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On the Stylized Facts of Nominal Exchange Rates in Brazil, Chile, Colombia, Mexico and Peru

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Together with a set of not commonly reported ones, the most widely known stylized facts of high frequency Nominal Exchange Rates in Brazil, Chile, Colombia, Mexico, and Peru with respect to the US Dollar are studied and interpreted to the light of recent literature in this paper. Among many other results, findings include (i) the tails of ordinary and absolute returns distributions follow inverse power laws, a family of widely occurring empirical regularities which seem to arise from Central Limit Theorem assumption violations and which may be interpreted through the “universality principle”; (ii) the smooth sinusoidal long-run trend and short-term noise dynamics of our nominal exchange rates are dominated by a ragged short to long-term non-symmetric cyclic component in Chile, Colombia and Brazil, while the opposite happens in the remaining two countries; and (iii) time domain component correlation between countries suggest the existence of common factors explaining these rates that may be related to carry trade and time-varying risk related to the appetite for risk of international investors.

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