

## *Readings for EXCHANGE RATE ECONOMICS lectures*

Useful texts that provide background reading for those interested in a more detailed coverage than possible in the lectures include:

Richard Lyons, *The Microstructure Approach to Exchange Rates*, MIT Press, 2001.

Michael Melvin, *International Money & Finance*, 7<sup>th</sup> ed., Addison Wesley, 2004.

Lucio Sarno and Mark Taylor, *The Economics of Exchange Rates*, Cambridge University Press, 2002.

Suggested optional reading from the three texts is indicated below.

### I. INTRODUCTION TO THE FX MARKET

Cheung & Chinn, "Currency Traders & Exchange Rate Dynamics," *Journal of International Money & Finance*, 2001 or <http://econ.ucsc.edu/>

Rime, "New Electronic Trading Systems in Foreign Exchange Markets" in *New Economy Handbook*, D.C. Jones, ed., Academic Press, 2003 (no pdf file available).

Melvin and Wen, "The Choice of Direct Dealing or Electronic Brokerage in Foreign Exchange Trading" Working Paper, Arizona State U.\*

Lyons, Chapter 3

Melvin, Chapters 5 & 8

Sarno and Taylor, Chapter 3

### II. THE MICRO APPROACH TO EXCHANGE RATES

Lyons, Chapters 1 & 4

Melvin, Chapter 10

Sarno and Taylor, Chapter 9

Michael Melvin and Xixi Yen, "Public Information Arrival, Exchange Rate Volatility, and Quote Frequency" *Economic Journal*, July 2000.\*

### III. ASYMMETRIC INFORMATION AND ORDER FLOW

Lyons, Chapter 9

Martin Evans and Richard Lyons, "Order Flow and Exchange Rate Dynamics" *Journal of Political Economy*, Feb. 2002.

Vicentiu Covrig and Michael Melvin, "Asymmetric Information and Price Discovery in the FX Market: Does Tokyo Know More About the Yen?" *Journal of Empirical Finance*, August 2002.\*

J. Cai, Y.L. Cheung, R. Lee, and M. Melvin "Once in a Generation" Yen Volatility in 1998: Fundamentals, Intervention, and Order Flow" *Journal of International Money & Finance*, June 2001.\*

Carol Osler "Stop-Loss Orders and Price Cascades in Currency Markets" Working Paper, Brandeis U.

Articles marked with \* are available on the website:

<http://www.public.asu.edu/~mmelvin/>