The effects of foreign investor composition on Colombia's sovereign debt flows

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Assessing the composition of sovereign debt holders is important because investors' behavior varies according to distinctive components, including shareholders' preferences, regulatory constraints, and profitability mandates. To study this issue, we examine the determinants of offshore investments of mutual funds and pension funds, which concentrate Colombia's outstanding sovereign debt. Our results indicate that mutual funds exhibit considerable sensitivity to shocks in global factors, such as the Federal Funds Rate, sovereign risk, and the composition of financial indices. This contrasts with findings among pension funds, for which we detected a lower sensitivity to these factors, underlining the differences in foreign investor behavior that can impact sovereign debt flows within emerging markets.