

Cross-Border Spillovers: How U.S. Monetary Conditions Affect M&As Around the World*

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Abstract

We study how U.S. monetary policy shocks transmit to cross-border merger and acquisition (M&A) activity. Using country- and firm-level data, tighter U.S. policy is shown to reduce both the value and the number of cross-border deals. The effects are especially pronounced for acquirer firms with larger foreign-currency liabilities, consistent with a net worth channel. Reflecting agency motives for acquisitions, deals announced under more accommodative U.S. conditions underperform ex post, indicating potential capital misallocation.

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How do monetary conditions established in core reserve currency countries spill over to the rest of the world? The growing literature examines various aspects of this question (see, for example, Ammer et al., 2016, Jiang and Xu, 2019, Kalemli-Ozcan, 2019, and Rey, 2013).

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Much of this literature focuses on cross-border lending specifically and on capital flows more generally. In this paper, we explore another facet of spillovers from monetary policy in core countries: its effect on cross-border mergers and acquisitions (M&As) around the world.

Why does this matter? A corporate acquisition is a way to reallocate ownership and control over existing corporate assets. Much is already known about the assets being acquired. Furthermore, the immediate associated investments are relatively large compared to the size of the acquiring company (in contrast to investments in greenfield projects, which take time to build). Importantly, acquisitions are usually accompanied by a significant increase in capital obligations taken on by the acquirer to finance the bid. The mere change of ownership does not automatically bring productivity gains and might even be inefficient, while the consequences of any added leverage to finance the acquisition may not be easily reversed, magnifying its longer-term consequences (see Gourinchas and Obstfeld, 2012). This allows the acquirer's stock price reaction to the merger announcement to serve as a reliable gauge of the perceived quality of the investment decision at that time. So the acquisition is a distinct form of investment with a measurable proxy for quality. By focusing on those that are cross-border (and using a method of identification we describe below), we can isolate a spillover from core country monetary policy on investment allocations. As a bonus, we can analyze how the perceived quality of the resulting investment varies with core country monetary policy (as evidenced by acquirer stock price reactions). These are the central contributions of the paper.

The cyclical aspects of asset reallocations have been studied within countries. In the United States, Maksimovic and Phillips, 2001 show that the fraction of plants that change hands per year is higher in expansion years than in recession years, consistent with easier access to financing that facilitates asset reallocation during expansions. Similarly, Eisfeldt and Rampini, 2006 show in the United States that capital reallocation and asset sales are procyclical. However, they find that the benefit of reallocation in terms of potential productivity gains can be countercyclical.

Our focus is on cross-border acquisitions. There are multiple reasons why these could take place between a pair of countries (see Erel et al., 2012 for a comprehensive analysis; and Erel et al., 2022 for a review of the literature on cross-border M&As). Many of those reasons do not fluctuate significantly over time. For instance, some countries may simply prohibit acquisitions while others may welcome them, some country pairs may be economically, geographically, culturally, linguistically, or politically close while others may

not (unfortunately, neighbors can be deadly enemies), some countries may be dominated by state sector enterprises, others not, some may have prohibitive taxes or impediments to greenfield investment, others not. Disentangling these effects, both on the organic growth versus acquisition decision, and on how that decision varies across country pairs, is a hugely ambitious task. Fortunately, our focus is narrower. We intend to examine how acquisition activity between countries fluctuates over time and to what extent it can be deemed a spillover from core country monetary policy conditions. Because we examine deviations in acquisition activity over time for specific country pairs, we avoid having to explain the level of activity between them.

There are a number of reasons why M&As activity can vary with global monetary conditions, for instance as transmitted through exchange rates. The traditional view is that changes in real effective exchange rates should affect the competitiveness of production. It may be cheaper to produce in a country when its real effective exchange rate is more depreciated. So *ceteris paribus*, a sustained appreciation in a country's real effective exchange rate should make it more likely for acquirers to emanate from there (they look for cheaper locales in which to produce) and less likely to have targets (it is a more expensive locale for production).

