
[Download](#)

[Other Working Papers](#)

Keep in mind

The series Working Papers on Economics is published by the Office for Economic Studies at the *Banco de la República* (Central Bank of *Colombia*). It contributes to the dissemination and promotion of the work by researchers from the institution. This series is indexed at Research Papers in Economics (RePEc).

On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.

AUTHOR OR EDITOR

[Valeria Bejarano-Salcedo](#) [William Iván Moreno-Jimenez](#) [Juan Manuel Julio-Román](#)

The series Borradores de Economía (Working Papers on Economics) contributes to the dissemination and promotion of the work by researchers from the institution. On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. This series is indexed at Research Papers in Economics (RePEc)

Publication Date:
Monday, 9 of November 2020

The opinions contained in this document are the sole responsibility of the author and do not commit Banco de la República or its Board of Directors.

Abstract

In this paper we explain the most important challenges empirical research on sterilized intervention effect and effectiveness faces, specially when analyzing interventions with implicit rather than explicit exchange rate level targets. These challenges are surpassed, at least for the most part, through the use of foreign exchange market microstructure based models on high frequency sample information. Employing one of such models, we study the effect of sterilised interventions through auctions of call/put options, mainly direct purchase auctions, performed by Banco de la República during the last decades. To reach this objective, we built a detailed intra-day database on the market, macroeconomic surprises and intervention. We found that these interventions have a small and short lasting effect on the COP/USD exchange rate. Our results suggest, however, that the signal was credible and non ambiguous in an efficient market. These results are stronger for the 2007-2011 sub-sample than the 2011-2019 one.