U.S. Monetary Policy Spillovers and the Secular Decline in Emerging Market Long-Term Yields

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Abstract

We study the role of U.S. monetary policy in the secular decline of long-term sovereign bond yields in emerging market economies (EMEs). Using daily data for 20 EMEs over 1999–2025, we decompose cumulative changes in domestic 10-year yields into movements occurring within narrow windows around FOMC announcements and movements outside those windows. We find that a substantial share of the long-run decline in EME yields is concentrated in these announcement windows and that, for many countries, the magnitude of the decline exceeds that observed in the United States. Statistically significant declines occur primarily on the announcement day and the subsequent trading day, consistent with rapid market reaction to U.S. monetary policy news and global time-zone differences. In most countries, cumulative sum of high-frequency policy surprises explains a significant portion of the variation in long-term yields during FOMC windows, indicating that the observed yield movements reflect U.S. monetary policy shocks rather than announcement timing. We also evaluate two transmission channels: global long-term bond benchmarking and the risk-premium channel. We find considerable cross-country heterogeneity. While the global benchmarking channel is statistically significant for many countries, its economic magnitude is limited. By contrast, the risk-premium channel appears stronger, albeit only in a subset of countries. Overall, our findings suggest that U.S. monetary policy is a key determinant of long-term interest rate dynamics in EMEs and that the secular decline in global yields has an important international dimension, although the underlying transmission channels remain complex and puzzling.

Keywords: U.S. monetary policy, spillover, emerging market, Long-Term Yields, risk premium

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1. INTRODUCTION

Over the past several decades, long-term government bond yields have exhibited a pronounced secular decline across advanced economies. Understanding the drivers of this trend has become a central question in macro-finance (Cieslak & Povala, 2015; Bauer & Rudebusch, 2020; Feunou & Fontaine, 2023; Beaudry et al., 2024). Most recently, a new strand of literature found a puzzling connection between U.S. monetary policy and the dynamics of long-term interest rates. In particular, Hillenbrand (2025) documents that the secular decline in U.S. Treasury yields is concentrated in narrow windows around Federal Open Market Committee (FOMC) meetings, suggesting that monetary policy decisions might play a role in the evolution of long-term rates. Hofmann et al. (2024) extend this perspective even to the global dimension, showing that long-term yields in major advanced economies display a similar pattern in the same windows.

While advanced economies have received increasing attention, much less is known about how the bond markets of emerging market economies (EMEs) behave around FOMC decisions. Emerging markets are often more sensitive to global financial conditions due to their greater exposure to international capital flows, exchange rate volatility, and risk-premium fluctuations (Bonga-Bonga & Mpoha, 2024; Lastauskas & Nguyen, 2024). Yet the extent to which the secular dynamics of EME long-term yields are linked to FOMC announcements, and the mechanisms through which these spillovers operate, remains unexplored.

This paper studies the relation between FOMC announcements and 10-year sovereign bond yields in a broad set of emerging market economies. Using daily data for 20 EMEs from 1999 to 2025, we decompose cumulative yield movements into changes occurring during narrow three-day windows surrounding FOMC meetings and changes occurring outside these windows. Following the empirical approach of Hillenbrand (2025) and Hofmann et al. (2024), this framework allows us to isolate the role of FOMC windows in shaping the dynamics of long-term interest rates across emerging markets.

First, consistent with Hillenbrand (2025) and Hofmann et al. (2024), we find that a substantial share of the secular decline in emerging market long-term yields is concentrated in narrow windows around FOMC announcements. For many EMEs, cumulative yield changes during FOMC windows account for a large fraction of the overall decline, and in several cases the magnitude of these declines exceeds that observed in the United States itself.

Second, we test whether these dynamics are closely linked to U.S. monetary policy shocks. As a result, the cumulative sum of high-frequency policy surprises explains a significant portion of the cumulative variation in long-term yields during FOMC windows in most countries, implying that yield movements reflect the U.S. monetary policy shocks, rather than merely coinciding with the timing of policy announcements.

Third, we provide evidence on the channels underlying these spillovers. Domestic yields exhibit a robust positive association with U.S. Treasury yields, both inside and outside FOMC windows, highlighting the role of global benchmark rates. However, its economic magnitude remains small in all cases. At the same time, sovereign risk premia seem to play an important role both economically and statistically for some countries: declines in CDS spreads are systematically associated with lower long-term yields, consistent with a risk-premium channel.

In general, we document substantial cross-country heterogeneity in the strength of these relationships, suggesting that local factors and structural characteristics likewise shape the transmission of global financial conditions.

This paper contributes to several strands of the literature. From a theoretical perspective, standard term structure models based on the expectations hypothesis imply that long-term interest rates should primarily reflect expected future short-term rates and thus should not respond strongly to discrete monetary policy actions, except insofar as these alter the expected path of policy (e.g. Gürkaynak & Wright, 2012; Crump et al., 2016). In this framework, conventional monetary policy operates through expectations of future short rates, leaving limited scope for large and systematic movements in long-term yields in narrow announcement windows.

Against this benchmark, a large empirical literature has documented that U.S. monetary policy exerts significant spillovers to global financial markets through multiple channels. First, U.S. Treasury yields serve as a global benchmark for pricing long-term interest rates, generating strong co-movement across sovereign bond markets (Miranda-Agrippino & Rey, 2020; Bekaert & Ermolov, 2023; Hofmann et al., 2024). Second, monetary policy affects time-varying risk premia, reflected in sovereign spreads and credit risk measures (Krishnamurthy & Vissing-Jorgensen, 2011; Gilchrist & Zakrajšek, 2012; Miller et al., 2025). These mechanisms are particularly relevant for emerging market economies, which are highly exposed to global financial conditions and capital flows (Rey, 2015; Miranda-Agrippino & Rey, 2020; Converse et al., 2023; Chen et al., 2025). However, these strands of the literature have largely evolved in isolation, typically focusing on individual transmission channels or aggregate spillovers, without linking them systematically to the timing of monetary policy announcements or to the secular behaviour of long-term yields.

This paper brings these elements together in a unified empirical framework. We show that a substantial share of the secular decline in emerging market long-term yields is concentrated in narrow windows around FOMC announcements and is quantitatively accounted for by U.S. monetary policy shocks. Moreover, we document that this transmission operates jointly through global benchmarking effects and sovereign risk premia, all of which respond sharply within these announcement windows. By integrating high-frequency identification with a cross-asset perspective in emerging markets, our results extend the findings of Hillenbrand (2025) and Hofmann et al. (2024).

2. DATA

2.1. Fed monetary policy surprises and FOMC meeting dates

We utilize the orthogonalized Fed monetary policy surprises calculated by Bauer & Swanson (2023). Initially, the raw surprises are constructed as a weighted average - the first principal component - of 30-minute changes in money market futures rates around FOMC announcements. Because these futures contracts span horizons covering the next four quarters, the resulting measure primarily captures revisions in market expectations about the future path of short-term interest rates over the coming year. The orthogonalized surprises refine this measure by removing the component that is predictable from publicly available macroeconomic and financial information. Specifically, they are obtained as the residuals from a regression of the raw surprises on six economic and financial variables identified by Bauer & Swanson (2023) as significant predictors of interest rate movements around FOMC announcements. Orthogonalization filters out the part of the raw surprise that reflects information already embedded in market prices before the announcement. The residual component therefore provides a cleaner proxy for the genuinely new monetary policy information revealed by the FOMC decision.

FOMC meeting dates are made available by Bauer & Swanson (2023) until December 2023. The remaining dates have been collected manually from the website of the Federal Reserve[4] from January 2024 through October 2025. We date monetary policy announcements using the day on which the official statement on the target federal funds rate was released, which typically corresponds to the second day of the FOMC meeting. From 1999, we consider 230 meetings.

2.2. Daily market data

Our primary source of daily financial market data is LSEG (formerly Refinitiv) Datastream. While the empirical analysis focuses on 10-year sovereign bond yields of EMEs, examining the channels through which spillovers operate additionally requires daily data on U.S. 10-year yields, sovereign (10-year) CDS spreads, and domestic stock market indices. For Chile and Peru, unlike for the other EMEs in the sample, the 10-year yield series are obtained from Bloomberg, as these data extend further back in time than the corresponding series available in Datastream. The stock market indices used in the analysis are listed in Table A. 1.

2.3. Descriptive statistics

[4] https://www.federalreserve.gov/monetarypolicy/fomccalendars.htm

As a first step of the empirical analysis, we partition the sample period for each EME into two mutually exclusive segments: FOMC windows and non-FOMC windows. Following the methodology of Hofmann et al. (2024) and Hillenbrand (2025), we define FOMC windows as the three-day interval comprising days t-1, t, and t+1 around each monetary policy announcement date t. Non-FOMC windows consist of all remaining trading days outside these announcement periods.

