

Searching for Yield Abroad: Risk-Taking
through Foreign Investment in U.S. Bonds
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 - ⇒ Non-linear: risk-taking in securities accelerates as rates decline.

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- ▶ Dependent Variable: U.S. Treasury International Capital (TIC) survey
 - ⇒ Security Level; 15,000 unique corporate bonds spanning investment and non-investment grade U.S. bonds
 - ⇒ 2003-2016
 - ⇒ 310,000 individual foreign corporate bond holdings spanning 36 countries
 - ⇒ Advantage: a wide panel information → extract aggregate information

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1. The economics
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- ▶ Therefore, the paper needs to address the currency channel while identifying the yield channel.

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Global interest rates (includ. Home)	↑	↓
Effect in U.S. Holding Channels	↓ (Paper Prediction) Counterintuitive?	↑ (Paper Prediction) Flight-to-safety (currency channel)?

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- ▶ In time series, changes in home interest rate ($\Delta \text{Sov}_{j,t}$ as in the paper) does not necessarily lead to increases in holdings.

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- ▶ IMF's Coordinated Portfolio Investment Survey (CPIS) data has information at all four buckets, but at country-level though.
- ▶ Concern about the interpretation: Perhaps it's not about SFY, but that foreign holdings in all categories (safe and risky) increase because of the currency channel and more of a global macro environment.
→ Back to the 2 channels.

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- ▶ This is one example of a good motivation of using large cross-section dataset — it provides additional information than aggregate pattern.

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Thank You!