October–December 2015

This report, presented by Simon Potter, Executive Vice President, Federal Reserve Bank of New York, and Manager of the System Open Market Account, describes the foreign exchange operations of the U.S. Department of the Treasury and the Federal Reserve System for the period from October through December 2015. Doug Scrivani was primarily responsible for preparation of the report.
• The U.S. dollar continued to appreciate.
Broad Trade-Weighted U.S. Dollar Index

Sources: Board of Governors of the Federal Reserve System; Bloomberg L.P.
• The U.S. dollar continued to appreciate.
• The dollar was supported by a number of factors including:
  • Increased market expectations for the Federal Open Market.
  • FOMC Committee to raise the target range for the federal funds rate by the end of the year and further in 2016.
  • Continued declines in oil prices, and accommodative monetary policy actions by some foreign central banks.
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• The U.S. dollar also appreciated against the Chinese renminbi amid numerous policy actions by Chinese authorities.

• Notably, increased expectations for the European Central Bank (ECB) to announce additional easing measures.
Euro-U.S. Dollar Exchange

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• The U.S. dollar also appreciated against the Chinese renminbi amid numerous policy actions by Chinese authorities.
• Notably, increased expectations for the European Central Bank (ECB) to announce additional easing measures.
• In contrast to the broad appreciation of the dollar against other currencies, the U.S. dollar was little changed against the yen.
During the fourth quarter of 2015, the U.S. dollar continued to appreciate against most developed and emerging market currencies.

In the few days after the decision by the FOMC, the U.S. dollar appreciated against most developed market currencies but was little changed against emerging market currencies, suggesting that the latter had become less sensitive to the timing of liftoff compared with prior periods.

In reaction to the decision by the FOMC, emerging market countries that peg their currencies to the U.S. dollar, such as Hong Kong, Saudi Arabia, and Kuwait, also raised their policy rates following the decision.
Foreign Exchange Price Movements During Fourth Quarter and Around the December FOMC Meeting

Sources: Board of Governors of the Federal Reserve System; Bloomberg L.P.
Notes: The five emerging and developed market currencies shown in the chart were selected based on their trade weights in the broad trade-weighted dollar index. The change following the Federal Open Market Committee (FOMC) meeting reflects price action from December 15, 2015, to December 17, 2015.
During the quarter, there were a number of international developments that supported the U.S. dollar against developed and some emerging market currencies.

In particular, the decline in oil prices contributed to sharp appreciation of the dollar against the currencies of major oil exporters.

The U.S. dollar appreciated against the Russian ruble and Colombian peso by 11.0 and 2.8 percent, respectively, while in developed markets the U.S. dollar appreciated against the Canadian dollar by 4.0 percent and the Norwegian krone by 3.9 percent.

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5-Year EUR Inflation Swap
5 Years Forward

Source: Bloomberg L.P.
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U.S. Dollar–Chinese Renminbi Exchange Rate and Renminbi Trade-weighted Exchange Rate

Sources: Bloomberg L.P.; Bank for International Settlements.
The U.S. monetary authorities did not undertake any intervention operations during the quarter.

- Foreign Exchange Reserve Holdings
- Liquidity Swap Arrangements with Foreign Central Banks
Table 1
Foreign Currency Holdings of U.S. Monetary Authorities Based on Current Exchange Rates
Millions of U.S. Dollars

<table>
<thead>
<tr>
<th>Carrying Value</th>
<th>Net Purchases and Sales</th>
<th>Investment Earnings</th>
<th>Realized Gains/Losses on Sales</th>
<th>Unrealized Gains/Losses on Foreign Currency Revaluation</th>
<th>Changes in Balances by Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 30, 2015</td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Federal Reserve System Open Market Account (SOMA)</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Euro</td>
<td>12,194</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>-331</td>
</tr>
<tr>
<td>Japanese yen</td>
<td>7,793</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>-30</td>
</tr>
<tr>
<td>Total</td>
<td>19,986</td>
<td>0</td>
<td>5</td>
<td>0</td>
<td>-361</td>
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<tr>
<td>U.S. Treasury Exchange Stabilization Fund (ESF)</td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>Euro</td>
<td>12,175</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>-330</td>
</tr>
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<td>Japanese yen</td>
<td>7,793</td>
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<td>-360</td>
</tr>
</tbody>
</table>

Note: Figures may not sum to totals because of rounding.

- Carrying value of the reserve asset position includes interest accrued on foreign currency, which is based on the “day of” accrual method.
- Net purchases and sales include foreign currency purchases related to official activity, repayments, and warehousing.
- Investment earnings include accrued interest and amortization on outright holdings.
- Gains and losses on sales are calculated using average cost.
- Reserve asset balances are revalued daily at the noon buying rates.