

La serie Borradores de Economía es una publicación de la Subgerencia de Estudios Económicos del Banco de la República. Los trabajos son de carácter provisional, las opiniones y posibles errores son responsabilidad exclusiva del autor y sus contenidos no comprometen al Banco de la República ni a su Junta Directiva.

Autor o Editor

Alexander Guarín

José Fernando Moreno

Hernando Vargas

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.

The views expressed in the paper are those of the authors and do not represent those of the Banco de la Republica or its Board of Directors.