The simple distinction of the windows (Table 1) already shows a striking pattern in EMEs that closely mirrors the evidence reported by Hillenbrand (2025) for the United States and by Hofmann et al. (2024) for G10 economies. Both studies show that the secular decline in long-term government bond yields is concentrated in narrow windows around FOMC announcements, suggesting that U.S. monetary policy communication plays a central role in driving persistent movements in global long-term rates. Our results indicate that a similar phenomenon characterizes a broad set of EMEs. For many countries, the cumulative change in 10-year yields over the full sample is largely accounted for by yield movements during FOMC windows.

[Table 1]

Importantly, in several EMEs the decline in 10-year yields around FOMC meetings is even more pronounced than in the United States itself. Over the full period, U.S. 10-year yields declined by 66 basis points, with −452 basis points occurring during FOMC windows. Yet a number of EMEs exhibit substantially larger FOMC window declines. Mexico stands out with a −756 basis point change around FOMC meetings, Brazil with −658 basis points, South Africa with −611 basis points, and the Philippines with −530 basis points. Thailand (−348 bp), Indonesia (−327 bp) and Poland (−296 bp) also show sizable declines concentrated in FOMC windows. These magnitudes suggest that, for some EMEs, long-term yields respond even more elastically to U.S. monetary policy communication than U.S. Treasuries themselves.

The decomposition between FOMC and non-FOMC windows reveals that in several EMEs, declines during FOMC windows are partially or even fully offset by increases outside these windows. Brazil provides a clear example: while yields fall by 658 basis points around FOMC meetings, they rise by 501 basis points during non-FOMC periods. Mexico displays an even sharper contrast, with a 756 basis point decline during FOMC windows but a 670 basis point increase outside them. Hungary (+143 bp outside FOMC), Poland (+37 bp), Thailand (+43 bp) and especially Turkey (+2070 bp) exhibit similar patterns.

[Table 2]

Table 2 provides a summary on the broader financial market response of EMEs to FOMC meetings, focusing on sovereign risk (CDS spreads) and equity prices. The results reveal a coherent pattern across asset classes: CDS spreads mostly decline, while stock markets mostly rise—both over the full sample and within FOMC windows.

First, CDS spreads predominantly decline over the full sample and during FOMC windows, indicating a broad-based compression of sovereign risk premia. Over the full period, majority of the countries exhibit negative cumulative changes in CDS spreads. Importantly, this decline is also visible within FOMC windows for most economies: Brazil (−34.67%), Colombia (−41.43%), Hungary (−35.17%), India (−34.02%), Indonesia (−32.56%), Malaysia (−47.73%), Mexico (−38.45%) and South Africa (−37.05%) all experience substantial CDS compression around FOMC meetings. While a few countries display positive CDS changes during FOMC windows (e.g., Chile, South Korea), the dominant pattern is the declining sovereign risk. This aligns with the interpretation that U.S. monetary easing or dovish communication lowers global risk premia and improves perceived creditworthiness in EMEs.

Second, equity markets mostly rise both over the full sample and during FOMC windows. The full period increases are striking for all countries, and importantly around FOMC meetings, Brazil (+127.05%), Hungary (+89.54%), India (+95.43%), Mexico (+181.81%), South Africa (+92.47%), South Korea (+102.26%) and Turkey (+129.85%) all experience sizable positive changes. A few exceptions do exist (e.g., China and Indonesia during FOMC windows), however the overall pattern strongly points to an optimistic response concentrated around U.S. monetary policy announcements.

3. METHODOLOGY

After separating the sample into FOMC and non-FOMC windows, we assess how closely yield movements during announcement periods track the overall evolution of long-term rates. Specifically, we evaluate the fit of the cumulative sum of daily changes in 10-year yields during FOMC windows to the cumulative sum of daily changes in 10-year yields over the full sample using the pseudo R^2 measure proposed by Hofmann et al. (2024):

$$pseudo\ R^2 \equiv 1 - \frac{\sum_{t=1}^{T}\left(y_t - \nabla y_t^{FOMC}\right)^2}{\sum_{t=1}^{T}\left(y_t - \nabla y_t^{nonFOMC}\right)^2 + \sum_{t=1}^{T}\left(y_t - \nabla y_t^{FOMC}\right)^2} \quad (1)$$

We further follow Hofmann et al. (2024) by examining the extent to which the monetary policy surprises of Bauer & Swanson (2023) account for EME interest rate dynamics during FOMC windows. However, rather than using the raw surprise measure, we employ the cumulative sum of orthogonalized surprises ($CMPS_t$), which have been purged of predictable variation and therefore provide a cleaner measure of new monetary policy information:

$$\nabla y_t^{FOMC} = \gamma_0 + \gamma_1 CMPS_t + u_t \quad (2)$$

To examine the channels through which U.S. monetary policy spillovers affect emerging market long-term yields, we estimate a set of regressions separately for FOMC and non-FOMC windows. In all specifications, the dependent variable is the daily change in the domestic 10-year sovereign yield, denoted by ∇y_t. Splitting the sample in this way allows us to assess whether the relationship between domestic yields and key financial variables is stronger during monetary policy announcement periods than during normal trading days.

Equations (3) and (4) focus on the global long-term bond benchmarking channel by relating changes in domestic long-term yields to changes in the U.S. 10-year Treasury yield (∇USy_t). The coefficient on the U.S. yield captures the extent to which movements in the global long-term bond benchmark rate are transmitted to domestic sovereign bond markets.

$$\nabla y_t^{FOMC} = \gamma_0 + \gamma_1 \nabla USy_t^{FOMC} + u_t \quad (3)$$

$$\nabla y_t^{non-FOMC} = \gamma_0 + \gamma_1 \nabla USy_t^{non-FOMC} + u_t \quad (4)$$

Equations (5) and (6) examine the risk-premium channel by regressing domestic yield changes on changes in sovereign CDS spreads (∇CDS_t). CDS spreads provide a market-based measure of

sovereign credit risk and therefore capture time-varying risk premia embedded in domestic bond yields. A positive coefficient implies that a decrease in perceived sovereign risk is associated with lower long-term borrowing costs.

$$\nabla y_t^{FOMC} = \gamma_0 + \gamma_1 \nabla CDS_t^{FOMC} + u_t \quad (5)$$

$$\nabla y_t^{non-FOMC} = \gamma_0 + \gamma_1 \nabla CDS_t^{non-FOMC} + u_t \quad (6)$$

Finally, Equation (7) integrates the global long-term bond benchmarking and risk-premium channels within a multivariate framework estimated over FOMC windows. Specifically, changes in domestic 10-year yields are jointly related to changes in U.S. Treasury yields, sovereign CDS spreads, stock market indices (∇SI_t) and the orthogonalized monetary policy surprise measure (MPS_t). While stock index is included as a control variable, we do not interpret its coefficient as identifying a separate spillover channel due to the multiple mechanisms, through which emerging market equity prices may respond to U.S. monetary policy, including changes in risk, growth expectations, and pure discount rates (Gormsen & Lazarus, 2026).

This specification allows us to assess the relative importance of the benchmark rate and risk-premium channels while accounting for common interactions across financial markets and the information content of U.S. monetary policy announcements. It also enables us to examine whether the relationships identified in the bivariate regressions remain robust after controlling for additional sources of variation in domestic financial conditions.

$$\nabla y_t^{FOMC} = \gamma_0 + \gamma_1 \nabla USy_t^{FOMC} + \gamma_2 \nabla CDS_t^{FOMC} + \gamma_3 \nabla SI_t^{FOMC} + \gamma_4 MPS_t^{FOMC} + u_t \quad (7)$$

4. RESULTS

Figure 1 deepens the interpretation of Table 1 by visualizing the cumulative dynamics of 10-year yields and decomposing them into movements occurring during FOMC windows and outside those windows, closely following the methodology of Hofmann et al. (2024). The figure focuses on the countries that exhibit the largest nominal declines in FOMC windows. A key takeaway emerging from these panels is that, although FOMC window movements account for a substantial share of the overall decline in some cases, the time-series dynamics of long-term yields are not universally dominated by FOMC episodes.

[Figure 1]

For a subset of countries, the fit between cumulative FOMC window changes and overall yield dynamics is remarkably strong. Thailand (R^2 = 81%), Mexico (R^2 = 65%), Brazil (R^2 = 65%) and Poland (R^2 = 62%) display relatively high pseudo R^2 measures, indicating that yield movements around FOMC meetings explain a sizable fraction of the long-run variation in domestic 10-year rates. In these cases, the cumulative FOMC window series closely tracks the trajectory of the full sample yield series, suggesting that U.S. monetary policy communication is a quantitatively important driver of secular yield dynamics. This pattern is consistent with the mechanism emphasized by Hillenbrand (2025) that persistent declines in long-term rates are concentrated in narrow policy windows rather than arising smoothly over time.

However, the figure also reveals substantial cross-country heterogeneity. In several economies—such as South Korea (R^2 = 20%), India (R^2 = 20%), Indonesia (R^2 = 22%), Hungary (R^2 = 23%), and South Africa (R^2 = 24%)—the explanatory power of FOMC windows is considerably weaker. Although these countries still exhibit notable declines in yields during FOMC windows (as shown in Table 1), the cumulative FOMC component accounts for only about one-fifth to one-quarter of total yield variation. In these cases, non-FOMC window movements play a more prominent role in shaping the long-run path of yields.

