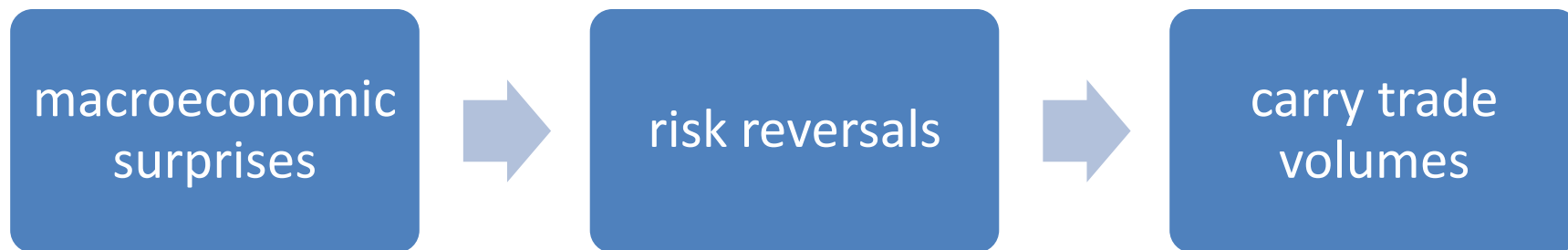


Impact of Macroeconomic Surprises on Carry Trade Activity

By Michael Hutchison and Vlad Sushko

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Japan – U.S.
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My assessment

- Very interesting and well written work
 - It's my dissertation advisor....
- I learned a lot
 - “I don't know anything about this topic”
- Maybe two papers?
 - But too late...

Findings on First Link

- Risk reversals are always negative
- Some macro surprises are important!
 - How correlated are these?
 - Are they normalized?
 - How many are ‘large’?
 - Why some macro-news are important?
 - Magnitude of these impacts?

Findings on Second Link

- Causality tests between the risk reversals and a proxy for carry-trade volumes
- Show that risk reversals Granger-cause changes in the proxy that corresponds with the theory (i.e., more risk of Yen appreciation leads to unwinding of carry trades).

More comments

- The time period and explanatory power of findings (p. 15)
- Same for section 4 for the 'back of the envelope' calculations
- Too much financial jargon: volatility smile and smirk