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**RBI Working Paper No. 08/2023:
Portfolio Flows and Exchange Rate Volatility: An Empirical Estimation for
BRICS Countries**

Today the Reserve Bank of India placed on its website a Working Paper titled, "[Portfolio Flows and Exchange Rate Volatility: An Empirical Estimation for BRICS Countries](#)" under the Reserve Bank of India Working Paper Series¹. The paper is co-authored by Dipak R. Chaudhari, Pushpa Trivedi and Prabhat Kumar.

The paper investigates the effects of net equity and bond portfolio inflows on exchange rate volatility of five BRICS currencies (Brazilian Real, Russian Ruble, Indian Rupee, Chinese RMB and South African Rand) during the period from January 2000 to July 2021. The findings suggest that portfolio flows in bond and equity markets impact exchange rate volatility of these currencies. The portfolio inflows, whether in the bond market or equity market, lead to appreciation of BRICS currencies, except for that of Brazil. Further, it is found that forex market interventions by the BRICS central banks have been successful in reducing their exchange rate volatility.

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(Yogesh Dayal)
Chief General Manager

¹ The Reserve Bank of India (RBI) introduced the RBI Working Papers series in March 2011. These papers present research in progress of the staff members of the RBI and at times also those of external co-authors, when the research is jointly undertaken. They are disseminated to elicit comments and further debate. The views expressed in these papers are those of the authors and not necessarily those of the institution(s) to which they belong. Comments and observations may please be forwarded to the authors. Citation and use of such papers should take into account its provisional character.