Yet, more than changes in real exchange rates, it may be changes in local financing conditions, induced by changes in monetary conditions at the core but also by nominal exchange rate changes, that affect cross-border M&A activity. Start with a common easing in local financing conditions driven by a reduction in global real interest rates stemming from monetary easing at the core. Easier access to financing in the acquirer country should make acquisitions, both domestic and cross-border, easier. Similarly, easier financing in the target country should lead to more domestic acquisitions, increasing the liquidity of assets, and easing cross-border acquisitions also.

Importantly, our experimental design allows for the possibility of differential changes in access to finance in the acquirer's country and in the target country, even if the common impulse for change, changes in the monetary conditions at the core, is similar. Specifically, changes in a country's nominal exchange rates, induced by changes in policy at the core, will also have differential effects on the country's corporations through their foreign exchange liabilities. In Diamond et al., 2020, an appreciation of the domestic exchange rate increases the net worth of industry insiders who have borrowed in foreign currency, allowing them to make bids for other players in the industry and for firms elsewhere. Spillovers from easier

monetary conditions at the core are particularly important, since their persistence could lead to a durable domestic exchange rate appreciation, and thus a durable increase in domestic industry net worth and financing capacity. Clearly, this "net worth" channel would increase the capacity of firms in that country to acquire firms in other countries.

In potential target countries, when domestic corporates carry large foreign exchange liabilities, an appreciation of the domestic currency once again raises firms' net worth by reducing the local-currency value of their debt. This increases the market valuation of targets, which can reduce the probability of acquisitions by making them more expensive for potential acquirers. At the same time, stronger balance sheets relax financing constraints, leading to easier domestic credit conditions: banks are more willing to lend, and asset liquidity improves, making it easier for acquirers to borrow against target assets. These opposing forces imply that the effect of domestic currency appreciation—driven by easier monetary conditions at the core—on the likelihood of firms becoming acquisition targets is theoretically ambiguous.

Diamond et al., 2020 argue that the additional borrowing (to finance acquisitions) during the period of easy monetary conditions also makes M&A activity more pro-cyclical. Since well-financed industry insiders tend to neglect to maintain other sources of financial access in liquid times (for instance, by neglecting corporate governance), financing becomes disproportionately asset-based. So a tightening in core monetary conditions would reduce industry net worth, access to finance, as well as merger activity significantly (see also the evidence in Hofmann et al., 2019).

What about efficiency? To the extent that corporate acquisitions are efficient reallocations of control, a reduction in the financial frictions preventing acquisitions should improve efficiency. However, to the extent that acquisitions are destructive of value in general and reflect agency problems such as empire-building tendencies in the acquirer, the reduction in financial frictions that prompt acquisitions could generate an excessive number of value-reducing acquisitions.

We take these theories to the data and find that monetary conditions in the core have significant spillover effects on cross-border M&As at the country level. On average, a 100 basis point (one percentage point) unexpected tightening U.S. monetary policy (i.e., an increase in the monetary policy shock) is associated with approximately a 7% decline in the aggregate value of cross-border M&A transactions. These spillovers are more pronounced in countries with a higher stock of liabilities denominated in foreign currency. In particular,

a one percentage point tightening in U.S. monetary policy is associated with an estimated decline in cross-border M&A activity of approximately 0.83% for an acquirer country at the 25th percentile of net FX liabilities (e.g., Brazil or Portugal), compared to more than 5.21% decline for a country at the 75th percentile (e.g., Belgium or Tunisia).

Firm-level evidence echoes this heterogeneity. A one percentage point monetary tightening in the U.S. reduces the probability of a firm engaging in a cross-border acquisition by approximately 1.5 percentage points for a firm at the 25th percentile of FX liabilities, compared to 2.5 percentage points for a firm at the 75th percentile. These results underscore the amplification role of FX exposure in transmitting global monetary conditions to real corporate behavior.

