

Universität Zürich

Institute of Banking and Finance
Chair of Prof. Marc Chesney

Bachelor's Thesis

The Impact of Scheduled and Unscheduled Announcements on Foreign Exchange Options

An Empirical Study

Erstellt von:

Raphael Schmid

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Supervisor:	Vincent Wolff
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Abstract

This thesis observes the impact of scheduled and unscheduled central bank announcements on foreign exchange options, with the premise to extend the literature on announcement effects. While the given research regarding exchange rates is very broad, foreign exchange derivatives are not yet covered in the same manner. The GARCH model applied allows to analyze the impact of news releases on options on nine different currency pairs during an eight-year period, with the selected announcements being courtesy of the Swiss National Bank, the Federal Reserve and the European Central Bank. The findings are consistent with the existing literature; they display strong announcement effects as well as the exceeding of the effects of unscheduled events in comparison to scheduled events. Additionally, the applied methodology finds evidence that central bank announcements can lead to volatility jumps, highlighting the entire foreign exchange market's dependency on central banks and its actions.