Econometric Research in Finance Workshop
Warsaw, Poland, September 16, 2016

Bond market evidence of time variation in exposures to global risk factors and the role of US monetary policy

Author: Thomas Nitschka
Swiss National Bank

Discussant: Piotr Fiszeder
Nicolaus Copernicus University in Torun

Overview of the topic

Interesting empirical study which analyses time variation in excess returns on government bond indexes denominated in a local currency of six developed markets: Switzerland, Japan, Germany, Australia, Canada and the UK.

Questions and remarks

1. It is stated that the CAPM model is applied but the exchange rate term is an additional factor in equations (2) and (4). Is it still the CAPM model or the factor model?

2. Why is not the whole model in US dollar considered for a comparison (all returns denominated in US dollar)?

Questions and remarks

3. The whole analysis is univariate. It would be better to consider the multivariate model and describe relations between the applied bond indices.

4. What is the method of parameters estimation for equations (1-4)? What are the properties of it?

Questions and remarks

5. The method proposed by Müller and Petalas (2010) to approximate parameters paths (sensitivities) is applied. What are the properties of it in a comparison to other methods like the Kalman filter? Is it possible to forecast the sensitivities based on this method?

6. The analysis of relations between the sensitivities and VIX and shadow is the two-stage method. In the first stage the sensitivities are estimated and later treated as given. The results in the secend stage depend heavily on the first stage.

Questions and remarks

7. The contribution is written on three pages, too lengthy and unclear.