We also explore potential spillovers to target countries. While point estimates suggest a similar effect, these results are not statistically robust, indicating that the main channel of transmission operates through acquirer-country exposures.

Finally, we analyze the consequences of these deals for corporate values by examining acquirer stock returns around M&A announcements and their relationship to the U.S. monetary policy stance. We document a robust positive association between tighter U.S. monetary conditions and acquirer excess returns.

Indeed, a number of acquisitions that reduce acquirer value occur precisely during periods of unexpectedly loose monetary policy, with mean excess returns in such episodes turning negative. Taken together with the increase in deal volume under accommodative policy in the core, the evidence points to a dual pattern: easier U.S. monetary conditions are associated with both a greater number of cross-border acquisitions as well as acquisitions of lower quality elsewhere, suggesting the potential for such spillovers to contribute to capital misallocation globally.

Apart from allowing us to examine stock price reactions to deals, our firm-level analysis strengthens a causal interpretation of our findings. First, M&As take place at the firm level while monetary conditions are adopted at the core-country level. Therefore, our firm-level estimates are less susceptible to reverse causality concerns since deals that take place at a highly disaggregated level are unlikely to affect a macroeconomic policy variable like monetary conditions or exchange rate, particularly when the former is set by another country, the United States. Second, we have a firm-level proxy for its foreign exchange liabilities rather than its actual foreign exchange liabilities, which reduces concerns about endogeneity of those

liabilities. Finally, we include acquirer firm fixed effects, which also allows us to control for all time-invariant observable and unobservable acquirer firm-level drivers of cross-border deals. Additionally, as a robustness check, we include the interaction between acquirer-country and time fixed effects, which account for all observable and unobservable acquirer-country and time-varying factors.

Ours is not the first paper to evaluate the effect of global monetary conditions and exchange rates on acquisition activity. Pelli, 2018, for example, uses firms in Switzerland to show that a sudden, sizeable, and persistent appreciation of the Swiss Franc is associated with reduced cross-border M&A activity targeting domestic firms relative to comparable countries, especially for high-tech firms. However, Fransson, 2010 finds mixed evidence of any relationship between M&A inflow and the exchange rate; the Euro area and the UK show evidence of increased M&A inflows when the currency is weak, while there are some signs of the opposite relationship for the U.S. and Sweden. Finally, Georgopoulos, 2008 use bilateral Canadian-U.S. industry level count data on cross-border M&As and finds evidence that a real dollar depreciation of the home currency leads to an increase in the probability of acquisitions by foreign firms, but only in high R&D sectors.¹ Unlike these papers, our focus is not on the direct effect of exchange rates on acquisition activity, but the effect as mediated through foreign exchange liabilities, changes in net worth, and thus ease of financing.

Our paper is most closely related to Erel et al., 2012. While their focus is on the more persistent determinants of cross-border M&A activity between country pairs (such as a common language or physical proximity) that are absorbed by our fixed effects, they also examine the effect of relative changes in valuation through exchange rate and stock market appreciation. They find an increase in acquisitions when the acquirer country's exchange rate and stock market appreciate relative to the target country. In a similar vein, di Giovanni, 2005 estimates a gravity model using a panel dataset of cross-border M&A deals for the period 1990–1999, and finds that the size of financial markets, as measured by the stock market capitalization to GDP ratio, has a strong positive association with domestic firms investing abroad. He interprets the evidence as pointing to the importance of domestic monetary conditions in stimulating international investment during the boom years of the 1990s. In more recent work, Chari, 2021, suggests that financial considerations

¹Other related papers on the exchange rate spillovers are Ammer et al., 2016 and Tietz, 2020. The latter estimates the real effects of U.S. monetary policy on investment in 36 countries, and establishes that exchange rate regimes play an important role, with reductions in business investment after U.S. monetary tightening being the largest in countries with pegged or managed exchange rates.

such as liquidity provision are often a determining factor in M&A transactions. Cheap financial capital based on acquirer-country valuations can drive international buying sprees. Alternatively, undervalued assets in target countries could also provide an important incentive for cross-border M&A activity. These factors can gain further importance during crises when financial constraints bind.²

In comparison to those papers, our contribution is twofold. First, we use global data on M&As to focus on the effect of a common source of spillovers, the policy settings in the core country, but via its interactions with foreign currency liabilities of corporates. In comparison with di Giovanni, 2005, which highlights the role of domestic monetary conditions in driving M&As in the 1990s, our paper points to the importance of global monetary conditions since 2000.

