ABSTRACT

This research aimed to analyze the effect of GDP growth, inflation, interest rates, and volatility index on bond yield spread in Indonesia, Malaysia, and Thailand compared to United States of America as a benchmark country. Beside that, this research also aimed to analyze causality among yield spreds of sample countries. This research comprises 10-year sovereign bond with monthly data in period of 2006 – 2015.

The whole variables in this research are monthly data including sovereign bond yield spread, GDP growth, inflation, interest rates, and volatility index. All data derived from different sources including Bloomberg, Asian Development Bank, and central bank. Method used in this research is Johansen cointegrating test, Vector Error Correction Model (VECM), and Granger causality test.

This research has different results in each sample country. Inflation shows positive and significant effect on bond yield spread in Indonesia. It is the same with volatilititility index that volatility index has positive and significant effect on bond yield spread in all sample countires such as Indonesia, Malaysia, and Thailand. Meanwhile interest rates show negative and signfiicant effect on bond yield spread in Indonesia.

Keywords: Sovereign Bond yield spread, GDP Growth, Inflation, Interest Rates, Volatility Index, VECM