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The International Transmission of Risk: Causal Relations Among Developed and Emerging Countries' Term Premia

Working Paper No. 869 Keep in mind
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We study the effect of shocks to the United States government bonds term premium on Latin American government bonds term premia. For doing so, we compute dynamic multipliers. Our main findings indicate that Latin American countries' term premia respond permanently to changes in United States term premium. However, impulse-response functions vary depending on the country and particular time-length for which premia are computed. Responses are larger for Brazil and Colombia. Mexico exhibits the lowest responses for the four economies in our study.

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Fuente: https://d1b4gd4m8561gs.cloudfront.net/en/borrador-869