Market Risk - Special Financial Stability Reports - First Half 2023

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The Special Financial Stability Reports accompany the publication of the Financial Stability Report and provide a more detailed analysis of some aspects and risks relevant to the stability of the Colombian financial system: market liquidity risk, market risk, credit risk, financial burden, loan portfolio, and housing market in Colombia, international indicators, concentration, and competition in the deposit and credit markets, corporate sector surveys, and financial inclusion.

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This Special Report analyzes the main sources of market risk for the local financial system and presents an assessment of volatility transmission between the debt and equity markets, with the aim of identifying whether, at a given point in time, a market acted as a generator or a receiver of volatility. Additionally, the report includes an analysis of the one?day Value at Risk (VaR) estimation for returns in the three markets, as well as an examination of the joint dynamics between the local public debt market and that of the United States. The latter aims to identify patterns and the potential influence of U.S. events on the local market. The results show that the debt and equity markets are currently in a low?volatility regime, which implies a passive transmission of volatility between them, with the equity market being the main receiver. Moreover, an event study reveals slight changes in the dynamics of interest rates in the public debt market. Finally, monetary policy shocks or changes in TES holdings by foreign investors have not generated significant movements in the interest rates of these securities.

Fuente: https://www.banrep.gov.co/en/publications-research/special-financial-stability-report/market-risk-first-half-2023