

**The impact of central bank FX interventions on currency components****Michel BEINE, Charles S. BOSZ and Sebastien LAURENT****mbeine@ulb.ac.be****Abstract**

This paper assesses the impact of official FOREX interventions of the three major central banks in terms of the dynamics of the currency components of the major exchange rates over the period 1989-2003. We identify currency components of the mean and the volatility processes of exchange rates using the recent Bayesian framework developed by Bos and Shephard (2004). Our results show that in general, the concerted interventions tend to affect the dynamics of both currency components of the exchange rate, while unilateral interventions primarily affect the currency of the central bank present in the market.

Keywords: Central bank interventions, currency components, foreign exchange, Markov chain Monte Carlo, stochastic volatility, structural time series models.

JEL codes: C15, C32, F31, G15

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