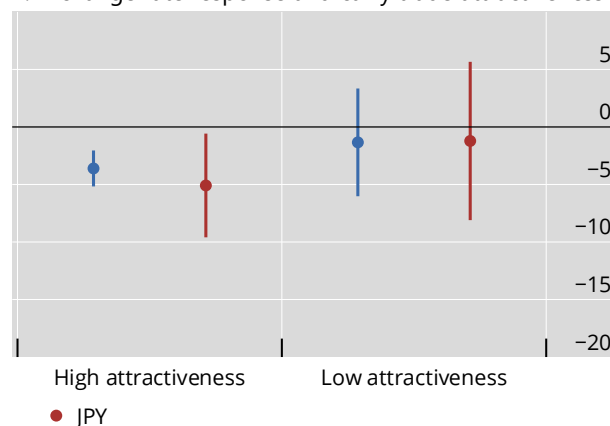
In per cent

Graph A.1

A. Exchange rate response and speculative positioning<sup>2</sup>



B. Exchange rate response and carry trade attractiveness<sup>3</sup>



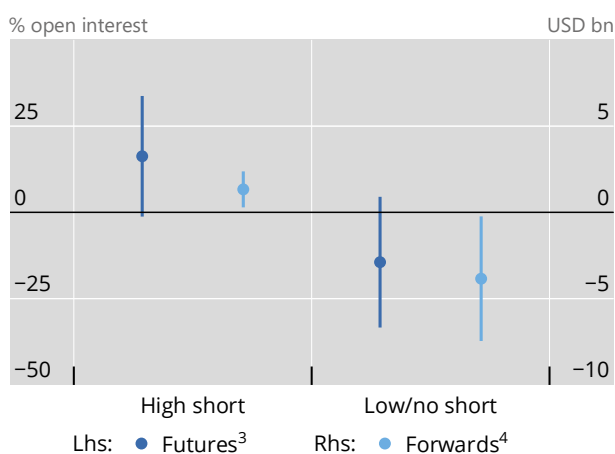
<sup>1</sup> Effect of a 25 basis point monetary policy shock on CHF/USD and JPY/USD. <sup>2</sup> Short futures positions are defined as high when net non-commercial shorts exceed the sample median. <sup>3</sup> Carry-to-risk ratio is defined as high when above the sample median.

Sources: Bloomberg; Commodities and Futures Trading Commission (CFTC); authors' calculations.

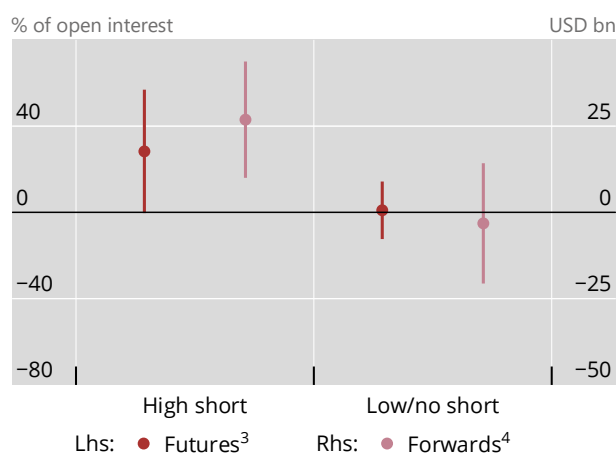
### Carry trades unwind following monetary policy shocks<sup>1,2</sup>

Graph A.2

A. Unwinding of short positions when speculators were net short on the Swiss franc...



B. ...and on the Japanese yen



<sup>1</sup> Effect of a 25 basis point monetary policy shock. <sup>2</sup> Short futures positions are defined as high when net non-commercial shorts exceed the sample median. <sup>3</sup> Direction of change in net positions of non-commercial traders in currency futures on the Chicago Mercantile Exchange (CEM). <sup>4</sup> Direction of change in volumes of CHF or JPY shorting (forward selling) via USD/CHF and USD/JPY currency forwards.

Sources: Commodities and Futures Trading Commission (CFTC); Continuous Linked Settlement (CLS) Group; authors' calculations

