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# The Unholy Trinity of Financial Contagion

Graciela L. Kaminsky

Carmen M. Reinhart

Carlos A. Végh

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### Abstract

Over the last 20 years, some financial events, such as devaluations or defaults, have triggered an immediate adverse chain reaction in other countries—which we call fast and furious contagion. Yet, on other occasions, similar events have failed to trigger any immediate international reaction. We argue that fast and furious contagion

episodes are characterized by "the unholy trinity": (i) they follow a large surge in  
they come as a surprise; and (iii) they involve a leveraged common

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