FED		COMMERCIAL BANKS		PUBLIC		BANK OF JAPAN	
A	L	A	L	A	L	A	L
+10 ¥	+10 RES.	+10 RES.	+10 DEP	+10 DEP −10 ¥			
−10 U.S. SEC.	−10 RES	−10 RES.	−10 DEP.	−10 DEP +10 U.S. SEC.			
				+10 ¥ −10 JA SEC.		+10 JA SEC. −10 ¥	

- Government intervention in foreign exchange markets

- Forward markets

  F = 3 month forward rate $[Ee_{+1}]$

$$(1+r)F = (1+r^*)e$$

$r^* = .10$
$r = .05$ $\Rightarrow F = 1.048$
$e = 1.0$

$ expected to appreciate

? $F \approx e_{+1}$

- Fixed exchange rates & crises

- COG ↑