



EUROPEAN CENTRAL BANK

EUROSYSTEM

## **Benoît Cœuré**

Member of the Executive Board  
European Central Bank

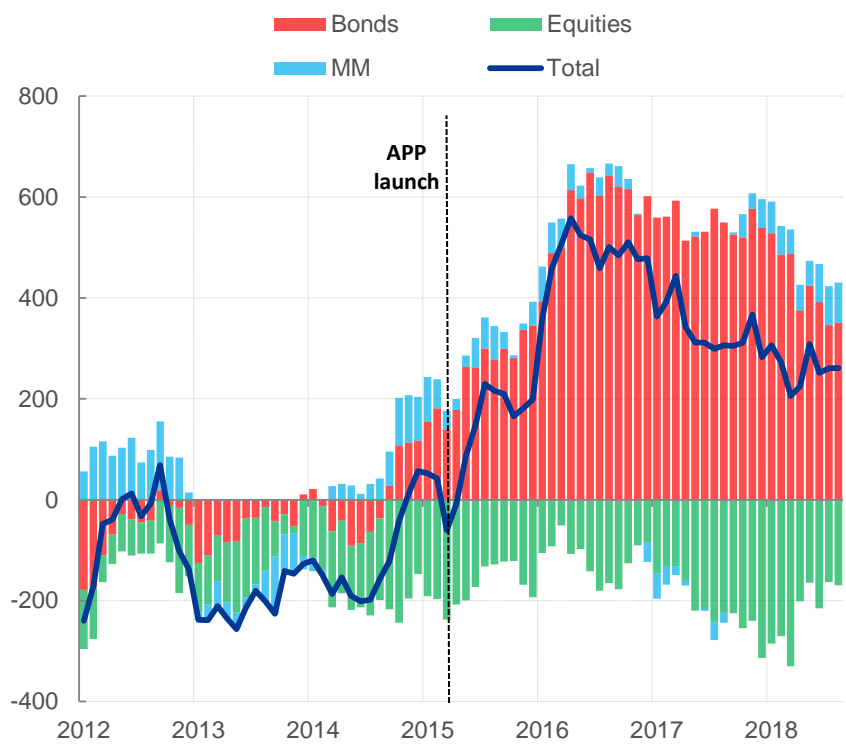
# **The international dimension of the ECB's asset purchase programme: an update**

Paris,

26 October 2018

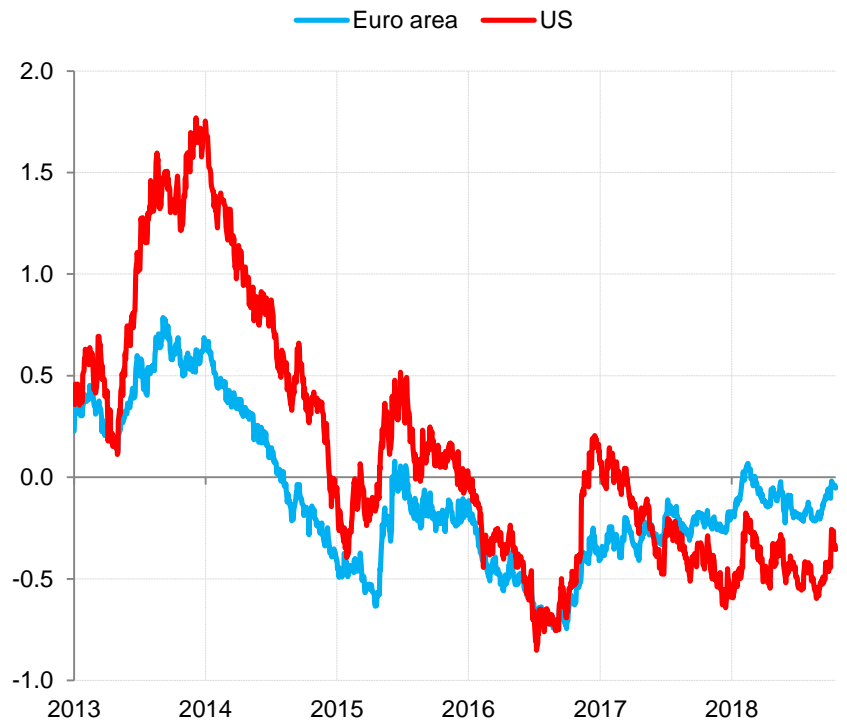
# APP led to notable net capital outflows and a compression of global term premia

Breakdown of euro area net portfolio investment flows  
(EUR billions; twelve-month moving sums)



Source: ECB. Last observation: August 2018. Notes: A positive (negative) number indicates net outflows (inflows) from (into) the euro area. Equity includes investment fund shares. APP stands for Asset Purchase Programme and MM for Money Market instruments.

