KFstar and Portfolio Inflows A Focus on Latin America

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Latin American portfolio inflows show a strong tendency to revert to a natural level, KF\*, over medium-run horizons. Deviations of actual flows from KF\* provide policymakers with a real-time predictor of future flows, sudden stops and vulnerability to global shocks. Analysis of short-run deviations of flows from KF\* reveals heterogeneous drivers: commodity prices for Brazil, Chile, and Mexico; risk tolerance for Argentina, Costa Rica, and Peru.