
[Access this article at Elsevier](#)

[Access this article at REPOSITORIO BANREP](#)

Keep in mind

In the journal Essays on Economic Policy (ESPE) - we disclose the results and policy proposals that arise from academic research carried out at the *Banco de la República*. When you read us, always keep in mind that the content of our articles, as well as the analyzes and conclusions derived from them, are the sole responsibility of their authors. The material disclosed in our ESPE magazine does not compromise or represent the opinion of *Banco de la República* or that of its Board of Directors.

AUTHORS AND/OR EDITORS

[Guarín-López, Alexander](#)

[Moreno, José Fernando](#)

[Vargas-Herrera, Hernando](#)

Publication Date:

Sunday, 01 June 2014

Abstract

We study the relationship between US and Colombian sovereign debt interest rates between 2004 and 2013. 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 data with daily frequency. 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.