

## **America First? A US-centric view of global capital flows**

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### **Abstract**

A number of papers posit a unique role for the US in the international financial system (Rey 2015, Cerutti et al. 2017). This paper investigates the characteristics and determinants of US financial flows and examines how these compare and contrast with those of the rest of the world. Specifically, we combine IMF International Financial Statistics and bilateral US Bureau of Economic Analysis data to investigate the importance of US variables such as the VIX, Federal Reserve standard and non-standard monetary policy, and the US dollar exchange rate. We then investigate the relative importance of US, country-specific, and global variables by comparing the results of estimations of aggregate US financial flows with those using bilateral US financial flows, and country-level financial flows excluding those to and from the US. The econometric results indicate that variation in US variables has a quantitatively important influence on global financial flows, but that global and national risk indicators perform better in explaining rest of the world flows. Moreover, we find that the correlation between US and rest of the world flows is higher around periods of elevated uncertainty. We interpret this as evidence supporting the existence of a global financial cycle, some of which is driven by policies and events in the US.