

[Download](#)  
[Other Working Papers](#)

Keep in mind

La serie Borradores de Economía es una publicación de la Subgerencia de Estudios Económicos del Banco de la República. Los trabajos son de carácter provisional, las opiniones y posibles errores son responsabilidad exclusiva del autor y sus contenidos no comprometen al Banco de la República ni a su Junta Directiva.

Autor o Editor

Bernardo Morais

Gaizka Ormazabal

José-Luis Peydró

Mónica Roa

Miguel Sarmiento

The series Borradores de Economía (Working Papers on Economics) contributes to the dissemination and promotion of the work by researchers from the institution. On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. This series is indexed at Research Papers in Economics (RePEc)

Fecha de publicación

Wednesday the 5th of May, 2021

The opinions contained in this document are the sole responsibility of the author and do not commit Banco de la República or its Board of Directors.

## Abstract

We propose a simple theoretical and empirical approach to differentiate between common and idiosyncratic exchange rate movements in 5 Latin-American economies: Brazil, Chile, Colombia, Mexico, and Peru. Our approach allows us to distinguish the effects on exchange rates of a regional exchange rate common factor and macroeconomic fundamentals differentials. The methodology and estimation strategy are suitable for both low and high frequency settings. We provide evidence that the regional common factor has a significant effect on the dynamics of the Latin-American exchange rates. In our estimations the relation between exchange rates and the common factor is contemporaneous and stable during the studied period.