

Commodities, Country Risk and Exchange Rates: Case Brazil

Ariel Levi (UFF)

Abstract:

Relationship between economic and/or financial indicators and exchange rates still an intriguing research area. In particular, some studies have pointed to the relationship between exchange rates and commodity price movements, but also seek to relate the movements of the exchange rate to macroeconomic fundamentals. This study verifies the influence of movements in commodity prices and the indicator of country risk on the behavior of the exchange rate in Brazil. Thus, through econometric analysis, using ordinary least squares (OLS), generalized method of moments (GMM) and vector autoregressive (VAR), the paper seeks to explain the process of currency appreciation in the Brazilian economy as a result of the increase in commodity prices and of the decrease in the country risk (EMBI) in recent years.