

The Effectiveness of Central Bank Intervention on Exchange Rates: Evidence from Turkey

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The paper investigates the effects of central bank intervention on the conditional variance and mean of the exchange rate returns in Turkey for floating exchange rate regime. For the purpose, daily exchange rates are studied within an EGARCH framework. Little evidence is found for the effectiveness of intervention operations. Empirical results suggest that the reported non-sterilized central bank operations exert no signaling effect on the volatility of the exchange rates in contrast to the Central Bank's announcements but selling auctions reduce volatility. However, a reverse causality relationship is also detected between volatility and pre-announced selling and buying auctions.

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