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**NEWS ANNOUNCEMENTS, MARKET ACTIVITY AND
VOLATILITY IN THE EURO/DOLLAR FOREIGN
EXCHANGE MARKET**

Luc BAUWENS¹, Walid BEN OMRANE² and Pierre GIOT³

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Abstract

This paper deals with the impact of nine categories of scheduled and unscheduled news announcements on the Euro/Dollar return volatility. We highlight and analyze the pre-announcement, contemporaneous and post-announcement reactions. Using high-frequency intraday data and within the framework of ARCH-type and realized volatility models, we show that volatility increases in the pre-announcement periods, particularly before scheduled events. Market activity also significantly impacts return volatility as expected by the theoretical literature on order flow.

Keywords: foreign exchange market, volatility, news announcements, high frequency data

JEL Classification: C13, C22, F31, G14.

¹CORE, Université catholique de Louvain, Belgium. E-mail: bauwens@core.ucl.ac.be

²IAG, Finance Unit, Université catholique de Louvain, Belgium. E-mail: benomrane@fin.ucl.ac.be

³Department of Business Administration & CEREFIM at University of Namur, and CORE, Université catholique de Louvain, Belgium. E-mail: pierre.giot@fundp.ac.be

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