

Spillover Effects of Major Central Banks' Monetary Policies on International Capital Flows: Evidence from Emerging Asian Economies*

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Abstract

This paper quantifies how monetary tightening shocks from the Federal Reserve, the ECB, the Bank of Japan, and the Bank of England transmit to emerging-market portfolio inflows. Using a quarterly GVAR estimated over 2003Q3–2023Q3 and sign restrictions for shock identification, the linear benchmark shows an immediate decline in inflows-to-GDP with partial mean reversion and substantial cross-country heterogeneity. We then estimate a smooth-transition GVAR in which global uncertainty (GEPV, alternatively VIX) conditions the sensitivity of portfolio inflows to foreign interest rates, and find strong state dependence: spillovers are markedly larger under high-uncertainty regimes.

Keywords: Monetary policy, Capital Flows, International spillover, Global VAR

JEL Classification Numbers: E52, F32, C33

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