



The role of the real sector in the derivatives market and the exchange rate in Colombia

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AUTHOR OR EDITOR Pamela Cardozo, Fredy Gamboa-Estrada, Jesahel Higuera-Barajas

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Although transactions of foreign exchange market intermediaries with the real sector in the peso-dollar market are low in comparison to the ones with offshore agents, it is important to understand the behavior of the real sector and its impact on the exchange market. This paper assesses whether the real sector has an impact on the spot exchange rate by analyzing the daily evolution of its net position in the peso-dollar forward market. According to the amounts negotiated in this market segment, it is observed that the real sector has sometimes taken positions that go in the opposite direction to the operations negotiated by offshore agents. This behavior could have a stabilizing effect on the exchange rate. Through EGARCH and VARX-MGARCH models, there is evidence that the positions taken by the real sector have an impact on the spot exchange rate. However, this effect has not been stable between 2008 and 2015, and has been reduced over time. Likewise, the positions of the real sector in the forward market do not have a stabilizing effect on the exchange rate, since against net purchases of the offshore market there is no evidence that the real sector takes a net selling position.