Abstract

After the three major crisis episodes in the last decade, literature on currency crises seems to focus on the issue of contagion. This thesis examines whether currency crises are contagious. It builds an indicator of crises and using this indicator shows that crises tend to spread contagiously across countries. It also shows that while currency markets of different countries have inter-linkages during tranquil periods, these inter-linkages become stronger during crises. This strengthening of currency market inter-linkages is shown to be indicative of a contagion effect.