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Returns and Interest Rate: A Nonlinear Relationship in the Bogota Stock Market

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This work presents some evidence of the nonlinear and inverse relationship between the share prices on the Bogotá stock market and the interest rate as measured by the interbank loan interest rate, which is to some extent affected by monetary policy. The model captures the stylised fact on this market of high dependence of returns in short periods of time. These findings do not support any efficiency on the main stock market in Colombia. Evidence of a non constant equity premium is also found. The work uses daily data from January 1994 up to February 2000.

Fuente: https://www.banrep.gov.co/en/borrador169