

Accepted Manuscript

Impact of international capital flows on emerging markets' sovereign risk premium – demand vs. vulnerability effect

Karolina Konopczak , Michał Konopczak

PII: S1544-6123(17)30118-6
DOI: [10.1016/j.frl.2017.07.010](https://doi.org/10.1016/j.frl.2017.07.010)
Reference: FRL 744

To appear in: *Finance Research Letters*

Received date: 27 February 2017
Accepted date: 31 July 2017

Please cite this article as: Karolina Konopczak , Michał Konopczak , Impact of international capital flows on emerging markets' sovereign risk premium – demand vs. vulnerability effect, *Finance Research Letters* (2017), doi: [10.1016/j.frl.2017.07.010](https://doi.org/10.1016/j.frl.2017.07.010)

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.



Impact of international capital flows on emerging markets' sovereign risk premium – demand vs. vulnerability effect

Karolina Konopczak^a, Michał Konopczak^b

Abstract

In recent years many developing economies attracted significant foreign capital. An increased share of non-residents in public debt affects sovereign bond yields in two opposing ways: triggering a downward pressure on yields in reaction to increased demand, and an upward pressure reflective of overreliance on external funding and greater vulnerability to sudden stops of capital inflows. Based on panel cointegration analysis of 14 emerging economies, this study – contrary to previous empirical literature – indicates that in the long run the positive-signed vulnerability effect may prevail over the negative-signed demand effect, though with significant heterogeneity across countries.

Keywords: emerging markets, sovereign risk, international capital flows, panel cointegration

JEL: F21, F34, G15, H63, C23

^a Warsaw School of Economics, Collegium of Management and Finance, Madalińskiego 6/8, building M, 02-513 Warsaw, e-mail: karolina.konopczak@sgh.waw.pl.

^b Corresponding author. Warsaw School of Economics, Collegium of World Economy, Madalińskiego 6/8, building M, 02-513 Warsaw, Poland, e-mail: michal.konopczak@sgh.waw.pl.

Download English Version:

<https://daneshyari.com/en/article/7352283>

Download Persian Version:

<https://daneshyari.com/article/7352283>

[Daneshyari.com](https://daneshyari.com)