Second, to the best of our knowledge, we are the first to compare the expected performance of cross-border M&A activity during loose vs. tight core country monetary conditions, thus analyzing the potential misallocation effects of their spillovers. A significant body of research investigates asset market, informational, and cultural barriers preventing the efficient allocation of capital across the world. This literature primarily focuses on foreign direct investment (FDI), international banking, portfolio equity, and debt flows (Portes and Rey, 2005; Aviat and Coeurdacier, 2007; Alfaro et al., 2008, 2020; Lane and Milesi-Ferretti, 2008. Most recently, Fonseca et al., 2023 look at the internationalization of control of listed corporations through indirect investment, often via special purpose vehicles (SPVs) and holding companies in offshore centers. Our paper contributes to this strand of literature by documenting the (global) conditions under which corporate acquisitions might lead to misallocation.

The remainder of the paper is organized as follows. Section I describes the data. Section II presents country-level evidence on spillovers from U.S. monetary policy shocks and the role of FX liabilities. Section III turns to the firm-level analysis. Section IV analyzes acquirer stock-price reactions around M&A announcements. Section V concludes.

²Baker et al., 2009 establish similar mechanisms more generally for FDI flows.

I Data

I.A Country-level M&As

A deal is classified as cross-border when the acquirer and target are located in different countries, while domestic M&As occur when the acquirer and target are in the same country. For the country-level analysis, we obtain data on M&As from SDC Platinum’s Merger and Corporate Transactions database between 2000 and 2019. We define the transaction timing as the announcement date of the deal. Consistent with Erel et al. (2012), we exclude transactions such as leveraged buyouts, spinoffs, recapitalizations, self-tender offers, exchange offers, share repurchases, partial stake acquisitions, purchases of remaining interest (i.e., cases in which the acquirer already holds a majority stake and moves to full ownership), and privatizations, in order to isolate acquisitions where the acquirer gains control and the final data contains genuine direct investment activity.³

Our final sample comprises 560,118 completed deals representing acquirers from over 180 advanced, developing, and emerging market economies, with a combined transaction value of US\$41.1 trillion. Cross-border transactions represent 32.6% of the total, which is approximately US\$13.4 trillion in value. Although our primary focus is on cross-border M&As we will also examine domestic deals, both as a benchmark and to capture broader patterns in acquisition activity. To isolate the international spillovers of U.S. monetary conditions—especially through the dollar—we conduct the analysis both with and without U.S. firms as acquirers or targets.

The average size of a cross-border deal in our sample is US\$255.45 million. However, the distribution is highly skewed: the mean deal size significantly exceeds the median (US\$22.5 million), reflecting the presence of a few very large transactions.

We aggregate the deal-level data by acquirer country, target country, and year, generating two observations for each country-pair (A, B) in a given year: one capturing the total value of acquisitions by firms from country A targeting firms in country B , and the other capturing

³Based on the SDC variable FORM, we retain only transactions classified as mergers (“M”), acquisitions of majority interest (“AM”), and acquisitions of assets (“AA”). These categories capture deals in which control over a company or its main business units effectively changes hands. In addition, we restrict the sample to transactions classified under MENUMAIN = 1 (Disclosed Value M&A) or 2 (Undisclosed Value M&A), which correspond to deals where the acquirer obtains or surpasses majority ownership in the target. These filters ensure that our final sample focuses exclusively on substantive control-transfer transactions between independent firms.

the total value of acquisitions by firms from country B targeting firms in country A .

