

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.

AUTHOR OR EDITOR

[Luis Fernando Melo](#) [Hernán Rincón](#)

Publication Date:

Tuesday, 20 de June de 2017

The international financial crisis of 2007-2009 strongly affected asset prices, risk and growth in the advanced economies, leading to large capital movements between these economies and the emerging countries. The capital movements were reflected in sharp fluctuations in the emerging countries' asset

---

prices and presented management challenges to their authorities. The purpose of this paper is to analyze and quantify the effects of external shocks and “news” on interest rates, exchange rates and stock prices in the larger economies of Latin America before and after the announcement of Lehman’s collapse. To that end, use is made of daily information over the period 2006-2011 from Argentina, Brazil, Chile, Colombia and Mexico to carry out multiplier analyses. The findings show that the multipliers are statistically significant and relatively small, generally present the expected signs, are heterogeneous in size, sign and variance across the countries, have short duration, and, in many cases, respond asymmetrically before and after Lehman’s collapse. They also indicate little coupling between external and domestic asset prices, except in the case of stock prices, which turn out to be fully and unambiguously, coupled regardless of the country being analyzed or the status of the crisis. Lastly, there are indications that the behavior of international capital markets underwent a structural change during the crisis.