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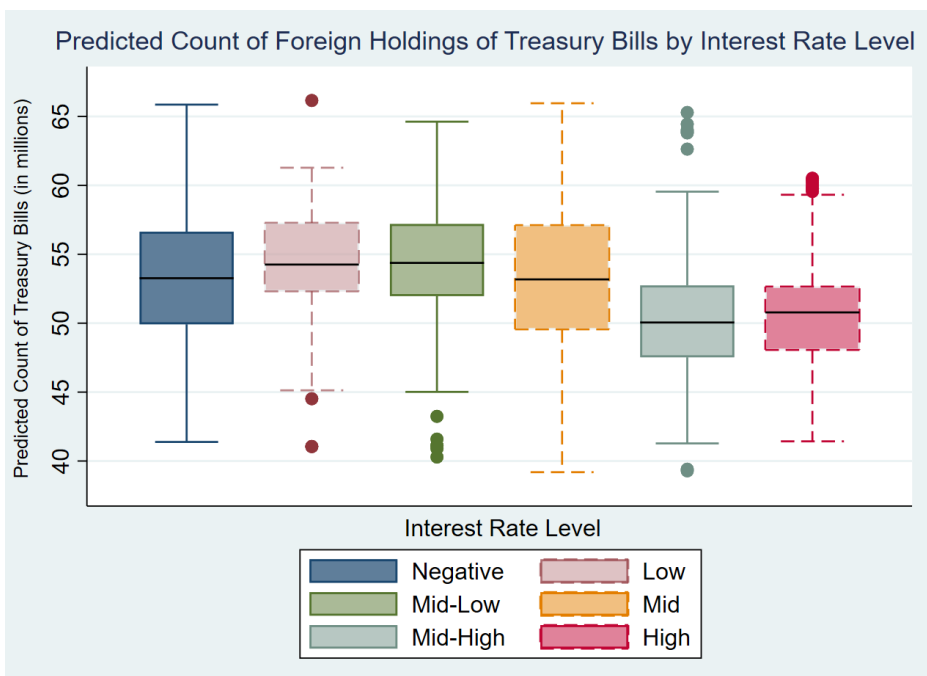
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# Low and Negative Foreign Interest Rates: Their Impact on the Level of Foreign Holdings of U.S. Treasury Bills

Prepared by Christopher Arnold '20

Eastern Economic Conference, Boston, MA

Faculty Advisors: Dr. Fang Dong and Dr. Leo Kahane



	(1)	(2)	(3)	(4)
Count of Total Treasury Bills	Fixed Effects Poisson	Fixed Effects Poisson Robust Standard Errors	Fixed Effects Poisson Robust Standard Errors	Fixed Effects Poisson Robust Standard Errors
Real Interest Rate	-0.702*** (0.000150)	-0.702 (0.654)		
Negative Interest Rate Dummy			0.240*** (0.0625)	
2. Low				-0.222** (0.0983)
3. MidLow				-0.188*** (0.0418)
4. Mid				-0.346*** (0.0866)
5. MidHigh				-0.0301 (0.169)
6. High				0.177 (0.220)
Monetary Policy Interest Rate	-0.0421*** (3.69e-06)	-0.0421** (0.0171)	-0.0326* (0.0172)	-0.0329* (0.0179)
Government Bond Yield	-0.0752*** (6.50e-06)	-0.0752** (0.0350)	-0.0749** (0.0306)	-0.0703** (0.0292)
Change in Fx	0.0503*** (0.000100)	0.0503 (0.129)	-0.0340 (0.159)	0.0339 (0.146)
CPI All Items (2010)	0.00809*** (5.23e-07)	0.00809*** (0.00228)	0.00765*** (0.00205)	0.00707*** (0.00214)
Current Account / GDP	-2.039*** (0.000191)	-2.039** (0.913)	-1.839*** (0.671)	-1.576*** (0.575)
Capita Account / GDP	-0.00932*** (0.000663)	-0.00932 (1.181)	0.446 (1.030)	0.606 (1.140)
Log Total Trade	0.651*** (4.63e-05)	0.651*** (0.232)	0.593** (0.236)	0.686*** (0.253)
Log GDP	0.290*** (3.37e-05)	0.290** (0.125)	0.435*** (0.135)	0.477*** (0.145)
Change in Unemployment Rate	0.000720*** (5.48e-07)	0.000720 (0.00219)	0.00113 (0.00217)	0.000594 (0.00241)
Log Population	1.601*** (0.000204)	1.601 (1.345)	1.596 (1.270)	1.510 (1.397)
Observations	1,079	1,079	1,079	1,079
Number of C_N	87	87	87	87

Standard errors in parentheses  
\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

## Results

Table 2 displays the regression results and coefficients. Overall the model was highly significant.

The box plot to the left illustrates the inverse relationship between the real interest rate in foreign countries and the level of foreign investment in U.S. Treasuries.

Countries facing negative interest rates are expected to hold 24% more Treasury bills compared to countries experiencing a positive interest rate.

Economic and Financial composition variables proved to be very significant throughout the estimation.

Future research and improvements will include model estimation, dataset, and an enhanced theoretical model.

*“The conference humbled me in many ways, as I was able to share my research and gain constructive advice and ideas for future research on my topic. I was also able to see what my fellow undergraduates had accomplished in their own projects, as well as other professional economists research presentations. Most importantly, the experience motivated me to continue my work in economics after my undergraduate studies and move into research beyond my comfort zone.”* – Christopher Arnold