As noted by Erel et al., 2012, a substantial share of deal-level observations in the SDC data do not report the value of the transaction. In our sample, deal value is missing for 61.4% of observations, and deals involving acquirers or targets from high-income countries are just as likely to have missing values as those involving lower-income countries. These missing values likely correspond to smaller transactions—often involving private firms—for which deal terms are not publicly disclosed.

We adopt the following approach to address missing deal values and to avoid conflating non-reporting with the absence of transactions. First, if a country pair never reports a positive deal value over the entire sample, we treat this country–pair observation as missing for all years (and hence, it is excluded from the analysis). In such cases, it is not possible to distinguish between the absence of actual deals, the absence of reporting, or the presence of only very small or private deals. Second, for country pairs that report at least one positive deal value at some point during the sample, we treat years before the first such observation as missing and subsequent years with no reported positive values as having an aggregate deal value of zero. In these cases, the acquirer–target pair is known to be covered in the SDC data, so the absence of reported values in later years is informative—either no deals occurred, or only very small transactions took place.

For instance, if Brazilian firms report acquisitions in the United States with observed transactions in 2005 and 2010, we treat all years prior to 2005 as missing, since no transactions are observed. From 2005 onward, we set the aggregate deal value to zero in any year in which no positive deal value is reported.

Figure 1 shows the evolution of total M&A deal value—both cross-border and domestic—over the sample period. Deal activity rose steadily from 2002 to 2007, before contracting sharply during the Global Financial Crisis, when deal value declined by nearly 40%. Cross-border M&As remained subdued through 2013, recovered until 2015, and declined thereafter. By the end of the sample period, cross-border transactions accounted for more than one-quarter of total global M&A value. The figure also reports global foreign direct investment (FDI), showing that M&As in our sample represent a significant share of overall FDI, averaging 36% during the observation period.⁴

⁴As noted by di Giovanni, 2005, FDI has two major components: greenfield investment in new assets in a foreign country, and acquisitions of pre-existing foreign assets. A cross-border M&A, in which a firm acquires a controlling stake in another firm abroad, falls into the latter category.

Figure 2 shows the total value of M&As—both cross-border and domestic—over the full 2000–2019 period, broken down by the acquirer’s country group (advanced, emerging, and developing). Acquirers from advanced economies dominate global M&A activity, accounting for approximately \$34.9 trillion, or 85% of the total. The United States alone represents \$17.6 trillion, roughly half of advanced economy transactions.

In Figure 3, we present cross-border M&A activity by region of the acquirer, reporting the number of deals (Panel A) and their aggregate value (Panel B). The solid line in Panel A represents the share of cross-border deals in the total number of global M&A transactions (including both cross-border and domestic), while in Panel B, it shows the share of cross-border deal value in the total value of all M&A transactions (shares reported on the right scale). In both panels, we observe similar cyclical patterns: Europe and North America consistently lead global dealmaking and peak before the Global Financial Crisis. Asia steadily expands its role over the period, gaining share—especially in deal value—while Latin America and other regions remain relatively minor players and lose ground in relative terms.⁵

Table 2 provides a detailed matrix of cross-border M&A activity among the 50 most active acquirer countries from 2000 to 2019. Rows denote acquirers and columns targets; diagonal cells represent domestic deals, while off-diagonals capture bilateral cross-border flows. Totals exclude domestic transactions. The U.S. is the most active country on both sides, with 7,611 outbound and 8,678 inbound deals. Across countries, domestic M&As generally outnumber cross-border ones, underscoring the persistent influence of geographic proximity on global deal patterns.⁶

I.B Firm-level M&As

For the firm-level analysis, we use the ORBIS M&A database (Bureau van Dijk), which provides comprehensive global coverage of mergers and acquisitions and, importantly, allows us to link these transactions to firm-level balance-sheet variables. This linkage enables us to construct firm-level measures of foreign-currency balance sheet exposure (FX debt-to-assets ratios) and to track firms over time in a panel setting. Again, we focus on deals announced

⁵While emerging markets account for a smaller share, their participation remains significant, totalling around \$5.5 trillion, or 13.4% of global M&A value.

