An Empirical Analysis of the Relationship between US and Colombian Long-Term Sovereign Bond Yields

Borradores de Economia
Número:
822
Publicado:
Jueves, 1 Mayo 2014
Clasificación JEL:
C30, E43, E58, F42, G15
Palabras clave:
Long-term Bond Yields, Global Financial Crisis, Emerging Markets, Moving Window Linear Regression
Descargar documento

Lo más reciente

Precios de materias primas, poder de mercado y el aumento de la inflación de alimentos procesados en países en desarrollo: evidencia para Colombia
Jorge Florez-Acosta, Margarita María Gáfaro-González, Alejandra González-Ramírez, Juan Sebastián Vélez-Velásquez
Hechos Complementarios sobre el Ciclo Económico en Colombia: Una Perspectiva desde el Ciclo de Crecimiento
Diego Vásquez-Escobar
Comercio exterior de servicios en Colombia 1994-2024: Un análisis descriptivo
Sandra Isabel Salamanca-Gil, Enrique Montes-Uribe, Juan Sebastián Silva-Rodríguez
Otras Publicaciones

We study the relationship between US and Colombian sovereign debt interest rates. We also evaluate the response of the Colombian long-term bond yield and other asset prices to shocks to the US long-term Treasury rate. Two empirical exercises are performed. First, we use a moving window linear regression to examine the link between sovereign bond yields. Second, we estimate a VARX – MGARCH model to compute the short-term response of local asset prices to foreign financial shocks. Our exercises consider daily data between 2004 and 2013. The analysis is performed on three sample periods (i.e. before, during and after the global financial crisis). Our findings show that the link between sovereign bond yields has changed over time. Moreover, the short-run responses of local asset prices to foreign financial shocks have been qualitatively different in the three periods. The especial role of US Treasuries as a “safe haven asset” during highly volatile time spans seems to be at the root of these changes.