[Table 3]

Table 3 sharpens the identification by decomposing the three-day FOMC window into its daily components and thereby isolating the precise timing of yield adjustments. The central message is that the statistically significant declines in 10-year yields are concentrated on the day of the FOMC

announcement (t) and, even more prominently, on the day after the meeting (t+1). This timing pattern reinforces the interpretation that U.S. monetary policy is followed by immediate global spillovers.

On the announcement day (t), several countries exhibit statistically significant negative average changes. Brazil records a −2.99 daily average basis point change, Mexico shows −1.13, South Africa −1.79, India −0.95 and Thailand −0.83. These results indicate that yield compression begins contemporaneously with the FOMC decision, consistent with rapid information incorporation in globally integrated bond markets.

However, the most robust and widespread negative yield changes emerge on the day after the FOMC meeting (t+1). Indonesia (−3.75 bp), Mexico (−2.75 bp), Turkey (−5.31 bp), South Korea (−1.40 bp) and Hungary (−1.85 bp) all display statistically significant declines on t+1, while Brazil, Colombia, Philippines, Romania and Thailand show economically significant decreases. In many cases, the magnitude of the average decline is larger on t+1 than on t, underscoring the importance of delayed adjustment. This pattern is particularly consistent with the geographic time-zone structure of global markets: for many Eastern Hemisphere economies, FOMC announcements occur after local trading hours, implying that the bulk of the adjustment materializes on the subsequent trading day. The concentration of significant coefficients on t+1 therefore aligns naturally with the time lag relative to U.S. markets.

By contrast, there is little systematic evidence of significant declines on the day preceding the meeting (t−1), with the notable exception of Colombia (+2.06 bp), which actually exhibits a positive and significant average change before the announcement. The absence of broad-based pre-trends further strengthens the interpretation that yield adjustments are tightly linked to the information released during the FOMC meeting itself rather than reflecting anticipatory drift.

[Table 4]

Table 4 reinforces and strengthens the timing result from Table 3 by demonstrating that the concentration of yield declines around FOMC announcements is not driven by extreme observations. Once the top and bottom percentiles of daily yield changes are excluded, the number of statistically significant negative coefficients increases, and the pattern becomes even more tightly aligned with the announcement day (t) and the subsequent day (t+1). This provides strong evidence that the results are systematic rather than the consequence of a small number of large outliers.

On the announcement day (t), statistically significant average declines become more pervasive relative to Table 3. Mexico (−1.83 bp), South Africa (−1.90 bp), India (−1.07 bp), Colombia (−1.54 bp), Israel (−0.67 bp) and Taiwan (−0.42 bp) all exhibit significant negative average changes. The

broadening of significance on t indicates that once extreme volatility episodes are trimmed, the underlying signal associated with FOMC communication becomes clearer. The cross-country consistency of negative and significant announcement day effects strongly supports the interpretation of a contemporaneous global repricing of long-term rates.

Even more striking is the evidence for the day after the meeting (t+1). Significant negative effects are observed for Indonesia (−2.08 bp), Israel (−1.51 bp), South Korea (−1.35 bp), Taiwan (−0.52 bp), Thailand (−1.02 bp), Turkey (−5.21 bp), Hungary (−1.51 bp) and Philippines (−1.46 bp). The prevalence and magnitude of these coefficients confirm that a substantial portion of the adjustment occurs with a one-day lag. As argued in the discussion of Table 3, this pattern is highly consistent with time-zone differences between the United States and many emerging markets in the Eastern Hemisphere, where the bulk of market adjustment mechanically shifts to the following trading day.

Importantly, the trimming of outliers does not attenuate the estimated effects; rather, it increases their statistical significance and cross-country robustness. This suggests that extreme events—potentially driven by crises or idiosyncratic shocks—were adding noise to the baseline specification. Once removed, the underlying and systematic link between FOMC announcements and EME long-term yield compression becomes more transparent.

4.1. Monetary Policy Shocks

Figure 2 provides further explanation on the mechanism underlying the FOMC window yield movements by linking them directly to U.S. high-frequency monetary policy shocks (MPS), following the empirical approach of Hofmann et al. (2024). The figure focuses on the countries that exhibit the largest nominal declines in FOMC windows and compares the cumulative changes in 10-year yields during FOMC windows with the fitted values implied by the cumulative sum of U.S. monetary policy shocks. The results show that, in most EMEs, the cumulative path of yields in FOMC windows closely tracks the evolution of these shocks. The relatively high R^2 measures for most countries indicate that U.S. monetary policy surprises explain a substantial share of the observed variation in long-term yields around FOMC meetings.

[Figure 2]

In several cases, the explanatory power of U.S. monetary policy shocks is particularly strong. Mexico exhibits the highest fit, with an R^2 of 77%, suggesting that the cumulative response of Mexican 10-year yields during FOMC windows is closely aligned with the sequence of U.S. policy

surprises. Similarly strong relationships are observed for Indonesia (63%), India (62%), the Philippines (61%), South Africa (59%), South Korea (58%), and Brazil (57%). In these countries, the fitted series based on U.S. high-frequency policy shocks closely mirrors the realized cumulative changes in yields, indicating that U.S. monetary policy is a key driver of local long-term interest rate dynamics during FOMC windows. Thailand also shows a meaningful relationship, albeit somewhat weaker (R^2 = 40%), suggesting that while U.S. policy shocks remain relevant, other factors may also contribute to yield movements.

At the same time, the figure highlights notable exceptions. In Poland (R^2 = 2%) and Hungary (R^2 = 6%), the cumulative changes in 10-year yields during FOMC windows are only weakly explained by U.S. monetary policy shocks. In these cases, the fitted values diverge substantially from the observed yield dynamics. This heterogeneity mirrors the cross-country dispersion already documented in Figure 1 and suggests that the strength of the U.S. monetary policy spillovers varies across EMEs.

4.2. U.S. 10-year yields

Tables 5 and 6 provide insight into the transmission of U.S. interest rate movements to emerging market sovereign bond markets by examining the statistical association between domestic 10-year yields and U.S. 10-year Treasury yields. A first important result emerges from the estimates outside the FOMC windows. As shown in Table 5 (Column 4), domestic long-term yields in many EMEs exhibit a statistically significant positive association with U.S. 10-year yields during non-FOMC periods. For example, the estimated coefficients are positive and highly significant for Brazil, Chile, Colombia, Czechia, India, Israel, Mexico, Peru, Poland, South Africa, South Korea and Thailand. This pattern reflects the well-established fact that emerging market yields typically embed a persistent risk premium relative to U.S. Treasuries and tend to co-move with global benchmark rates. As a result, changes in U.S. long-term yields are systematically transmitted to EME bond markets even outside periods of major U.S. monetary policy announcements.

[Table 5]

[Table 6]

Importantly, this positive association remains present during FOMC windows as well. Table 5 (Column 2) shows that domestic yields in several EMEs continue to follow movements in U.S. 10-year yields during the three-day FOMC announcement window. Statistically significant positive coefficients are observed for Brazil, Colombia, Czechia, India, Israel, Mexico, Peru and Thailand.

The persistence of this positive relationship indicates that the global benchmark role of U.S. Treasury yields continues to operate even when markets are processing new information from FOMC announcements. In other words, movements in U.S. long-term rates remain an important anchor for EME yield dynamics during policy announcement periods.

Finally, Table 6 (Column 2) demonstrates that this association becomes even stronger when additional financial variables are included in a multivariate specification estimated within FOMC windows. Controlling simultaneously for domestic CDS spreads, stock indices, and high-frequency U.S. monetary policy shocks, the estimated coefficients on U.S. 10-year yields remain positive and statistically significant for the majority of countries. In many cases the magnitude of the coefficients increases relative to the bivariate estimates in Table 5. These results suggest that once other relevant financial channels are accounted for, the direct linkage between U.S. and emerging market long-term yields becomes even more pronounced.

4.3. CDS spread

Table 7 examines the relationship between domestic 10-year sovereign yields and domestic CDS spreads, thereby capturing the role of sovereign risk premia in shaping long-term interest rates. A clear pattern emerges during FOMC windows. As shown in Table 7 (Column 2), domestic 10-year yields display a strong and statistically significant positive association with domestic CDS spreads in many emerging market economies. Large and highly significant coefficients are observed for Brazil, Colombia, Hungary, Indonesia, Mexico, Peru, the Philippines, Poland, South Africa, Taiwan and Turkey. This pattern indicates that sovereign risk conditions play an important role in the response of long-term yields during FOMC announcement windows. In particular, when U.S. monetary policy becomes more accommodative, global financial conditions tend to ease and risk premia decline, which is reflected in both narrower CDS spreads and lower sovereign bond yields in emerging markets.

