INDICE

Acknowledgments	Vii
Summary	ix
I. Evidence of Financial Contagion and Performance of Capital Flows	1
across the Region	
Co-movement of Spreads in LAC	1
Country Evidence of Financial Contagion	2
Bilateral Correlations of Changes in Spreads	4
Bilateral Correlations of Spreads in Brazil and Argentina \ith Changes in	4
Nominal Exchange Rates	
Correlations between LAC and U.S. Spreads, Term Structure, and Stock	5
Prices	
The Effect of Increased Market Volatility on Correlation of Spreads	7
Capital Market Flows	8
FDI Flows: Keeping Moderately High	9
Growth Prospects	11
2. Additional Issues by Countries	13
Brazil	13
Uruguay	14
Paraguay	17
Bolivia	19
Chile	21
Perú	22
Ecuador	22
Colombia.	23
Venezuela	24
Mexico	26
Central America	28
Jamaica	29
Dominican Republic	31
Appendix	35
Figures	
Figure 1: Co-movement in LAC	2
Figure 2: Co-movement in LAC: Argentina, Brazil and Mexico	3
Figure 3: Co-movement in LAC: Chile, Colombia, Uruguay and Venezuela.	3
Figure 4: Co-movement in LAC: Peru, Panama and Ecuador.	4
Figure 5: LAC EMBIS and Nominal Exchange Rates	4
Figure 6: Co-movement between Junk Bond Spread and LAC Spreads	5
Figure 7: Co-movement between US Term Structure and LAC Spreads	6
Figure 8: Co-movement between S&P 500 and LAC Spreads	6
Figure 9: GARCH (1,1) Volatility Estimates for EMBI, Brazil	7
Figure 10: Latin America: Capital Flight (in percent of GDP)	9
Figure 11: Inflows of FDI (US\$ millions)	10
Figure12: Annual accumulation of FDI Inflows by Quarters (in US\$ millions)	10

Figure 13: Uruguay-Argentina Trade	16
Figure 14: Uruguay: Deposits, Exchange Rate and Sovereign Bond	17
Spreads	
Figure 15; Paraguay-Argentina Output Correlation	18
Figure 16: Paraguay's Bilateral Trade with Argentina	18
Figure 17: Paraguay's Real Exchange Rate.	19
Figure 18: Paraguay's Nominal Exchange Rate	20
Figure 19; Bolivia's exports to Argentina (in US\$ mil. and share of exports)	20
Figure 20: Argentina and Venezuela: Equity	25
Figure 21: Argentina and Venezuela: Net FDI.	26
Figure AI: Bivariate Correlations: Argentina EMBI Spread with Brazil and	35
Mexico EMBI Spreads and Brazil with Mexico EMBI Spreads.	
Figure A2: Bivariate Correlations: Argentina EMBI Spread with Peru and	36
Venezuela EMBI Spreads, and Argentina with Colombia LEI Spread.	
Figure A3: Bivariate Correlations: Argentina EMBI Spread with Panama	37
and Ecuador EMBI Spread, and with Chile EMBI Global Spread,	
Figure A4: Bivariate Correlations: Argentina EMBI Spread with Brazil, Chile	38
and Mexico Nominal Exchange Rates Correlations	
Figure A5: Bivariate Correlations: Argentina EMBI Spread with Colombia,	39
Peru and Venezuela Nominal Exchange Rates Correlations	
Figure A6: Bivariate Correlations: Argentina EMBI Spread and Uruguay	40
Nominal Exchange Rate Correlation	
Figure A7: Bivariate Correlations: Brazil EMBI Spread with Peru and	41
Venezuela EMBI Spreads, and Brazil EMBI Spread with Colombia LEI	
Spread	
Figure A8: Bivariate Correlations: Brazil EMBI Spread with Panama and	42
Ecuador EMBI Spreads, and Brazil EMBI Spread with Chile EMBI Global	
Spread	- 10
Figure A9: Bivariate Correlations: Brazil EMBI Spread with Argentina, Chile	43
and Mexico Nominal Exchange Rates Correlations.	
Figure AIO: Bivariate Correlations: Brazil EMBI Spread with Colombia and	44
Venezuela Nominal Exchange Rates Correlations	4 5
Figure All: Bivariate Correlations: Brazil EMBI Spread and Uruguay	45
Nominal Exchange Rate Correlation	40
Figure A12: EMBI and Eurobond Spreads	46
Figure A13: Stock Market Price Indices	49
Figure A14: Nominal Exchange Rats in Latin America	50
Figure A15: Spearman Rank versus Pearson's Correlation	51
TABLES	8
Table 1: Gross Capital Market Flows to Emerging Markets (in US\$ billions)	0
Table 2: Gross Flows to L1tin America (in US\$ billions)	8
Table 3: Net Capital Flows to Developing Countries (January-April, US\$	Э
billions, BoP based)	11
Table 4: L1tin America GDP Grow Forecasts for Years 2002 and 2003	11 15
Table 5: Trade, Real Exchange Rate, and FDI (in US\$ millions)	10

Table 6: External Financing Requirement for Jamaica with FDI Shocks	30
Table 7: External Financing Requirement for DR with Tourism FDI Shocks	32