10-year term premia estimates (%)

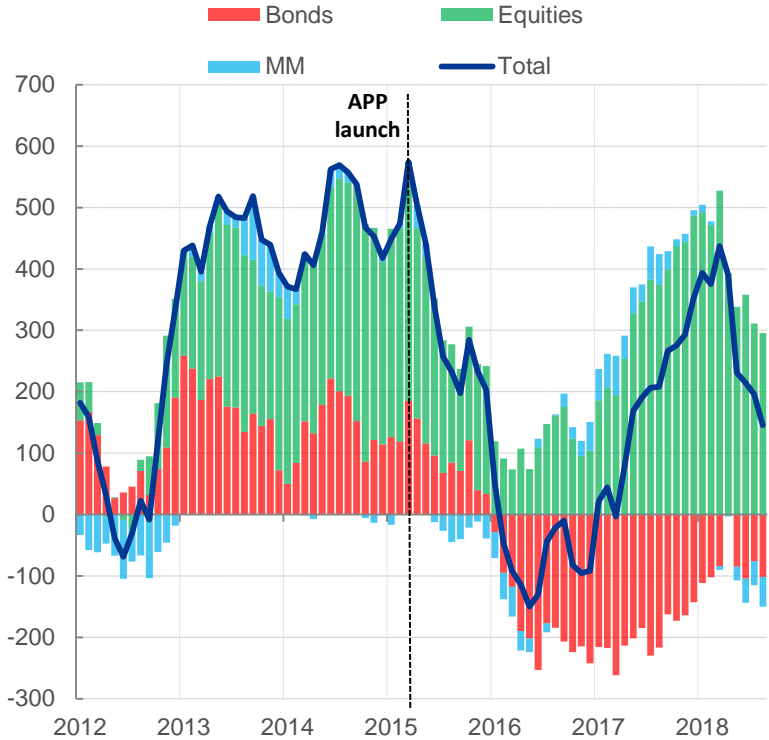


Sources: Federal Reserve Bank of New York and ECB calculations. Notes: US Treasury term premium is based on the term structure model by Adrian, T., R. Crump and E. Moench (2013), "Pricing the Term Structure with Linear Regressions", *Journal of Financial Economics*, 110, pp. 110-138; the euro area OIS term premium is based on the term structure model by Joslin, S., K. Singleton and H. Zhu (2011), "A New Perspective on Gaussian Dynamic Term Structure Models," *Review of Financial Studies*, 24, pp. 926-970.  
[www.ecb.europa.eu](http://www.ecb.europa.eu)

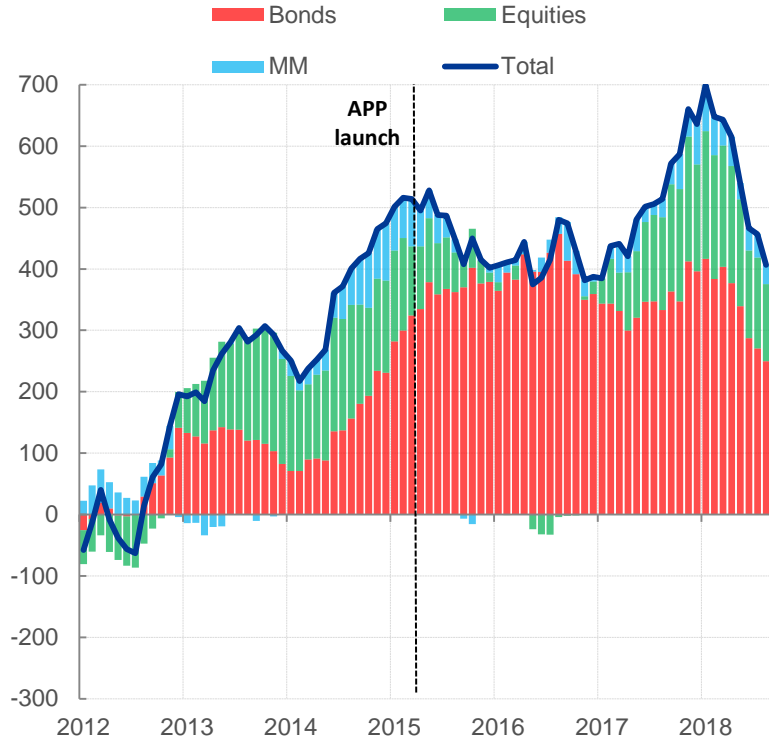
# Euro area bond investors largely unreactive to reduction in net APP purchase pace

