

## YEN AND EXCHANGE RATE OF JAPAN

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### ABSTRACT

Volatility clustering exchange rate of Japan is market driven based on managed float. Overall net short and long position of foreign exchange of banks complying Basel accord along with Japan Banks (BBs) seasonal and occasional intervention provides momentum in this sector. Central bank economic fundamentals are described scrupulously for better monitoring of exchange rate and stable economic outcome. Real Effective Exchange Rate (YEN) based exchange rate decides appreciation and depreciation probability taking into account purchasing power parity. In YEN calculation I have solved log linear function to get appropriate index. This will help to evaluate the exchange rate appreciation and depreciation in managed float environment. This paper concentrates economic analysis to address stochastic and deterministic exchange rate and rational expectation in arriving SWAP and forward contracts rates.

**KEY WORDS:** Central bank and policies and Exchange rate.

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**Conflict of Interest Reported: Nil; Source of Funding: None Reported.**