Abstract

This study examines the effect that news dissemination has on the price of the sovereign debt of Venezuela. Using intradaily data, results show that 39 of the 69 greater fluctuations observed between January, 4th and June, 7th of 2005, can be related to news dissemination. 64.4% of the news are of macroeconomic nature. Secondly, are the news related to oil, with 22.2%. The news of political nature represented 13.3% of the total. In order to validate the data found in this study, we proceeded to apply a second methodology constructing a statistical regression model finding that 70.4% of the variations in the price of bonds of the Venezuelan external debt can be explained by the mentioned variables. In the first place, by the variations of the prices of bonds of Brazil and the North American treasury bonds (70.3% and 5.3% of significance, respectively), which is consistent with first methodology. Then, with smaller relevance, appear news of economic policy and the variations of oil prices (2.7% and 1.2%, respectively). Interestingly, the effect of oil prices is not significant in this period and the political news affect the price of the debt. Possible explanations of these findings are offered in the work.

Keywords

emerging markets, Venezuelan external debt, capital markets efficiency