## Breakdown of euro area net portfolio investment flows (EUR billions; twelve-month moving sums)

### Non-euro area investors



### Euro area investors



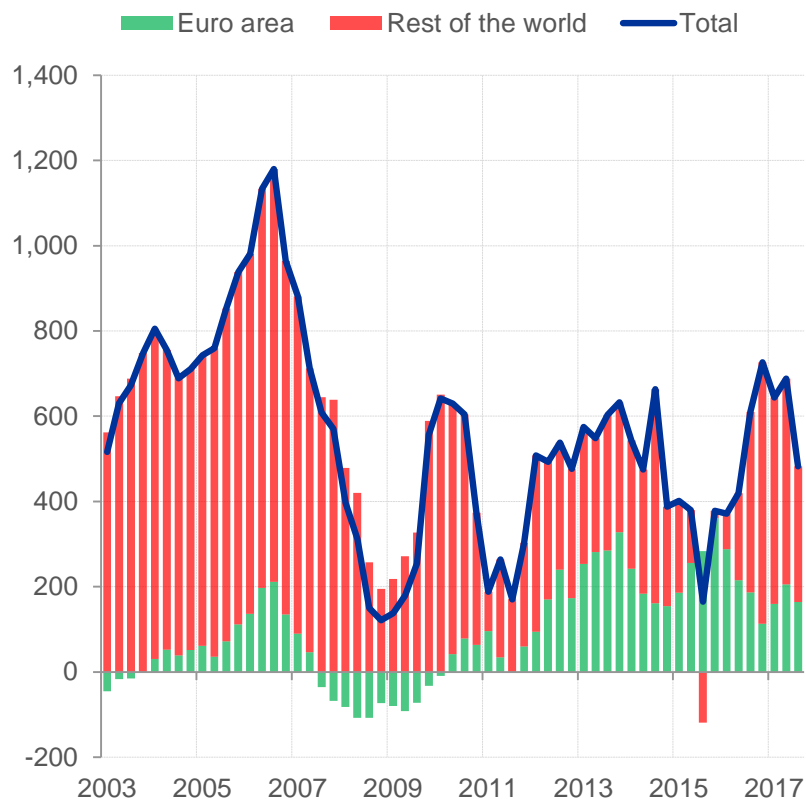
Source: ECB. Last observation: August 2018. Notes: A positive (negative) number indicates net purchases (sales) of euro area securities by non-euro area investors. Equity includes investment fund shares. APP stands for Asset Purchase Programme and MM for Money Market instruments.

Source: ECB. Last observation: August 2018. Notes: A positive (negative) number indicates net purchases (sales) of non-euro area securities by euro area investors. Equity includes investment fund shares. APP stands for Asset Purchase Programme and MM for Money Market instruments.

# Euro area investors remain important buyers of US debt securities

## Foreign net purchases of US portfolio debt securities

(USD billions; four-quarter moving sums)

