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**YIELD SPREADS ON GOVERNMENT BENCHMARK BONDS: CROSS
COUNTRY EVIDENCE****Abstract:**

Government Benchmark Bond's yield differentials between countries may provide evidence movements in changes risk factors and its expectations. In most countries, the risk perception on long term bond's interest rate has changed in decrease year by year. Comparing specification yield and cointegration of 10-year Government Benchmark Bond between countries makes it possible to understand whether there is any changes perception of risk. The perception of risk may appoint banking and corporate risk premiums in their bond market. Besides, an integrated government bond market has an importance for monetary mechanism to the country. And it is related to financial sector activity like hedging and pricing debt, and it is supports international factors affect spreads because they change the perceived default risk of government bonds in the countries. Because of cointegration between markets is highly important for changing effects of risk expectation which is relatively different from country to country.

The aim of this paper is to learn 10-year Government Benchmark Bond's Behavior and effecting to the other county's benchmark bond. For this purpose, we examined Abnormal Return and Cumulative Abnormal Return of Australia, Canada, Euro Zone, UK, Japan and US's 10-year Government Benchmark Bond monthly rate from January 2000 to April 2015 period. It is analyzed 184 nominal repurchase rates in monthly base for each countries benchmark bond as a time series. In calculating Abnormal Return, US's Government Benchmark Bond's Rate has determined as a comparison parameter to each countries series. According to cumulative abnormal returns, we have detected which country has dramatically dropped against US's benchmark bond yield. After this evidence, we have taken into account any cointegrating relationship among the countries' benchmark bonds. We analyzed Johansen (1988) Cointegration Test to determine long term relationship between them. In addition to Johansen Cointegration test, we need to determine short term effect for each series. In this study, we tested Vector Error Correction Model (VECM) to calculate coefficient to hold balance between cointegration. We also tested Granger Causality (2004) to determine which benchmark bond has causality behavior to the other government benchmark bond.

Keywords:

Benchmark Bond, Johansen Cointegration, Granger Causality,

JEL Classification: G12, G15, C58