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# EXCHANGE RATES AND MACRO NEWS IN EMERGING MARKETS

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## Abstract

This paper uses a VAR-GARCH(1,1) model to analyse mean and volatility spillovers between macro news (in the form of newspaper headlines) and the exchange rates vis-à-vis both the US dollar and the euro of the currencies of a group of emerging countries including the Czech Republic, Hungary, Indonesia, Korea, Mexico, Poland, South Africa, Thailand and Turkey over the period 02/1/2003-23/9/2014. The results suggest limited dynamic linkages between the first moments compared to the second moments, causality-in-variance being found in a number of cases; further, the recent global financial crisis appears to have had a significant impact. The conditional correlations also provide evidence of co-movement. Finally, as expected the impact of news is more muted in the case of managed currencies, significant spillovers only being found in the case of foreign news in the crisis period.

*Keywords:* Emerging markets, Exchange Rates, GARCH model, Macro news.

*JEL Classification:* C32, F36, G15.

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