⁶Following Erel et al. (2012), Table 2 reports cross-border M&A activity among the 50 most active acquirer countries over the period 2000–2019. Consistent with their approach, we exclude transactions lacking information on either the acquirer or target country and restrict the sample to deals valued above USD 1 million. These restrictions are applied solely for presentational purposes; our empirical analysis uses a broader dataset that also includes smaller-value transactions and acquirers outside the top 50.

between 2000 and 2019.

The raw dataset contains 446,216 transactions with acquirer–target detail for this period. We drop observations missing the acquirer or target name or country, announcement date, or percent acquired. We also require acquirers to have valid ORBIS identifiers (BVD ID numbers) to enable linkage with balance sheet and income statement data. As in the country-level analysis, we follow Erel et al. (2012) and retain only transactions that alter control (i.e., where the acquirer obtains a majority stake exceeding 50%), applying the same exclusions described above. After applying these filters, the sample comprises 311,485 completed deals.

Because acquirers initiate transactions and can be tracked over time, unlike targets, which (in most cases) exit the dataset after the acquisition, we construct an acquirer–year panel that records each acquirer’s M&A activity and balance-sheet variables (e.g., short- and long-term borrowings). These data allow us to measure acquirers’ foreign-currency liabilities and examine how global monetary conditions operate through corporate balance sheets to affect investment over time. As before, we classify a transaction as cross-border when the acquirer and target are headquartered in different countries.

We construct and report firm-level deal values to provide context on the magnitude and composition of M&A activity in our sample, but do not use them in our main empirical specifications. Instead, for our main cross-border firm-level regression analysis, we estimate a binary-choice model using the acquirer–year panel, with the outcome equal to one if the firm conducts at least one cross-border acquisition in that year. This choice is guided by both data limitations and concerns about robustness; While the ORBIS dataset includes information on deal values, data for many observations are missing (65.6% of transactions) and reported values are highly skewed, as discussed earlier.

Our approach enables us to preserve a larger and more representative sample of firms and to focus on the decision margin of whether or not a firm undertakes a cross-border deal, which is less sensitive to reporting gaps and measurement error in deal values in the firm sample. This modeling choice is consistent with prior work that either emphasizes the extensive margin in firm behavior under uncertainty and financial constraints (e.g., Campello et al., 2010; Becker and Ivashina, 2014; Nguyen and Phan, 2017) or uses binary dependent variables to examine whether firms engage in M&A activity, rather than modeling the number or value of deals (e.g., Erel et al., 2012; Ferreira et al., 2010).

The ORBIS dataset records transactions with single or multiple acquirers and targets. To obtain one observation per acquirer per year, we use standard simplifying assumptions for deals involving multiple parties on the acquirer or target side.

When a single acquirer purchases multiple targets, we set the indicator for its cross-border acquisition in that year at 1 if at least one of the targets is cross-border, and similarly for the indicator for domestic acquisitions if one of the targets is domestic. When multiple acquirers jointly purchase a single target, each acquirer’s indicator for cross-border acquisitions is set to one if the target is cross-border for that acquirer (similarly for domestic acquisitions).

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After these adjustments, our final firm-level dataset includes a single observation per acquirer firm each year and distinguishes between domestic and international transactions. The final panel dataset includes 164,891 acquirer companies from 177 countries spanning advanced, developing, and emerging economies.

