Early Warning Indicators for Latin America

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AUTHOR OR EDITOR Fernando Tenjo Martha López Publication Date: Wednesday, 9 of June 2010
We explore the performance of a set of early warning indicators for a group of Latin American economies under the endogenous cycle perspective. For this group of countries, the paper confirms the results of work on industrialized countries that a combination of asset prices and credit provides valuable information of probable future financial crises. However, we go a step further in the analysis of emerging economies and find that a combination of capital flows from abroad and credit is an even superior leading indicator of such events.

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