[Table 7]

Importantly, the positive association between CDS spreads and domestic long-term yields remains strong even after controlling for U.S. Treasury yields, domestic stock indices, and high-frequency U.S. monetary policy shocks (Table 6, Column 3). The estimated CDS coefficients remain positive and statistically significant for a large set of countries, including Colombia, Hungary, Indonesia, Malaysia, Mexico, Philippines, Poland, Romania, South Africa, Taiwan, Thailand and Turkey. These findings indicate that changes in sovereign risk premia constitute an important link

between U.S. monetary policy announcements and the behaviour of emerging market long-term interest rates, operating alongside the influence of U.S. Treasury yields.

5. ROBUSTNESS CHECKS

5.1. Control for time zone difference in case of Eastern Hemisphere countries

As a first robustness exercise, we account explicitly for cross-country differences in market trading hours following the identification strategy of Hausman & Wongswan (2011). For many economies in the Eastern Hemisphere, local financial markets close before the Federal Reserve releases its policy decision, implying that the immediate response to FOMC announcements is incorporated only on the subsequent local trading day. To address this timing mismatch, we redefine the announcement window for countries outside North and South America by shifting the baseline three-day event window forward by one day, from [t-1, t+1] to [t, t+2].

[Table 8]

Table 8 reports that the baseline results reported in Table 1 remain largely unchanged. For almost all countries, 10-year yield changes during the adjusted [t, t+2] window display the same direction and broadly similar magnitudes as those obtained under the benchmark [t−1, t+1] specification. Indonesia continues to exhibit a pronounced decline in yields during FOMC windows (−817.70 bp, compared with −327.40 bp in the baseline specification), while South Africa (−712.51 bp vs. −610.78 bp), Thailand (−341.88 bp vs. −347.51 bp), Hungary (−241.00 bp vs. −262.00 bp), Poland (−210.97 bp vs. −296.33 bp), India (−157.55 bp vs. −261.40 bp), and Czechia (−148.00 bp vs. −103.65 bp) all preserve the negative sign and remain economically sizable. The same is true for countries with more moderate responses, such as Israel, South Korea, and Taiwan. Overall, the persistence of sign and magnitude across specifications indicates that the concentration of yield movements around FOMC announcements is a robust feature of the data.

The main exception is Turkey, where the shifted event window produces a positive cumulative FOMC window change (+282.00 bp), in contrast to the negative estimate in the baseline specification. This divergence suggests that Turkey is a special case in which country-specific factors may dominate the response once the window is extended to t+2. Given the well-documented sensitivity of Turkish financial markets to domestic macroeconomic and political developments, it is plausible that idiosyncratic shocks become more influential two days after the FOMC announcement, when market attention to the Federal Reserve decision typically begins to fade. The Turkish result therefore appears to reflect local factors rather than a broader challenge to the baseline findings.

A second important message of Table 8 is that the cumulative change in 10-year yields over the full sample continues to be largely accounted for by movements during the shifted FOMC windows. In several cases, the adjusted FOMC window component explains a substantial share of the total decline in yields, including Indonesia (−817.70 bp vs. −827.25 bp over the full sample), South Africa (−712.51 bp vs. −785.00 bp), the Philippines (−368.70 bp vs. −835.60 bp), Thailand (−341.88 bp vs. −304.50 bp), and Poland (−210.97 bp vs. −259.31 bp). Even where the fit is less exact, the FOMC window contribution remains economically meaningful.

[Table 9]

Table 9 provides a decomposition of the shifted [t, t+2] event window into its daily components for Eastern Hemisphere economies. The results strengthen that the most robust and widespread negative yield adjustments occur on the day after the FOMC meeting (t+1), which corresponds to the first trading day on which many Eastern Hemisphere markets are fully able to incorporate the policy announcement. By contrast, yield changes on t+2 display considerably greater heterogeneity and little systematic evidence of continued adjustment. While some countries record additional declines, others experience partial reversals or positive changes, suggesting that by the second day after the announcement the common global signal is increasingly mixed with country-specific developments and normal market noise. Importantly, only Malaysia exhibits a statistically significant negative average change on t+2 (−0.57). The absence of broad-based significance on the second post-announcement day indicates that the spillover of U.S. monetary policy news to EME bond markets is rapid rather than gradual, with most of the economically relevant adjustment completed by the first day after local markets reopen.

[Table 10]

Finally, Table 10 demonstrates that the two-channel framework (global long-term bond benchmarking, risk premium) developed in the baseline analysis is robust once differences in market closing times are explicitly taken into account. The coefficients on the U.S. 10-year Treasury yields and CDS spreads remain mostly positive. The persistence of these results indicates that the baseline findings are not sensitive to the precise timing convention used to define FOMC windows, but instead reflect stable and economically meaningful spillovers from U.S. monetary policy to emerging market bond markets.

5.2. Analysis of the subsample after 2008

As a second robustness exercise, we restrict the sample to the post-2008. This subsample analysis is motivated by Hillenbrand (2025), who argues that once the zero lower bound (ZLB) was reached, conventional Federal Reserve policy actions are no longer able to account for the continued secular decline in U.S. Treasury yields. By focusing on the period after 2008, we examine whether the concentration of yield movements around FOMC announcements and the associated spillover channels persist in an environment characterized by near-zero policy rates and increased reliance on forward guidance and balance sheet policies. This exercise therefore provides a stringent test of whether the empirical patterns documented in the full sample reflect a more general feature of U.S. monetary policy spillovers or are specific to the pre-ZLB regime.

[Table 11]

Table 11 presents the post-2008 subsample results and reveals a notable shift in the overall dynamics of emerging market long-term yields. In contrast to the full-sample evidence, a larger number of countries experienced increases in 10-year yields over this period. Positive cumulative changes are observed, for example, in Brazil (+48.50 bp), Colombia (+195.00 bp), Czechia (+39.00 bp), India (+126.85 bp), Malaysia (+37.80 bp), Mexico (+75.00 bp), and South Africa (+108.00 bp). This pattern suggests that the global downward trend in yields became less uniform after the Global Financial Crisis.

Despite this shift in the full-sample dynamics, the behavior of yields within FOMC windows remains broadly consistent with the baseline findings. For the majority of emerging markets, 10-year yield changes during FOMC windows continue to be negative, indicating that U.S. monetary policy announcements are still associated with declines in long-term borrowing costs even in the post-2008 environment. Large negative changes are observed in Brazil (−444.90 bp), Mexico (−476.93 bp), South Africa (−366.80 bp), Indonesia (−249.35 bp), Israel (−200.00 bp), and the Philippines (−200.35 bp), among others. At the same time, a small group of Central and Eastern European (CEE) countries—Czechia (+31.15 bp), Poland (+85.60 bp), and Romania (+30.00 bp)—exhibits positive yield changes during FOMC windows. This divergence suggests that region-specific factors may have played a more prominent role in shaping yield dynamics in these economies during the post-crisis period. Overall, the results indicate that while the secular trend becomes more heterogeneous after 2008, the core finding of negative yield responses around FOMC announcements remains largely intact.

[Table 12]

Table 12 reports the daily decomposition of yield changes during FOMC windows in the post-2008 subsample and confirms that the sharp timing of yield adjustments remains a robust feature of the data. Consistent with the baseline results, statistically significant declines in 10-year yields are primarily concentrated on the day of the FOMC announcement (t) and the subsequent trading day (t+1). For instance, significant negative effects are observed on t in Colombia (−1.04), Israel (−0.82), Mexico (−1.37), and South Africa (−1.73), while on t+1 they appear in Israel (−1.68), Mexico (−2.38), South Korea (−0.80), Taiwan (−0.61), and Turkey (−5.31). By contrast, there is little systematic evidence of significant adjustments on the day preceding the announcement (t-1), indicating that markets do not anticipate these movements in advance.

[Table 13]

Table 13 presents the daily decomposition of yield changes during FOMC windows in the post-2008 subsample after excluding extreme observations. The key result is that filtering out outliers strengthens the baseline findings by making statistically significant yield declines more pervasive across countries. In particular, negative and significant average changes become more widespread on both the announcement day (t) and the subsequent trading day (t+1). For example, significant declines on t are observed in India (−0.81), Israel (−0.66), Mexico (−1.87), South Africa (−1.74), and Taiwan (−0.29), while on t+1 they appear in Colombia (−1.60), Indonesia (−2.10), Israel (−0.79), Mexico (−1.08), South Korea (−0.70), Taiwan (−0.52), Thailand (−0.75), and Turkey (−5.21). Compared to Table 12, the exclusion of outliers reduces noise and reveals a clearer and more consistent pattern of negative yield responses following FOMC announcements. Overall, these results reinforce the conclusion that the immediate transmission of U.S. monetary policy to emerging market bond yields is not driven by a small number of extreme observations, but reflects a systematic and robust feature of the data even in the post-2008 period.

Finally, we do not report the multivariate regression results for the post-2008 subsample, as they would largely replicate the baseline findings presented in Table 6. This is because the availability of sovereign CDS spread data for EMEs—beginning only at the end of 2008 (with the exception of India and Taiwan)—implies that the baseline multivariate specification is already effectively estimated over the post-2008 period. As a result, re-estimating the same model on the restricted sample would not provide additional insights, but would instead reproduce the same set of coefficients and inference. For this reason, we focus the robustness analysis on alternative event-

window specifications and subsample decompositions, which offer more informative tests of the stability of our results.