The total transaction value in the firm-level sample amounts to approximately US\$37.8 trillion, with cross-border deals accounting for 35.6% of this value. Firm-level deals represent 91.1% of the aggregate deal value reported in the SDC dataset after applying our sample filters. The average size of a cross-border deal is US\$361.9 million; however, as with the country-level data, the distribution is heavily right-skewed. Over the sample period, the weighted average annual growth rate of global M&A activity in value terms is approximately 7.44%. Cross-border M&As grew in aggregate value at an average rate of 8.30% per year, while domestic transactions increased by 5.42% annually.

I.C Foreign Exchange Liabilities

Country-level FX liabilities

Capturing countries’ FX liabilities is difficult, and estimates can be noisy. For this reason, we use three different measures for robustness. First, we construct country-level FX liabilities using SDC’s Platinum Loans and Bonds database, which records corporate bonds at issuance and syndicated loans at origination. For each country and year, we aggregate all foreign-currency-denominated borrowing by non-financial firms to obtain a flow measure of FX

⁷As far as values go, we treat each target as a distinct observation and allocate deal value proportionally by acquired stake. When multiple acquirers jointly purchase a single target, we treat each acquirer separately and allocate stakes and values equally across acquirers. This approach ensures that international M&A activity is accurately reflected at the acquirer–year level.

(and U.S. dollar) bond issuances and loan originations. This SDC-based measure captures firm-level foreign-currency borrowing through primary bond and syndicated loan markets, while the macro data (e.g., by the IMF and BIS) provide broader, country-level measures of external balance sheet exposures.

To complement the SDC measure, we use FX liabilities from the IMF’s International Investment Position (IIP) statistics and the BIS’s Locational Banking Statistics (LBS). The IMF measure is broad, encompassing the stock of all external liabilities—including borrowing by governments, financial corporations, and non-financial corporations. Specifically, it is taken from Bénétrix et al., 2020, who compiled a dataset on the currency composition of the international investment position, building on Lane and Shambaugh, 2010 and Bénétrix et al., 2015. The BIS measure, derived from the LBS, records cross-border positions of internationally active banks located in reporting countries on counterparties in more than 200 countries. To compute each country’s external banking liabilities, we sum the claims that banks in other reporting countries hold on its residents, focusing on positions denominated in euros, U.S. dollars, yen, Swiss francs, and pounds. Both the IMF and BIS series are normalized by the target or acquirer country’s GDP. Although the BIS measure is narrower—excluding, for instance, non-bank external claims—the two series are highly correlated, with a correlation coefficient of about 0.89.

On average, corporate debt issuance denominated in foreign currency amounts to 13.4% of GDP in the SDC data, compared with 58.4–74.6% for the foreign-liability-to-GDP ratios in the IMF and BIS series. Unlike the SDC, which reflects flows of new external borrowing by firms, the IMF and BIS measures represent the level of cross-border liabilities outstanding at the country level. We rely on the SDC measure in our baseline analysis because it isolates the behavior of non-financial corporates—the mechanism central to our paper.⁸ By contrast, the IMF and BIS aggregates pool liabilities of both financial and non-financial sectors but serve as useful robustness checks, as they capture broader measures of foreign-currency liabilities in the economy. Our results remain robust when using these alternative level-based measures, which can be viewed as proxies for non-financial corporate FX exposure under the assumption that sectoral borrowing patterns are broadly similar.

⁸The correlation between the SDC flow-based measure and the level proxies constructed as a five-year moving average is approximately 0.90.

Firm-level FX liabilities

To estimate firms’ FX liabilities, we combine firm-level borrowing data from ORBIS with country-level information on the currency composition of debt, adapting the general approach of Kalemli-Ozcan et al. (2021).

We begin by constructing the country-level FX debt ratio using SDC’s Platinum Loans and Bonds database, which records corporate bonds at issuance and syndicated loans at origination. For each country, we aggregate the microdata to compute (i) the total value of foreign-currency–denominated borrowing by non-financial corporations and (ii) the total value of borrowing by non-financial corporations, regardless of currency. We then take the ratio of (i) to (ii) to obtain the share of new borrowing denominated in foreign currency. This flow-based share measure is applied to the stock of outstanding firm debt from ORBIS balance sheets to estimate firm-level FX liabilities.⁹ On average, the ratio of FX liabilities to total assets in our firm sample computed thus is 8.3%.

