Investors looking abroad prefer to buy bonds in their home currency or the US dollar

➔ Investors may be more averse to currency risk than previously thought, holding most of their bond portfolio in securities issued in their own currency, according to research by Harvard’s Matteo Maggiori, Chicago Booth’s Brent Neiman, and Columbia’s Jesse Schreger.

➔ The researchers analyzed international capital flows from investors’ purchases of corporate securities, using a data set from Morningstar that provided information about $27 trillion in investment positions.

➔ The research finds that most of investors’ foreign holdings were denominated either in the investors’ own currency or in US dollars. Companies issuing bonds in US dollars had little difficulty drawing interest from non-US investors.

➔ The US dollar’s dominance in cross-border holdings of corporate bonds has surged since the 2007–10 global financial crisis, while the euro’s share has lost ground.