6. CONCLUSION

This paper examines the role of U.S. monetary policy in shaping long-term sovereign bond yields in EMEs. Motivated by recent evidence that the secular decline in long-term yields in the United States and other advanced economies is concentrated around FOMC announcements, we investigate whether a similar pattern characterizes emerging markets.

Our analysis yields three main findings. First, a substantial share of the secular decline in EME long-term yields is concentrated in FOMC windows. For many countries, cumulative yield changes around FOMC announcements account for a large fraction of the overall decline in long-term rates, and in several cases the magnitude of these declines exceeds that observed in the United States. At the same time, we document considerable cross-country heterogeneity in the extent to which FOMC windows explain the long-run evolution of domestic yields, indicating that local factors continue to play an important role alongside global monetary forces.

Second, the timing of yield adjustments is sharp and closely aligned with the release of new monetary policy information. Statistically significant declines in domestic yields occur primarily on the FOMC announcement day and the subsequent trading day, with the latter effect particularly pronounced for Eastern Hemisphere economies due to differences in market trading hours. Moreover, high-frequency U.S. monetary policy surprises explain a substantial share of the variation in domestic yields during FOMC windows, suggesting that the information content of FOMC announcements drives these responses.

Third, we provide evidence on the channels underlying these spillovers. Domestic long-term yields exhibit a robust positive association with U.S. Treasury yields both within and outside FOMC windows, highlighting the role of global benchmarking in the international spillover of monetary policy. We also document a strong positive relationship between domestic yields and sovereign CDS spreads, indicating that changes in sovereign risk premia constitute an important mechanism through which U.S. monetary policy affects emerging market borrowing costs. These relationships remain robust in multivariate specifications that control for broader financial conditions.

Our findings are robust to alternative event-window definitions that account for differences in market closing times across regions and to restricting the sample to the post-2008 period. The persistence of the results in the latter subsample suggests that the international spillover of U.S.

monetary policy remained economically important even after the Federal Reserve reached the zero lower bound.

Taken together, our results indicate that U.S. monetary policy is a central determinant of interest rate dynamics in emerging markets. More specifically, the findings underscore that monetary policy conducted by the world's dominant central bank can even shape long-term yields well beyond national borders through its effect on sovereign risk premia and the global benchmark rate function of the U.S. 10-year yield.

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Tables and figures

Table 1: FOMC meetings and 10-year yields of emerging markets.

Country	10-year yields			
	Full period (bp change)	FOMC window (bp change)	Non-FOMC window (bp change)	Start of period
Brazil	-156.59	-657.98	501.38	28/08/2006
Chile	-58.02	-50.40	-7.62	29/09/2005
China	-97.70	62.56	-160.26	21/09/2000
Colombia	-452.50	-130.50	-322.00	16/09/2002
Czechia	-183.19	-103.65	-79.54	14/04/2000
Hungary	-119.00	-262.00	143.00	27/12/2000
India	-568.10	-261.40	-306.70	05/01/1999
Indonesia	-827.25	-327.40	-499.85	21/11/2005
Israel	-174.20	-80.00	-94.20	09/04/2002
Malaysia	7.45	-38.92	46.37	15/10/2001
Mexico	-85.50	-755.78	670.28	08/04/2002
Peru	-211.00	9.40	-220.40	23/03/2006
Philippines	-835.60	-530.25	-305.35	13/06/2000
Poland	-259.31	-296.33	37.02	25/05/1999
Romania	16.00	59.45	-43.45	16/08/2007
South Africa	-785.00	-610.78	-174.23	05/01/1999
South Korea	-500.70	-262.80	-237.90	25/10/2000
Taiwan	-114.00	312.93	-426.93	05/01/1999
Thailand	-304.50	-347.51	43.01	15/01/2001
Turkey	1775.00	-295.00	2070.00	27/01/2010
US	**-66.00**	**-452.20**	**386.20**	**05/01/1999**

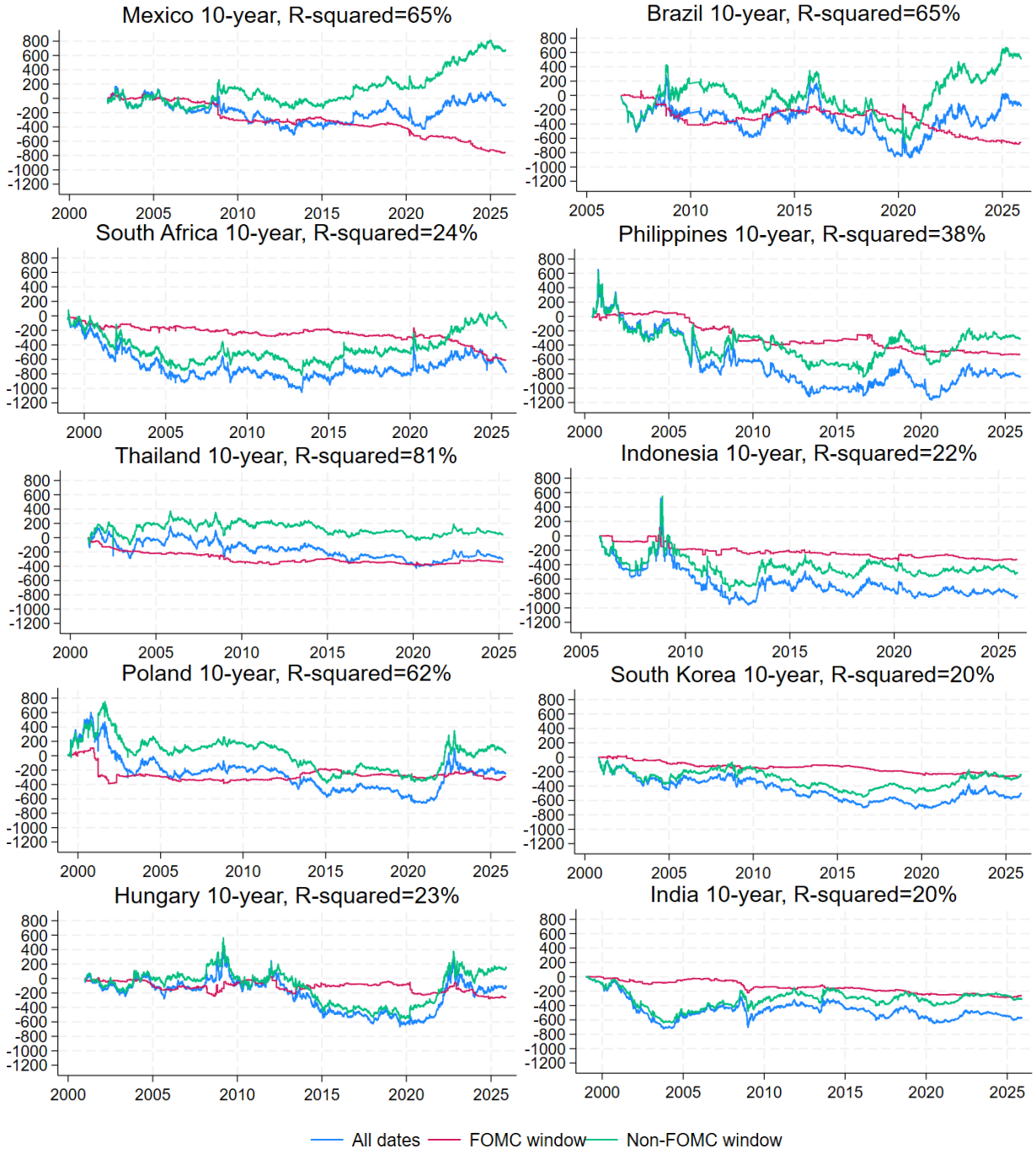
Note: 10-year yields are expressed as basis point changes. The FOMC windows are 3-day periods, starting one day before the meeting, and ending one day after the meeting. The examined period ends on November 28, 2025 in case of each country.

Table 2: FOMC meetings and CDS spreads, stock indices of emerging markets.

Country	CDS spreads		Stock indices	
	Full period (%)	FOMC window (%)	Full period (%)	FOMC window (%)
Brazil	-39.32	-34.67	2191.45	127.05
Chile	-60.11	105.68	1309.84	24.46
China	-47.37	-21.17	245.40	-3.73
Colombia	-18.39	-41.43	107.33	0.45
Czechia	-49.13	-16.86	530.68	39.98
Hungary	-41.43	-35.17	1516.02	89.54
India	-42.17	-34.02	2818.57	95.43
Indonesia	-81.39	-32.56	2059.53	-8.42
Israel	-28.37	5.00	726.18	10.34
Malaysia	-69.81	-47.73	185.67	-2.89
Mexico	-49.26	-38.45	1558.01	181.81
Peru	-69.36	11.21	2499.61	26.98
Philippines	-69.17	7.43	204.05	7.35
Poland	-40.91	-26.47	746.31	42.34
Romania	-48.83	-5.15	5767.22	5.85
South Africa	-37.43	-37.05	2173.10	92.47
South Korea	-73.57	82.75	568.28	102.26
Taiwan	662.50	30.77	349.03	6.56
Thailand	-56.82	-16.61	252.33	-20.76
Turkey	-26.34	-22.46	35742.63	129.85

Note: CDS spreads, stock indices are expressed as percentage changes. The FOMC windows are 3-day periods, starting one day before the meeting, and ending one day after the meeting. The examined period ends on November 28, 2025 in case of each country.

