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Keep in mind



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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.