Banking limits on foreign holdings : disentangling the portfolio balance channel

Borradores de Economia
Número:
934
Publicado:
Martes, 1 Marzo 2016
Clasificación JEL:
C14, C21, C31, E58, F31
Palabras clave:
Sterilized Foreign Exchange Intervention, Portfolio Balance Channel, Uncovered Interest Rate Parity, Financial Constraints
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In this paper we analyze the effects of nancial constraints on the exchange rate through the portfolio balance channel. Our contribution is twofold: First, we construct a tractable two-period general equilibrium model in which financial constraints inhi