Figure 1: FOMC meetings and cumulative changes in 10-year yields of emerging markets.



Note: The unit of the y-axis is basis point. The FOMC windows are 3-day periods, starting one day before the meeting, and ending one day after the meeting. The pseudo R^2 measure is defined in Equation (1). The illustrated countries are chosen based on the nominal decline in their 10-year yields in the FOMC windows.

Table 3: Daily decomposition of changes in 10-year yields in the FOMC windows.

Country	**t-1** (bp change)	**t** (bp change)	**t+1** (bp change)	**t-1** (avg. bp change)	**t** (avg. bp change)	**t+1** (avg. bp change)
Brazil	-39.20	-439.90	-178.87	-0.27	-2.99*	-1.22
Chile	22.30	-19.40	-53.30	0.13	-0.11	-0.31
China	-96.38	158.03	0.91	-0.52	0.85	0.00
Colombia	377.35	-288.85	-219.00	2.06**	-1.58	-1.20
Czechia	-62.75	-105.65	64.75	-0.30	-0.50	0.31
Hungary	104.00	5.00	-371.00	0.52	0.02	-1.85*
India	39.10	-199.45	-101.05	0.19	-0.95***	-0.48
Indonesia	119.45	145.80	-592.65	0.76	0.92	-3.75***
Israel	-118.85	-17.95	20.30	-0.65	-0.10	0.11
Malaysia	51.33	-23.53	-66.72	0.28	-0.13	-0.36
Mexico	-17.93	-214.80	-523.05	-0.09	-1.13*	-2.75***
Peru	125.50	-62.60	-53.50	0.75	-0.37	-0.32
Philippines	-200.95	-87.65	-241.65	-0.97	-0.42	-1.16
Poland	36.37	-171.44	-161.26	0.17	-0.78	-0.74
Romania	-13.60	204.85	-131.80	-0.09	1.34	-0.86
South Africa	-99.17	-381.33	-130.28	-0.47	-1.79**	-0.61
South Korea	-18.70	20.00	-264.10	-0.10	0.11	-1.40***
Taiwan	335.71	60.21	-83.00	1.58	0.28	-0.39
Thailand	-34.16	-154.58	-158.77	-0.18	-0.83*	-0.85
Turkey	-200.00	563.00	-658.00	-1.63	4.54	-5.31*

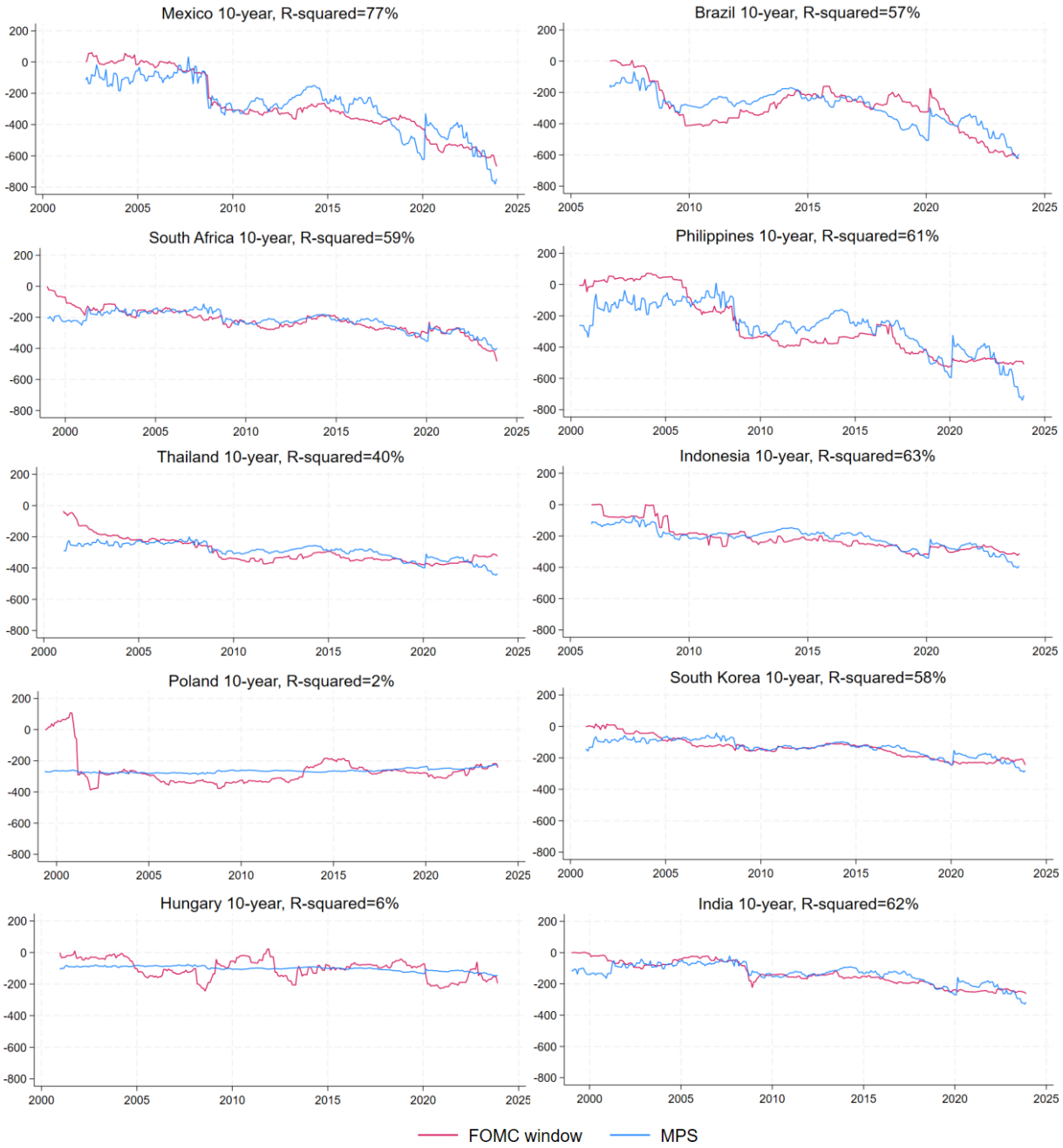
Note: 10-year yields are expressed as basis point changes. The FOMC windows are 3-day periods ([t-1, t+1]). The examined period ends on November 28, 2025 in case of each country. ***: $p < 0.01$; **: $p < 0.05$; *: $p < 0.1$.

Table 4: Daily decomposition of changes in 10-year yields in the FOMC windows, without outliers.

Country	**t-1** (bp change)	**t** (bp change)	**t+1** (bp change)	**t-1** (avg. bp change)	**t** (avg. bp change)	**t+1** (avg. bp change)
Brazil	-85.39	-277.08	-169.66	-0.61	-1.94	-1.19
Chile	-13.10	-14.70	-4.90	-0.08	-0.09	-0.03
China	117.14	-80.84	-34.49	0.64*	-0.44*	-0.19
Colombia	157.15	-274.85	-165.50	0.88	-1.54**	-0.92
Czechia	-119.05	-89.55	-0.35	-0.58**	-0.44	0.00
Hungary	83.00	14.00	-292.00	0.42	0.07	-1.51**
India	-36.95	-220.45	-57.10	-0.18	-1.07***	-0.28
Indonesia	186.20	-47.30	-316.60	1.21**	-0.31	-2.08***
Israel	99.65	-119.45	-268.90	0.56	-0.67**	-1.51***
Malaysia	-6.87	-54.58	-38.72	-0.04	-0.30	-0.22
Mexico	105.07	-339.25	-160.10	0.57	-1.83***	-0.90*
Peru	-31.80	-62.60	-28.00	-0.20	-0.37	-0.17
Philippines	-8.55	-136.75	-299.05	-0.04	-0.67	-1.46**
Poland	21.49	-65.69	26.07	0.10	-0.31	0.12
Romania	116.95	2.20	-71.95	0.81	0.01	-0.48
South Africa	-21.92	-383.20	-164.78	-0.11	-1.90***	-0.81
South Korea	-2.70	-27.00	-245.90	-0.01	-0.15	-1.35***
Taiwan	19.21	-88.79	-107.50	0.09	-0.42**	-0.52**
Thailand	-36.91	-98.33	-184.52	-0.20	-0.54	-1.02**
Turkey	67.00	-37.00	-625.00	0.56	-0.31	-5.21**

Note: The top 1% and the bottom 1% percentiles in terms of daily changes of 10-year yields were excluded from the sample. 10-year yields are expressed as basis point changes. The FOMC windows are 3-day periods, ([t-1, t+1]). The examined period ends on November 28, 2025 in case of each country. ***: $p < 0.01$; **: $p < 0.05$; *: $p < 0.1$.

