JOURNAL ARTICLE

Do Peso Problems Explain the Returns to the Carry Trade? ≒ Get access >

Craig Burnside, Martin Eichenbaum, Isaac Kleshchelski, Sergio Rebelo

The Review of Financial Studies, Volume 24, Issue 3, March 2011, Pages 853–891, https://doi.org/10.1093/rfs/hhq138

Published: 22 December 2010

Abstract

We study the properties of the carry trade, a currency speculation strategy in which an investor borrows low-interest-rate currencies and lends high-interest-rate currencies. This strategy generates payoffs that are on average large and uncorrelated with traditional risk factors. We argue that these payoffs reflect a peso problem. The underlying peso event features high values of the stochastic discount factor rather than very large negative payoffs.

© The Author 2010. Published by Oxford University Press on behalf of The Society for Financial Studies. All rights reserved. For Permissions, please e-mail: journals.permissions@oxfordjournals.org

Issue Section: Articles

Collection: SFS Journals

You do not currently have access to this article.

Sign in



Get help with access

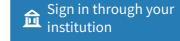
Personal account

- Sign in with email/username & password
- Get email alerts
- Save searches
- Purchase content

Institutional access



Sign in through your institution



• Activate your purchase/trial code

• Add your ORCID iD



Register

Sign in with a library card

Sign in with username/password

Recommend to your librarian

Institutional account management

Sign in as administrator

Purchase

Subscription prices and ordering for this journal

Purchasing options for books and journals across Oxford Academic

Short-term Access

To purchase short-term access, please sign in to your personal account above.

Don't already have a personal account? Register

Do Peso Problems Explain the Returns to the Carry Trade? - 24 Hours access

EUR €53.00

GBP £44.00

USD \$58.00

Rental



This article is also available for rental through DeepDyve.