

Sovereign Bond Yield Connectedness Among Major Economies During Global Crises: Evidence from the COVID-19 Pandemic and Russia-Ukraine War

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ABSTRACT

Purpose: This research evaluates sovereign bond yield connectedness dynamics among G7 nations and major economies such as China, Russia, and India, encompassing the COVID-19 pandemic and the Russia-Ukraine war periods.

Design/methodology/approach: The study analyzed daily sovereign bond yield data from January 2011 to November 2023, divided into three subsamples: pre-COVID, COVID-19, and Russia-Ukraine war periods. The Diebold and Yilmaz connectedness approach with a Time-Varying Parameter Vector Autoregression (TVP-VAR) model was applied to investigate yield interconnectedness.

Findings: Germany, the US, Canada, and the UK emerged as significant yield transmitters spillovers, with Germany and the US as prime net transmitters. Japan, India, and Italy were net receivers. Japan consistently received spillovers from Canada, Germany, and the USA while transmitting to the UK. Italy mainly received from Germany and France, while China transmitted to the UK, France, Germany, and the USA. The UK shifted from a net transmitter to a receiver during crisis periods.

Practical implications: The study highlights the need for coordinated policy responses and robust risk management strategies in light of the dynamic nature of sovereign bond market linkages during turbulent periods. It emphasizes the importance of monitoring major economies' roles in global financial interconnectedness.

Originality value: This research comprehensively analyses sovereign bond yield connectedness during recent global crises, offering insights into the changing dynamics of financial market interdependencies. It proposes a regulatory framework to manage interconnectedness and enhance financial stability in the face of evolving yield relationships.

Keywords: *Connectedness, Diebold and Yilmaz, Pandemic, Russia-Ukraine War, Sovereign Bonds, Spillover, TVP-VAR, Yields*