Figure 2: Cumulative changes in 10-year yields of emerging markets and cumulative sums of U.S. high-frequency monetary policy shocks.



Note: The unit of the y-axis is basis point. The FOMC windows are 3-day periods, starting one day before the meeting, and ending one day after the meeting. The figure presents the cumulative 10-year yields in the FOMC windows and the fitted value from the regression specified in Equation (2). The illustrated countries are chosen based on the nominal decline in their 10-year yields in the FOMC windows.

Table 5: The association between domestic 10-year yields and U.S. 10-year yields.

Country	U.S. 10-year yields			
	Beta (FOMC)	Adj. R^2 (FOMC)	Beta (Non-FOMC)	Adj. R^2 (Non-FOMC)
Brazil	0.20*	0.42%	0.13***	0.15%
Chile	0.03	0.03%	0.05***	0.20%
China	-0.05	-0.09%	-0.01	-0.02%
Colombia	0.20**	0.83%	0.26***	1.60%
Czechia	0.11***	1.91%	0.21***	4.35%
Hungary	-0.02	-0.17%	0.02	-0.01%
India	0.08***	1.21%	0.05***	0.22%
Indonesia	-0.15	0.19%	0.08**	0.07%
Israel	0.60***	2.77%	0.17***	0.75%
Malaysia	0.02	-0.09%	0.02**	0.06%
Mexico	0.27***	3.37%	0.27***	3.69%
Peru	0.14***	2.32%	0.13***	1.05%
Philippines	0.00	-0.17%	0.00	-0.02%
Poland	0.03	-0.14%	0.18***	0.81%
Romania	-0.29***	1.53%	0.03	0.00%
South Africa	0.08	0.08%	0.07***	0.18%
South Korea	0.01	-0.18%	0.08***	0.72%
Taiwan	0.02	-0.15%	0.03	0.01%
Thailand	0.14***	2.50%	0.06***	0.19%
Turkey	-0.03	-0.27%	-0.08	0.00%

The table presents regression coefficients and adjusted R^2 measures from the regression specified in Equations (3) and (4). The first two (last two) columns contain results from the model estimated in the FOMC (Non-FOMC) windows. ***: $p < 0.01$; **: $p < 0.05$; *: $p < 0.1$.

Table 6: The association between domestic 10-year yields and U.S. 10-year yields, domestic CDS spreads, domestic stock indices and high-frequency monetary policy shocks in the FOMC windows.

Country	Beta (U.S. 10Y)	Beta (CDS)	Beta (Stock index)	Beta (MPS)	Adj. R^2
Brazil	0.36**	0.23	-3.97***	-215.98***	34.40%
Chile	0.06	-0.16	-0.71	-66.22***	8.92%
China	0.03	0.29***	0.10	0.48	9.14%
Colombia	0.50***	0.86***	-3.45***	-27.77	37.26%
Czechia	0.17**	-0.17	-0.43	32.80	7.57%
Hungary	0.35**	2.52***	-2.14***	30.39	24.32%
India	0.33***	-4.78	-0.31	8.08	24.22%
Indonesia	0.05	1.29***	-0.60	-93.33***	16.53%
Israel	0.46***	0.14	-0.52	-10.87	35.88%
Malaysia	0.21***	0.40***	0.04	-15.48*	32.52%
Mexico	0.38***	1.91***	-0.46	-19.71	49.87%
Peru	0.13	0.52	-1.56**	-12.57	17.52%
Philippines	0.19	0.81**	-1.05	-59.91*	6.55%
Poland	0.25***	0.57***	-2.03***	-6.22	25.36%
Romania	0.23	1.29***	-1.79**	-173.54***	14.42%
South Africa	0.40***	1.25***	-0.35	-131.22***	40.52%
South Korea	0.31***	0.18	-0.52	-32.01***	26.44%
Taiwan	-0.04	0.35**	-0.82	51.49***	14.80%
Thailand	0.48***	0.38***	-0.93**	-37.47**	40.70%
Turkey	1.05***	3.12***	-1.16	47.82	21.62%

The table presents regression coefficients and adjusted R^2 measures from the regression specified in Equation (7). The FOMC windows are 3-day periods, starting one day before the meeting, and ending one day after the meeting. ***: $p < 0.01$; **: $p < 0.05$; *: $p < 0.1$.

Table 7: The association between domestic 10-year yields and domestic CDS spreads.

Country	CDS spread			
	Beta (FOMC)	Adj. R^2 (FOMC)	Beta (Non-FOMC)	Adj. R^2 (Non-FOMC)
Brazil	2.79***	24.10%	0.99***	4.36%
Chile	0.09**	0.71%	-0.01	-0.02%
China	0.05	-0.02%	0.06	0.02%
Colombia	1.28***	13.37%	1.17***	8.46%
Czechia	0.01	-0.25%	0.05	0.03%
Hungary	1.87***	18.26%	1.11***	5.88%
India	0.87	-0.62%	-0.17	0.01%
Indonesia	0.81***	4.98%	0.29***	0.83%
Israel	0.13	-0.14%	0.03	0.01%
Malaysia	0.10*	0.67%	0.07***	0.31%
Mexico	1.32***	19.37%	0.62***	6.25%
Peru	0.25***	2.14%	0.33***	1.48%
Philippines	0.79***	3.53%	0.51***	0.79%
Poland	0.74***	6.44%	0.27***	1.23%
Romania	0.13	-0.20%	0.40***	0.72%
South Africa	1.36***	14.39%	0.80***	9.35%
South Korea	0.03	-0.21%	-0.07***	0.22%
Taiwan	0.32***	3.28%	-0.10***	0.17%
Thailand	0.13	0.17%	-0.04*	0.07%
Turkey	3.66***	10.59%	3.09***	8.82%

The table presents regression coefficients and adjusted R^2 measures from the regression specified in Equations (5) and (6). The first two (last two) columns contain results from the model estimated in the FOMC (Non-FOMC) windows. ***: $p < 0.01$; **: $p < 0.05$; *: $p < 0.1$.

Table 8: 10-year yields of countries outside of North and South America, with a lagged FOMC window [0,+2].

Country	10-year yields			
	Full period (bp change)	FOMC window (bp change)	Non-FOMC window (bp change)	Start of period
China	-97.70	202.05	-299.75	21/09/2000
Czechia	-183.19	-148.00	-35.19	14/04/2000
Hungary	-119.00	-241.00	122.00	27/12/2000
India	-568.10	-157.55	-410.55	05/01/1999
Indonesia	-827.25	-817.70	-9.55	21/11/2005
Israel	-174.20	-57.15	-117.05	09/04/2002
Malaysia	7.45	-195.55	203.00	15/10/2001
Philippines	-835.60	-368.70	-466.90	13/06/2000
Poland	-259.31	-210.97	-48.35	25/05/1999
Romania	16.00	201.15	-185.15	16/08/2007
South Africa	-785.00	-712.51	-72.49	05/01/1999
South Korea	-500.70	-151.20	-349.50	25/10/2000
Taiwan	-114.00	-17.31	-96.69	05/01/1999
Thailand	-304.50	-341.88	37.38	15/01/2001
Turkey	1775.00	282.00	1493.00	27/01/2010

Note: 10-year yields are expressed as basis point changes. The lagged FOMC windows are 3-day periods, starting on the day of the meeting, and ending two days after the meeting. The examined period ends on November 28, 2025 in case of each country.

Table 9: Daily decomposition of changes in 10-year yields in the lagged FOMC windows.

Country	**t** (bp change)	**t+1** (bp change)	**t+2** (bp change)	**t** (avg. bp change)	**t+1** (avg. bp change)	**t+2** (avg. bp change)
China	158.03	0.91	43.12	0.85	0.00	0.23
Czechia	-105.65	64.75	-107.10	-0.50	0.31	-0.51
Hungary	5.00	-371.00	125.00	0.02	-1.85*	0.62
India	-199.45	-101.05	142.95	-0.95***	-0.48	0.68*
Indonesia	145.80	-592.65	-370.85	0.92	-3.75**	-2.36
Israel	-17.95	20.30	-87.15	-0.10	0.11	-0.47
Malaysia	-23.53	-66.72	-105.30	-0.13	-0.36	-0.57**
Philippines	-87.65	-241.65	-39.40	-0.42	-1.16	-0.48
Poland	-171.44	-161.26	121.73	-0.78	-0.74	-0.19
Romania	204.85	-131.80	128.10	1.34	-0.86	0.56
South Africa	-381.33	-130.28	-200.90	-1.79**	-0.61	0.84
South Korea	20.00	-264.10	92.90	0.11	-1.40***	-0.95
Taiwan	60.21	-83.00	5.48	0.28	-0.39	0.49
Thailand	-154.58	-158.77	-28.53	-0.83*	-0.85	0.03
Turkey	563.00	-658.00	377.00	4.54	-5.31*	-0.15

Note: 10-year yields are expressed as basis point changes. The lagged FOMC windows are 3-day periods ([t, t+2]). The examined period ends on November 28, 2025 in case of each country. ***: $p < 0.01$; **: $p < 0.05$; *: $p < 0.1$.

