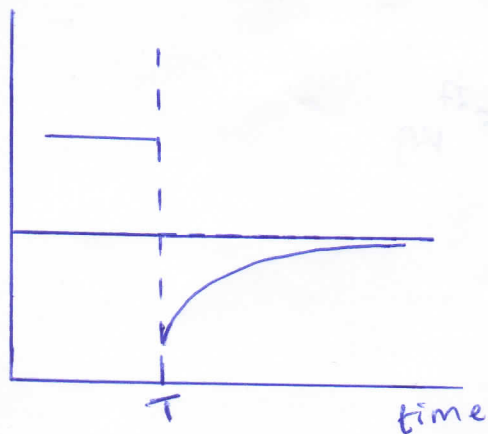
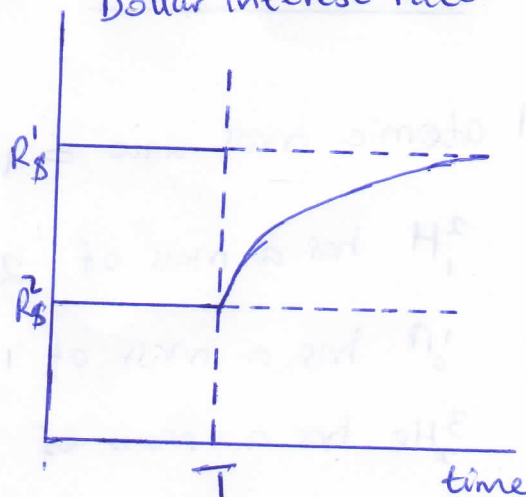


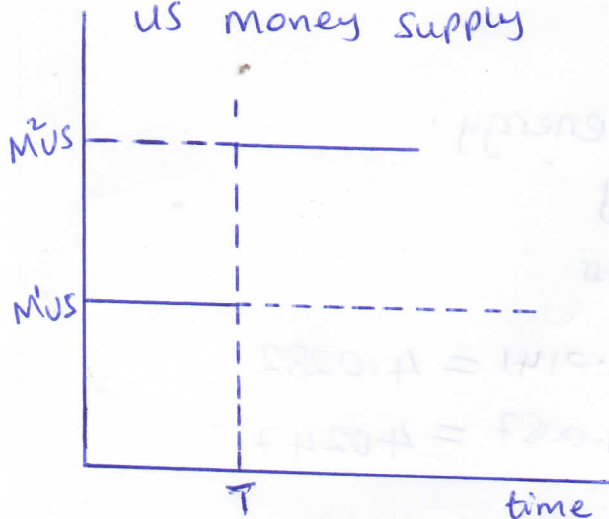
Nominal exchange rate $E_{\$/p}$



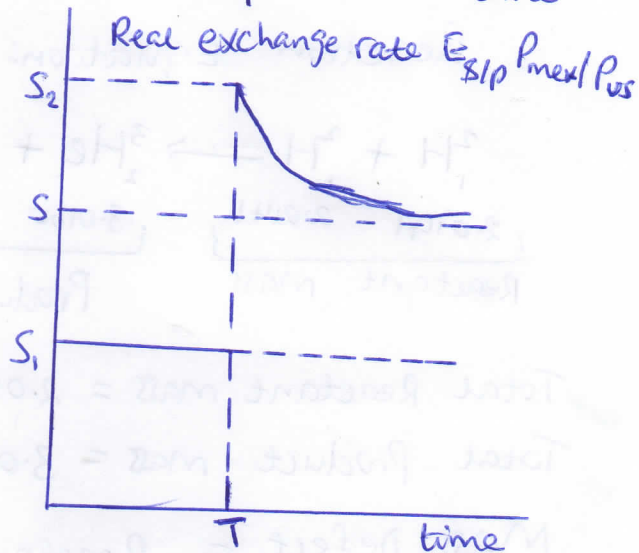
Dollar interest rate



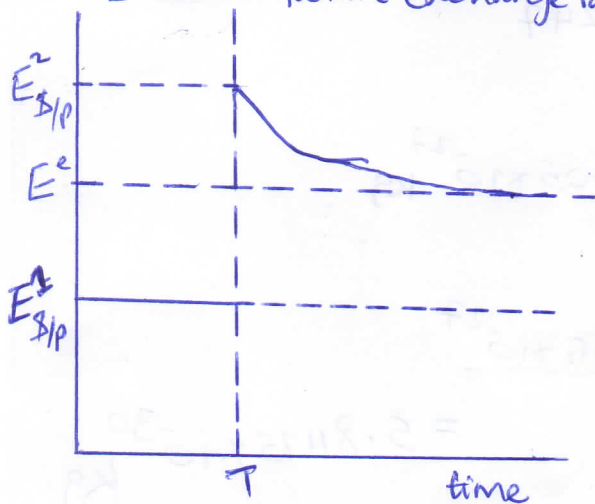
US money supply



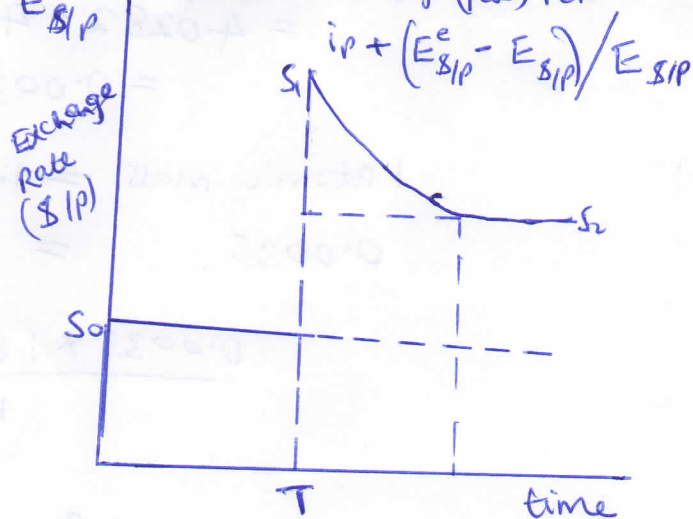
Real exchange rate $E_{\$/p} P_{Mex}/P_{US}$



Expected future exchange rate $E_{\$/p}^e$



Expected foreign (peso) returns:



Since the exchange rate is expressed as US\$ per peso, $S_1 > S_0$ ($S_2 > S_0$).

It represents the depreciation of the US dollars against the pesos