



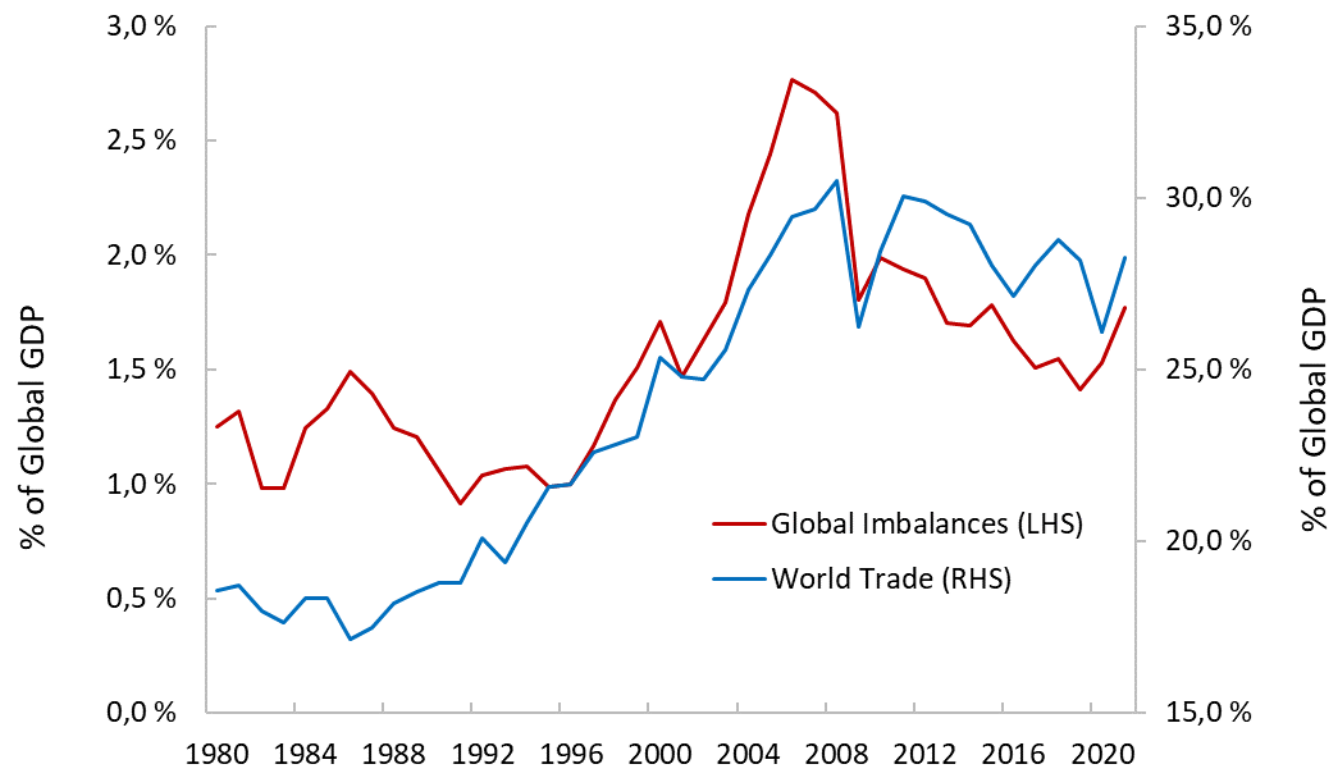
INTERNATIONAL MONETARY POLICY SPILLOVERS

Bellagio event – Paris, 11 January 2024

**SPEECH BY FRANÇOIS VILLEROY DE GALHAU
GOVERNOR OF THE BANQUE DE FRANCE**

GLOBALISATION AND INTERNATIONAL SPILLOVERS: A SHIFT TOWARD DEGLOBALISATION?

Figure 1: Globalisation indicators (% of global GDP)



Source: IMF and World Bank.