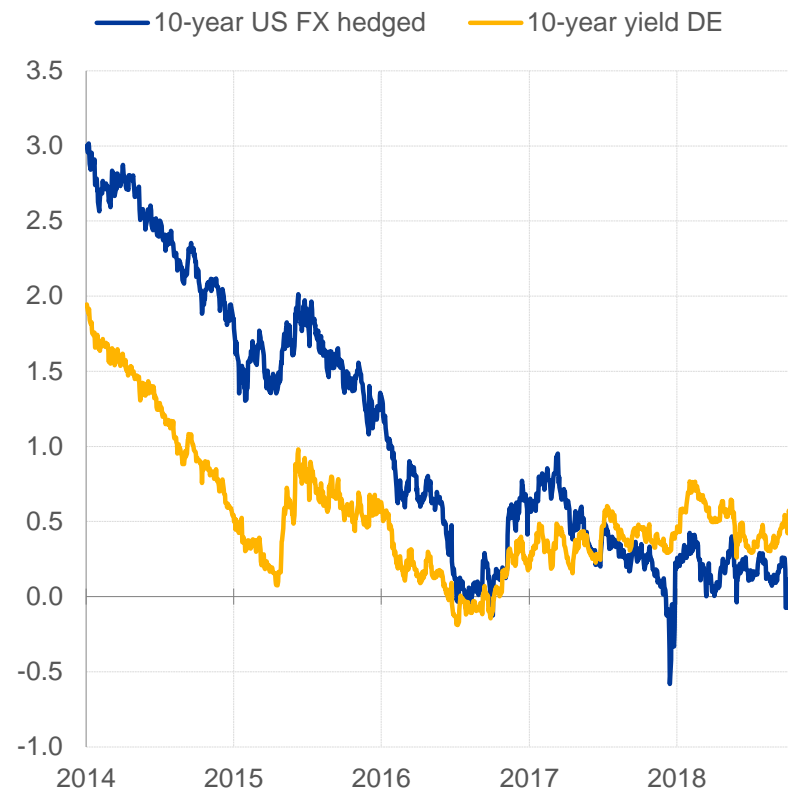


Source: Haver Analytics.

Notes: A positive (negative) number indicates net purchases (sales) of US debt securities by foreign investors.

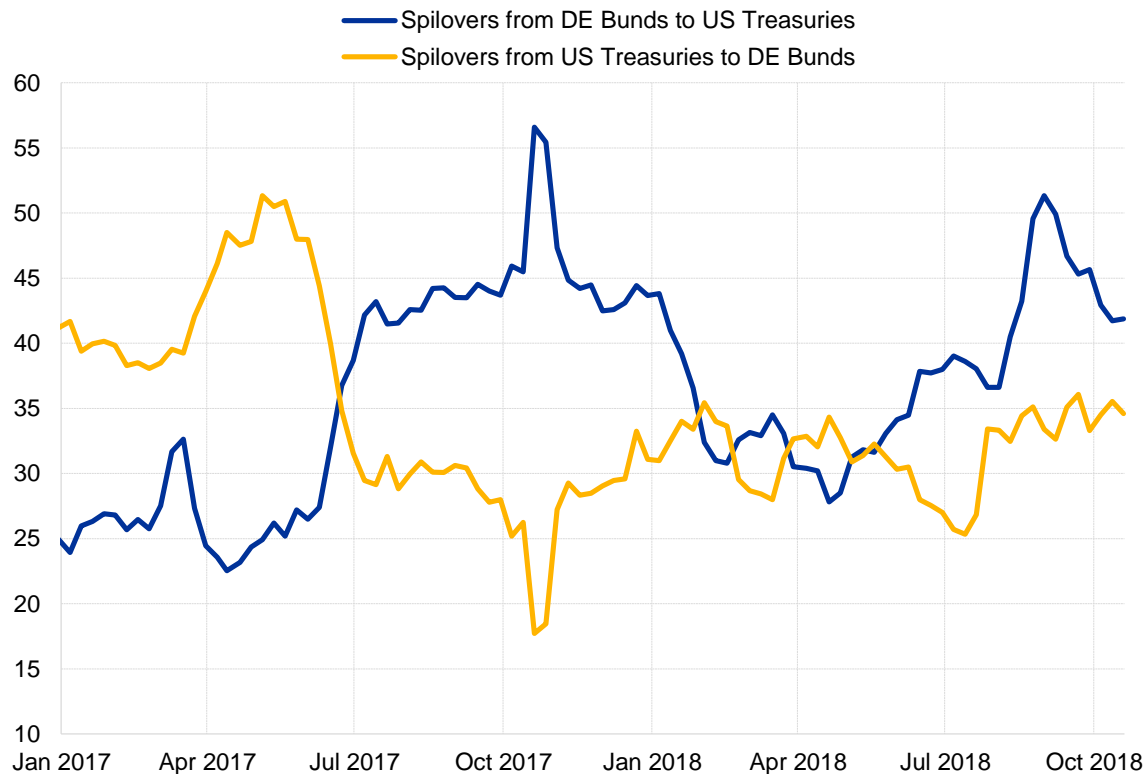
## 10-year Bund and FX-hedged Treasury yields

(%)



Source: Bloomberg. Notes: The 10-year US FX hedged rate is calculated using the yield of 10-year US Treasuries adjusted by a hedging factor based on 3-month EUR-USD basis swap rates on 3-month EURIBOR and 3-month LIBOR.

## Estimated spillovers on long-term bond yields (% contribution to variance of other economy's bond yield)



Sources: Federal Reserve Bank of New York, ECB and ECB calculations.

Notes: Spillover estimates are based on the methodology proposed by Diebold, F. and K. Yilmaz (2012), "Better to give than to receive: Predictive directional measurement of volatility spillovers," *International Journal of Forecasting*, Vol. 28(1), pp. 57-66. They are derived from the forecast error variance matrix inferred from generalized identification of shocks.