


DOMESTIC AND INTERNATIONAL DETERMINANTS OF BOND YIELDS

Bala Batavia
Professor,
DePaul University, 1, E. Jackson Blvd (DPC 6200),
Chicago, Ill. 60 604 USA

Parameswar Nandakumar
Professor,
Indian Institute of Management Kozhikode,
Kozhikode – 673 570
(email:nanda@iimk.ac.in)

Cheick Wague
Professor,
Sodertorn University of Stockholm, 14189,
Stockholm

Earlier work on the determination of long-run interest rates have not settled the issue of whether long run national interest rates respond more to domestic or international factors. This subject has assumed renewed interest in the wake of European economic and financial integration, with attempts to measure the degree of short and long-run financial integration. In this study, using a sample of ten industrial nations and emerging market nations, a comprehensive analysis is done of the influence of home and global factors on long-run bond rates. The key determinants of national long-run bond yields turn out to be the national short-run money market rates and the U.S long-run bond rate. The government debt burden also has explanatory powers in the case of the major countries in the sample. There is no evidence of complete international financial integration in the long-run bond markets.

 For further details, contact - Publications & Research Dissemination Office, IIMKozhikode,
IIMK Campus PO – 673 570, Kozhikode, Kerala, India. Phone: (91) 0495 2809126
Email:prd@iimk.ac.in.