DEPENDENCE BETWEEN US AND EURO AREA YIELDS RUNS BOTH WAYS

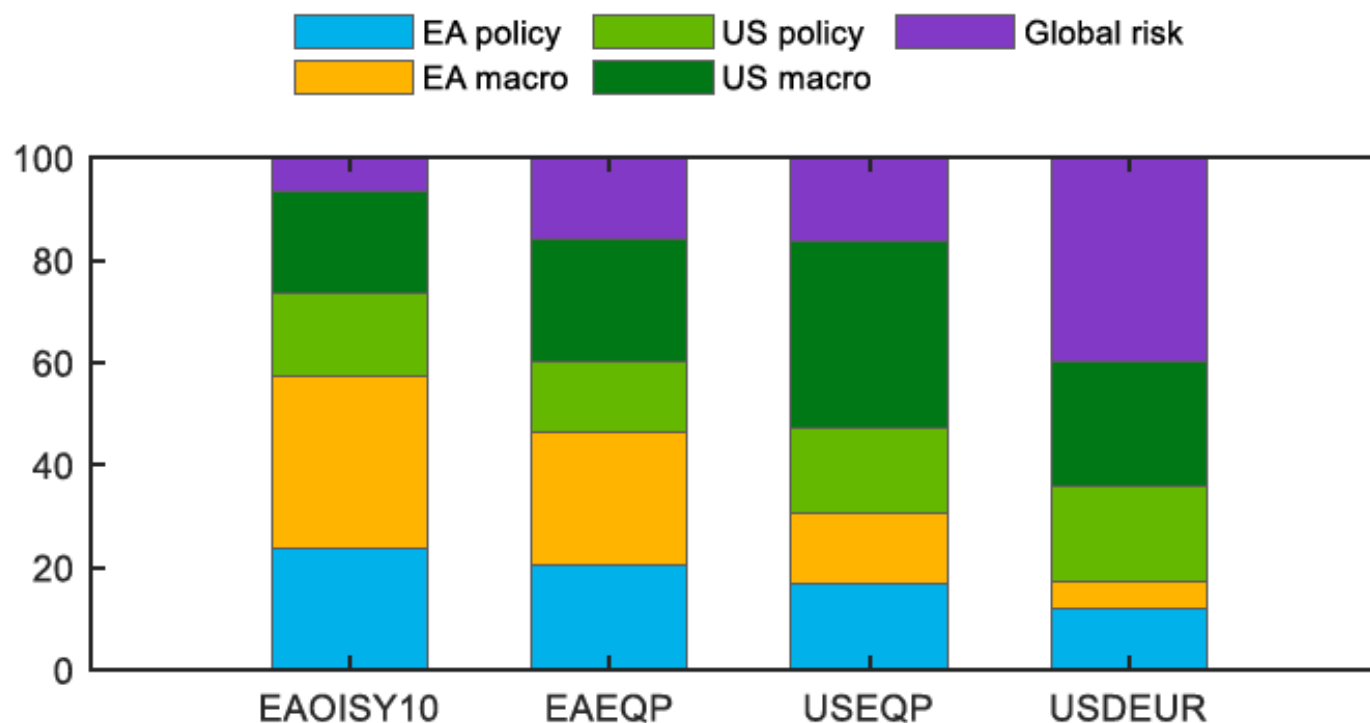
Figure 2: Granger causality test between US and EA yields at different maturities
(dark green= causality accepted at 1% significance; pale greens=causality accepted at 5% and 10% significance; red= causality rejected)

		1-year	3-year	7-year	10-year
US to EA	Yields	Dark Green	Dark Green	Dark Green	Dark Green
	Expectations	Dark Green	Dark Green	Red	Red
	Term premium	Pale Green	Red	Pale Green	Light Green
EA to US	Yields	Dark Green	Dark Green	Dark Green	Pale Green
	Expectations	Dark Green	Dark Green	Red	Red
	Term premium	Pale Green	Red	Light Green	Dark Green

Source: Banque de France staff estimations. The table reports the results of a Granger-causality test between US and euro area yields, as well as their rate expectations and term premium components. A dark green cell indicates that the null hypothesis of “no Granger causality” is rejected at 1% significance. Pale greens indicate 5% and 10% significance. Red indicates that the null hypothesis of “no Granger causality” cannot be rejected.

BUT INTENSITY OF CROSS-BORDER SPILLOVERS IS ASYMMETRIC AND DIFFERS ACROSS ASSETS

Figure 3: Variance decomposition (percent share of explained variation)



Source: Brandt et al. (2021). The chart shows the variance decomposition of 10-year euro area OIS yields (EAOISY10), euro area stock prices (EAEQP), US stock prices (USEQP), and euro-dollar exchange rate (USDEUR) based on a daily BVAR model decomposing euro area and US asset prices into their underlying domestic and foreign drivers. The model is estimated over 1999-2023.

