
[Download](#)

Keep in mind

The series Working Papers on Economics is published by the Office for Economic Studies at the *Banco de la República* (Central Bank of *Colombia*). It contributes to the dissemination and promotion of the work by researchers from the institution. This series is indexed at Research Papers in Economics (RePEc).

On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.

AUTHORS AND/OR EDITORS

[Melo-Velandia, Luis Fernando](#) [Romero-Chamorro, José Vicente](#) [Niño-Garavito, Diego](#)

Global financial conditions affect the structure of correlations between currencies in a heterogeneous manner, which must be considered in the analysis of risks and in the strategies for currency diversification in international contexts.

Publication Date:
Tuesday, 8 of July 2025

Abstract

The Global Financial Cycle (GFC), defined as the fluctuations in international capital flows, asset prices, and risk appetite, has garnered significant attention from the recent international finance literature, market practitioners, and policymakers. This study employs a Dynamic Conditional Correlation (DCC) Copula model to examine the interaction between exchange rates for a group of seven developed economies and seventeen emerging market economies. Using these results and employing quantile panel data methods, we assess how the time-varying correlations of exchange rates behave in relation to variables associated with the GFC, specifically the VIX. The findings contribute to understanding the interconnectedness between time-varying international financial conditions and currency markets over time and during stress episodes, offering relevant implications for policymakers and market participants.