Exchange Rates Contagion in Latin America

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A regular vine copula approach is implemented for testing for contagion among the exchange rates of the six largest Latin American countries. Using daily data from June 2005 through April 2012, we find evidence of contagion among the Brazilian, Chilean, Colombian and Mexican exchange rates. However, there are interesting differences in contagion during periods of large exchange rate depreciation and appreciation. Our results have important implications for the response of Latin American countries to currency crises originated abroad.

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