

Spatial dependence in Sovereign Wealth Funds' investments

Abstract: The aim of this paper is to identify the driving forces of Sovereign wealth funds' investments. For this, we develop an original econometric framework that quantifies the role of spatial dependence in the location of investments, and uses the Inverse Hyperbolic Sine transformation of the dependent variable in a spatial panel model context. This transformation copes with two features of net flows, namely an highly skewed distribution and the presence of zero and negative values. Using a large-scale database, we provide evidence of negative spatial dependence, investments in one country being on average at the expense of its neighbors.