



American Economic Review

ISSN 0002-8282 (Print) | ISSN 1944-7981 (Online)

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The Term Structure of Currency Carry Trade Risk Premia

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AMERICAN ECONOMIC REVIEW

VOL. 109, NO. 12, DECEMBER 2019

(pp. 4142–77)

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Article Information

Abstract

Fixing the investment horizon, the returns to currency carry trades decrease as the maturity of the foreign bonds increases. Across developed countries, the local currency term premia, which increase with the maturity of the bonds, offset the currency risk premia. Similarly, in the time-series, the predictability of foreign bond

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Citation

Lustig, Hanno, Andreas Stathopoulos, and Adrien Verdelhan. 2019. "The Term Structure of Currency Carry Trade Risk Premia." *American Economic Review*, 109 (12): 4142–77.

DOI: 10.1257/aer.20180098

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JEL Classification

E43 Interest Rates: Determination, Term Structure, and Effects

G12 Equities; Fixed Income Securities

G15 International Financial Markets

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