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# Abstract

In this article, we study the impact of exchange rate depreciation and volatility on the sovereignyield curve during the 2008 - 2020 timeframe. We do this by estimating univariate and multivariatetime series models and a threshold vector autoregressive model. Our findings support the presence ofnonlinearities in the relationship between the exchange rate risk and the yield curve level and slope.The bearish steepening resulting from a depreciation shock is doubled when the depreciation andvolatility are above the threshold, however when the volatility is high the impact is bigger and lastslonger. Contrary to lineal models, an increase of the level of the public debt has a significant impacton the yield curve level as sovereign bonds have been devalued during periods of high exchange ratevolatility. Besides, our results suggest that in presence of a risk aversion shock, investors appreciatelow volatility rather than low exchange rate depreciation.