Table 10: The association between domestic 10-year yields and U.S. 10-year yields, domestic CDS spreads, domestic stock indices and high-frequency monetary policy shocks in the lagged FOMC windows.

Country	Beta (U.S. 10Y)	Beta (CDS)	Beta (Stock index)	Beta (MPS)	Adj. R^2
China	0.31***	-0.78***	-1.65***	49.06***	47.09%
Czechia	0.28***	-0.05	-0.66*	22.40	20.44%
Hungary	0.19	2.16***	-0.82	128.34***	24.87%
India	0.28***	0.21	-0.42	11.51	36.61%
Indonesia	0.24	1.31***	-3.07***	-109.16**	21.05%
Israel	0.42***	-0.03	-0.84**	13.01	46.61%
Malaysia	0.27***	0.34***	0.75**	-18.65*	29.72%
Philippines	-0.13	1.25***	-0.84	-52.52	14.98%
Poland	0.26***	0.87***	-1.04**	9.85	26.92%
Romania	0.18*	0.34	-1.40***	-71.02***	10.41%
South Africa	0.32***	0.75***	-1.65***	4.89	31.61%
South Korea	0.38***	0.55***	0.79**	3.30	36.47%
Taiwan	0.04	0.03	0.06	16.29**	4.52%
Thailand	0.44***	0.60***	-0.07	-11.16	35.76%
Turkey	1.06***	4.66***	3.40*	28.22	29.84%

The table presents regression coefficients and adjusted R^2 measures from the regression specified in Equation (9). The lagged FOMC windows are 3-day periods, starting on the day of the meeting, and ending two days after the meeting. ***: $p < 0.01$; **: $p < 0.05$; *: $p < 0.1$.

Table 11: FOMC meetings and 10-year yields of emerging markets after 2008.

Country	10-year yields			
	Full period (bp change)	FOMC window (bp change)	Non-FOMC window (bp change)	Start of period
Brazil	48.50	-444.90	493.40	02/01/2009
Chile	-60.61	5.40	-66.01	02/01/2009
China	-90.97	-18.19	-72.79	02/01/2009
Colombia	195.00	-106.60	301.60	02/01/2009
Czechia	39.00	31.15	7.85	02/01/2009
Hungary	-132.00	-97.00	-35.00	02/01/2009
India	126.85	-38.95	165.80	02/01/2009
Indonesia	-538.55	-249.35	-289.20	02/01/2009
Israel	-76.60	-200.00	123.40	02/01/2009
Malaysia	37.80	-3.42	41.22	02/01/2009
Mexico	75.00	-476.93	551.93	02/01/2009
Peru	-173.60	-54.10	-119.50	02/01/2009
Philippines	-159.40	-200.35	40.95	02/01/2009
Poland	-29.85	85.60	-115.45	02/01/2009
Romania	-328.90	30.00	-358.90	02/01/2009
South Africa	108.00	-366.80	474.80	02/01/2009
South Korea	-88.70	-133.80	45.10	02/01/2009
Taiwan	-13.50	-68.72	55.22	02/01/2009
Thailand	-46.50	-43.61	-2.89	02/01/2009
Turkey	1775.00	-295.00	2070.00	27/01/2010

Note: 10-year yields are expressed as basis point changes. The FOMC windows are 3-day periods, starting one day before the meeting, and ending one day after the meeting. The examined period ends on November 28, 2025 in case of each country.

Table 12: Daily decomposition of changes in 10-year yields in the FOMC windows after 2008.

Country	**t-1** (bp change)	**t** (bp change)	**t+1** (bp change)	**t-1** (avg. bp change)	**t** (avg. bp change)	**t+1** (avg. bp change)
Brazil	-142.73	-164.81	-141.36	-1.12	-1.29	-1.10
Chile	28.70	19.50	-40.70	0.20	0.14	-0.29
China	53.52	-52.71	-22.10	0.41	-0.40	-0.17
Colombia	161.55	-142.05	-126.10	1.18	-1.04*	-0.92
Czechia	2.60	-14.10	42.65	0.02	-0.10	0.31
Hungary	21.00	31.00	-171.00	0.16	0.23	-1.30
India	23.25	-79.60	2.40	0.18	-0.61	0.02
Indonesia	79.40	-107.00	-198.45	0.60	-0.81	-1.50
Israel	90.95	-107.05	-220.40	0.69	-0.82**	-1.68**
Malaysia	65.43	-31.18	-27.37	0.50*	-0.24	-0.21
Mexico	-51.88	-183.40	-318.65	-0.39	-1.37*	-2.38**
Peru	87.50	-69.40	-72.20	0.62	-0.49	-0.51
Philippines	-127.50	51.05	-119.75	-0.96	0.38	-0.90
Poland	-22.05	51.00	36.15	-0.16	0.38	0.27
Romania	35.90	58.55	-64.45	0.26	0.42	-0.47
South Africa	18.20	-225.00	-166.50	0.14	-1.73*	-1.28
South Korea	-32.90	-1.00	-104.10	-0.25	-0.01	-0.80*
Taiwan	22.66	-26.04	-79.85	0.17	-0.20	-0.61***
Thailand	20.84	-10.83	-70.62	0.18	-0.09	-0.59
Turkey	-200.00	563.00	-658.00	-1.63	4.54	-5.31*

Note: 10-year yields are expressed as basis point changes. The FOMC windows are 3-day periods ([t-1, t+1]). The examined period ends on November 28, 2025 in case of each country. ***: $p < 0.01$; **: $p < 0.05$; *: $p < 0.1$.

Table 13: Daily decomposition of changes in 10-year yields in the FOMC windows after 2008, without outliers.

Country	**t-1** (bp change)	**t** (bp change)	**t+1** (bp change)	**t-1** (avg. bp change)	**t** (avg. bp change)	**t+1** (avg. bp change)
Brazil	-107.68	-121.81	-133.86	-0.87	-0.97	-1.08
Chile	-6.70	-12.20	-6.80	-0.05	-0.09	-0.05
China	40.32	-39.21	-22.10	0.31	-0.30	-0.17
Colombia	83.05	-112.05	-212.30	0.62	-0.82	-1.60*
Czechia	-33.25	-53.25	-33.15	-0.25	-0.40	-0.25
Hungary	0.00	76.00	-134.00	0.00	0.59	-1.04
India	-17.45	-104.60	0.80	-0.14	-0.81**	0.01
Indonesia	154.90	-74.00	-271.15	1.20**	-0.57	-2.10***
Israel	49.05	-85.35	-96.75	0.38	-0.66**	-0.79**
Malaysia	9.53	-31.08	-21.27	0.08	-0.24	-0.17
Mexico	11.12	-240.85	-136.70	0.08	-1.87***	-1.08*
Peru	-30.30	-69.40	-12.70	-0.22	-0.49	-0.09
Philippines	0.70	-20.25	-174.25	0.01	-0.16	-1.32
Poland	-3.70	50.10	23.80	-0.03	0.38	0.18
Romania	100.35	-34.00	-16.30	0.75	-0.25	-0.12
South Africa	1.20	-213.50	-112.50	0.01	-1.74***	-0.91
South Korea	-15.90	-4.70	-88.10	-0.12	-0.04	-0.70*
Taiwan	37.16	-36.79	-65.25	0.29**	-0.29**	-0.52***
Thailand	35.09	-5.58	-84.87	0.30	-0.05	-0.75*
Turkey	67.00	-37.00	-625.00	0.56	-0.31	-5.21**

Note: The top 1% and the bottom 1% percentiles in terms of daily changes of 10-year yields were excluded from the sample. 10-year yields are expressed as basis point changes. The FOMC windows are 3-day periods, ([t-1, t+1]). The examined period ends on November 28, 2025 in case of each country. ***: $p < 0.01$; **: $p < 0.05$; *: $p < 0.1$.

Appendix

Table A. 1: Domestic stock market indices.

Country	Stock market index
Brazil	Sao Paulo SE Bovespa Index
Chile	S&P/CLX IGPA (CLP) Index
China	Shanghai SE Composite Index
Colombia	MSCI COLCAP Index
Czechia	PX Prague SE Index
Hungary	Budapest SE Index
India	Nifty 50 Index
Indonesia	Jakarta SE Composite Index
Israel	TASE-90 Index
Malaysia	FTSE Bursa Malaysia KLCI Index
Mexico	S&P/Bmv Ipc
Peru	S&P/BVL Peru General Index
Philippines	The Philippine Stock Exchange PSEi Index
Poland	Warsaw SE WIG Poland Index
Romania	Bucharest SE BET Index
South Africa	FTSE/JSE SA Top 40 Companies Index
South Korea	Korea SE Kospi Index
Taiwan	Taiwan SE Weighted Index
Thailand	SET Index
Turkey	BIST 30 Index