

# The Foreign Exchange Carry Trade for Canadian Investors

Tian Feng

## **ABSTRACT**

In this paper we take the perspective of a Canadian investor, examining the Fama regression on nine exchange rates chosen to set up our carry trade portfolios. We find that the UIP condition does not hold in our sample. We then evaluate the profitability of the high-minus-low strategy and the currency-specific strategy using monthly data and quarterly data. The conclusion shows that regardless of the presence of transaction costs, the high-minus-low strategy always outperforms the currency-specific strategy for both monthly data and quarterly data. Furthermore, both the high-minus-low strategy and the currency-specific strategy generally perform better using monthly data than when using quarterly data.