

APPENDIX to
The Time-Varying Systematic Risk of
Carry Trade Strategies*

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1 Additional Tables and Figures

In this appendix we show some further tables and figures from the paper "The Time-Varying Systematic Risk of Carry Trade Strategies by Christiansen, Rinaldo, and Söderlind.

1.1 Figure: Carry Trade Strategy Weights

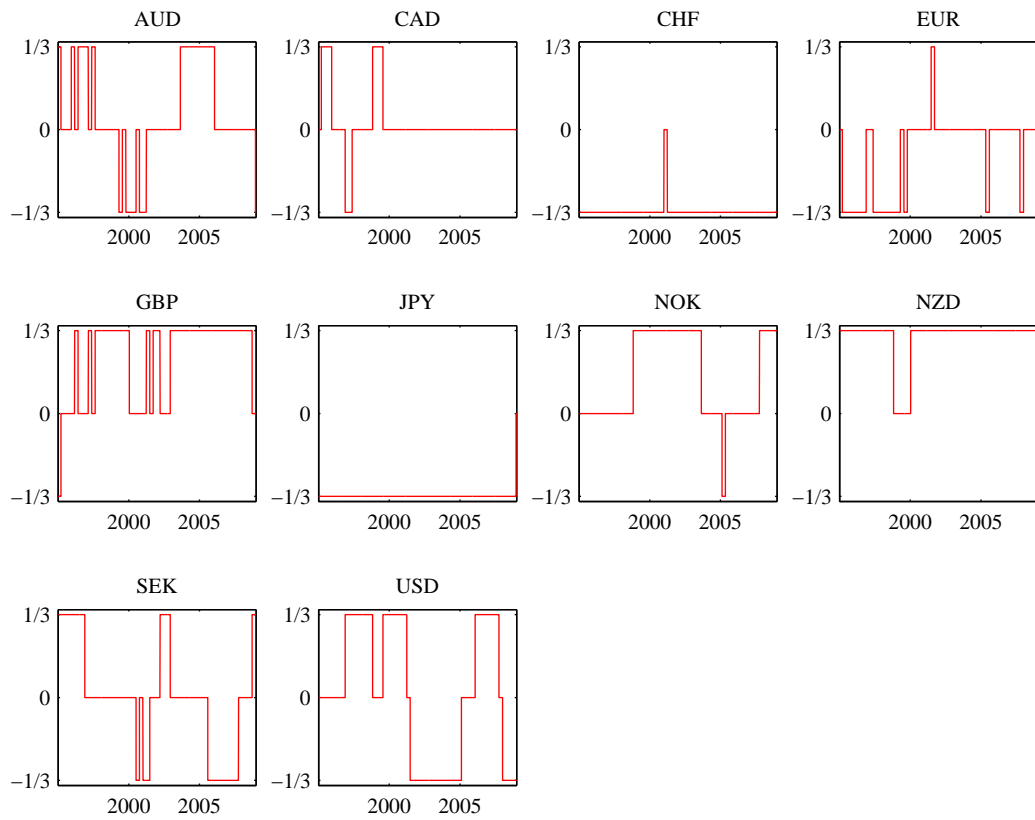


Figure 1: Carry Trade Strategy Weights

1.2 Table: Descriptive Statistics

	mean	mean/year	std	skewness	exkurtosis	min	max	nObs
AUD	-0.01	-1.33	0.78	-1.28	19.47	-9.22	6.50	3652.00
CAD	0.00	0.52	0.49	0.07	10.67	-4.43	4.93	3652.00
CHF	-0.01	-1.71	0.67	0.27	3.06	-4.55	5.30	3652.00
EUR	-0.00	-0.56	0.61	0.12	2.46	-3.91	3.96	3652.00
GBP	0.00	0.22	0.53	-0.13	4.23	-3.79	4.39	3652.00
JPY	-0.01	-3.72	0.70	0.61	5.05	-3.65	6.35	3652.00
NOK	0.00	0.21	0.67	-0.13	5.63	-4.90	5.34	3652.00
NZD	0.01	1.38	0.77	-0.61	7.37	-6.85	5.69	3652.00
SEK	-0.00	-0.99	0.65	0.23	4.37	-3.50	5.40	3652.00
CT	0.02	4.64	0.52	-0.90	11.12	-5.35	4.29	3652.00
SP	0.03	6.64	1.27	0.20	12.32	-9.88	14.11	3652.00
TN	0.01	2.57	0.39	-0.47	3.28	-2.82	1.76	3652.00
FXV	0.00	0.00	1.00	2.87	14.85	-1.80	8.16	3566.00

Table 1: **Descriptive Statistics, 1995–2008.** This table shows descriptive statistics for the excess returns on 9 individual currencies (relative to the USD), the carry trade strategy (CT), the SP500 (SP), the 10-year Treasury bonds (TN), as well as for the FX volatility (FXV). All returns are in percentages.

1.3 Table: Longer Sample Period

CT on 7 currencies 1976–2008	
γ	[2.50]
c	1.84**
Low regime	
SP	0.02**
SP _{<i>t</i>-1}	0.02**
TN	0.02**
TN _{<i>t</i>-1}	0.02**
z_{t-1}	0.08**
α	0.00**
High regime	
SP	0.18**
SP _{<i>t</i>-1}	0.21**
TN	0.02
TN _{<i>t</i>-1}	-0.02
z_{t-1}	-0.12*
α	-0.00**
R^2	0.06
nObs	8348.00
High–Low regime	
SP	0.16**
SP _{<i>t</i>-1}	0.18**
TN	-0.00
TN _{<i>t</i>-1}	-0.05
z_{t-1}	-0.20**
α	-0.00**

Table 2: **Parameter Estimates from the Smooth Transition Regression, Using FXV_{t-1} as Regime Variable, 1976–2008.** The table shows the parameter estimates arising from estimating the logistic smooth transition regression model on carry trade excess returns. Based upon Newey and West (1987) standard errors, */** indicate that the parameter is significantly different from zero at 10%/5% level of significance. The FX volatility is a 15-day moving average of the first principal component of the absolute value of the FX daily returns.

1.4 Table: Effects of Order Flow upon JPY/USD

	Standard specification	With Order flow
γ	[2.5]	[2.5]
c	1.01**	0.91**
Low regime		
SP	-0.03**	-0.02
SP _{<i>t</i>-1}	0.01	0.01
TN	0.11**	0.08**
TN _{<i>t</i>-1}	0.21**	0.20**
Order flow		0.06**
z_{t-1}	-0.01	-0.00
α	-0.00**	0.00**
High regime		
SP	-0.13**	-0.11**
SP _{<i>t</i>-1}	-0.11**	-0.10**
TN	0.25	0.15
TN _{<i>t</i>-1}	0.11	0.11
Order flow		0.07
z_{t-1}	0.03	0.02
α	0.00	-0.00*
R^2	0.06	0.09
nObs	3130.00	3130.00
High-Low regime		
SP	-0.11**	-0.09**
SP _{<i>t</i>-1}	-0.11**	-0.11**
TN	0.14	0.06
TN _{<i>t</i>-1}	-0.10	-0.09
Order flow		0.01
z_{t-1}	0.04	0.02
α	0.00	-0.00

Table 3: **Parameter Estimates from the smooth Transition Regression, JPY/USD Exchange Rate, 1997–2008, Using FXV_{t-1} as Regime Variable.** The table shows the parameter estimates arising from estimating the logistic smooth transition regression model. Based upon Newey and West (1987) standard errors, */** indicate that the parameter is significantly different from zero at 10%/5% level of significance.