

591 Views | 0 CrossRef citations to date | 0 Altmetric


Articles

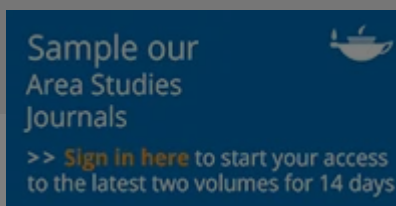
Exploring the benefits of international government bond portfolio diversification strategies

Jonathan Fletcher , Krishna Paudyal & Timbul Santoso

Pages 1-15 | Received 30 Aug 2017, Accepted 01 Mar 2018, Published online: 20 Mar 2018

 Cite this article  <https://doi.org/10.1080/1351847X.2018.1450279>

 Check for updates



 Full Article

 Figures & data

 References

 Citations

 Metrics

 Reprints & Permissions

Read this article

ABSTRACT

We use t... on benefits
of invest... g constraints
substant... only
investing... ficant
diversifi... dex, and
emerg... . The
super... d that the
diversifi...

We Care About Your Privacy

We and our 842 partners store and/or access information on a device, such as unique IDs in cookies to process personal data. You may accept or manage your choices by clicking below, including your right to object where legitimate interest is used, or at any time in the privacy policy page. These choices will be signaled to our partners and will not affect browsing data. [Privacy Policy](#)

We and our partners process data to provide:

Use precise geolocation data. Actively scan device characteristics for identification. Store and/or access information on a device. Personalised advertising and content, advertising and content measurement, audience research and services development.

List of Partners (vendors)

I Accept

Essential Only

Show Purpose



KEYWORD

JEL CLA

Previous article

view issue table of contents

next article >

Disclosure statement

No potential conflict of interest was reported by the authors.

Notes

- 1 Studies of international diversification are dependent on the currency chosen. Hentschel Kang and Long ([2002](#)) use the numeraire portfolio approach of Long ([1990](#)) to evaluate the diversification benefits of investing in zero-coupon bonds in the U.S., U.K., and Germany, which is invariant to the currency chosen.
- 2 We also consider performance measures based on Value at Risk (VAR) and Conditional VAR measures developed by Alexander and Baptista ([2003](#)).
- 3 We also examine the impact of a combined upper bound constraint on the emerging market bonds.
- 4 A partial list of studies that evaluate the benefits of international diversification using the mean-variance approach include Bekaert and Urias ([1996](#)), Li et al ([2003](#)), Ehling and Ramos ([2006](#)), Eiling, Gerard, Hillion and de Roon ([2012](#)), Hodrick and Zhang ([2014](#)), Briere et al ([2016](#)), and Liu ([2016](#)) among others.
- 5 The CER performance measure is commonly used to evaluate the performance of mean-variance trading strategies such as Kan and Zhou ([2007](#)), DeMiguel, Garlappi and Uppu ([2009](#)). In contrast to the Sharpe ratio, the CER is independent of the level of risk aversion. For example, recent studies include Liu ([2016](#)) and Liu ([2016](#)).
- 6 Recent studies include Liu ([2016](#)) and Liu ([2016](#)).
- 7 We also examine the impact of a combined upper bound constraint on the emerging market bonds.
- 8 An alternative approach is to use the CER performance measure. For example, recent studies include Liu ([2016](#)) and Liu ([2016](#)).

14 Basak et al ([2002](#)) find that the standard error of their mean-variance inefficiency measure increases when no short selling constraints are imposed. Basak et al point out that this occurs because the linear approximation of a nonlinear function is less reliable when there are no short selling constraints.



