

International Appetites for Foreign Equities



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By Board of Governors of the Federal Reserv

Createspace Independent Publishing Platform, United States, 2014. Paperback. Condition: New. Language: English . Brand New Book ***** Print on Demand *****.Using data from the IMF Coordinated Portfolio Investment Surveys conducted in 2001, we analyze the determinants of 31 countries international equity holdings. We show that investors in all countries underweight U.S. equities in their portfolios, many by more than they underweight foreign equities in general. Such behavior is surprising given the common perception of the United States as a desirable investment destination due to its well-developed legal and regulatory environment. Instead we find that investors in some countries are overweight in equities from other countries with which they have close regional or political ties. Such ties, along with distance, trade, issuance of U.S. ADRs or cross-listing on the London Stock exchange, market concentration, and estimated betas help explain patterns of diversification. However, even when all these variables are included, we find significant fixed effects for most countries, suggesting that a considerable amount of cross-country variation in investment positions and in home bias remains to be explained. Our work confirms previous findings and extends results most completely documented for the United States to other major investor countries. But it also suggests...



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