The Global Financial Cycle and the Effects of Fed Unconventional Monetary Policies on Foreign Portfolio Flows in Colombia

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Publication Date: Wednesday, 15 of March 2023 Abstract
Assessing the effects of U.S. monetary policies on portfolio flows is important for policymakers as they could pose risks to the effectiveness of domestic monetary policy. This paper analyzes the effects of the Global Financial Cycle (GFC) and Federal Reserve (Fed) unconventional monetary policy announcements on foreign portfolio investment flows in Colombia between 2010 and 2018. Using an ordinary least squares model with corrected serial correlation, we find that Fed unconventional monetary policy announcements affected portfolio flows in Colombia, especially those related to Tapering, Operation Twist and Forward Guidance. These announcements reinforced the effects of the GFC during the period analyzed. The results by type of flow indicate that public bonds flows are more sensitive to Fed announcements than private bond and equity flows.

Fuente: https://www.banrep.gov.co/en/global-financial-cycle-and-effects-fed-unconventional-monetary-policies-foreign-portfolio-flows