The use of a country-level foreign-currency debt ratio to scale firm-level debt is necessary because the ORBIS M&A dataset—used in our firm-level analysis—does not report the currency denomination of liabilities, and no unique identifiers exist to link firm-level FX borrowing in SDC directly to firms in the ORBIS sample.

While our measure is noisier than if we had the actual foreign exchange borrowing by a firm, it may have a silver lining. Because the country-level FX debt ratio reflects economy-wide borrowing patterns rather than the choices of any single firm, it helps mitigate endogeneity concerns related to firm-specific borrowing decisions. Otherwise, we would be concerned that the extent of a firm’s FX debt reflects its views on the prospective attractiveness of such borrowing, and its ability to handle changes in core country monetary policy and their consequences.

As a robustness check, we replicate the methodology of Kalemli-Ozcan et al. using BIS data. Specifically, we compute a BIS-based country-level FX share as the ratio of foreign-currency debt to total credit for the non-financial corporate sector. We then multiply each firm’s total debt by this share and divide by total assets to obtain the firm-level FX debt ratio. Results remain qualitatively similar to our baseline, although the sample coverage is smaller.¹⁰

⁹We rely on the flow ratio at issuance or origination. Alternatives, such as averaging the ratio over multiple years, would require assumptions on debt maturity and repayment that may introduce additional noise.

¹⁰More specifically, we use data from the BIS Global Liquidity Indicators (GLI), the BIS International

I.D Monetary Policy Shocks and Exchange Rates

To examine how changes in core-country monetary conditions affect cross-border M&A activity, we use the measure of U.S. monetary policy shocks developed by Iacoviello and Navarro (2019). Their approach isolates exogenous movements in U.S. monetary policy by regressing the federal funds rate on a set of macroeconomic controls and treating the residuals as policy shocks. This method captures unexpected changes in monetary stance, disentangling them from systematic responses to economic conditions. The availability of annual estimates is well-suited to our setting, as M&A transactions typically take considerable time to initiate and complete.

We also use the U.S. dollar nominal effective exchange rate (NEER) from the IMF to capture one key transmission channel through which U.S. monetary conditions propagate globally—via the dollar’s response to interest rate changes, global liquidity, and risk sentiment. The NEER measures the value of the U.S. dollar relative to a trade-weighted basket of major partner currencies.¹¹ This variable allows us to assess the net worth channel of transmission directly. Summary statistics for the main variables are reported in Table 1.

II Country-Level Evidence

II.A U.S. Monetary Policy Shocks and Cross-Border M&As

To examine the average effect of U.S. monetary policy shocks on global deal-making activity, we estimate the following country-pair panel regression:

$$y_{\alpha,\tau,t} = \beta \text{USMonPol}_t + \gamma_{\alpha,\tau} + \varepsilon_{\alpha,\tau,t}, \quad (1)$$

where the main explanatory variable, USMonPol_t , captures exogenous U.S. monetary policy shocks, constructed following the methodology of Iacoviello and Navarro, 2019. The dependent variable is the logarithm of the total dollar value of completed cross-border mergers and acquisitions between acquirer country α and target country τ in year t . To

Debt Securities Statistics (IDS), and the BIS Total Credit database. Details are provided in Appendix B. For a full description of the methodology, see Kalemli-Ozcan et al. (2021).

¹¹The IMF computes the trade-weights for the NEER using three-year averages of bilateral trade, tourism, and manufacturing flows drawn from official sources, including the UN, OECD, World Bank, UNWTO, and UNIDO.

address concerns that our results may be mechanically driven by valuation effects originating from currency fluctuations, we also replicate the analysis using the number of deals as the dependent variable.

All specifications include bilateral country-pair fixed effects, $\gamma_{\alpha,\tau}$, which absorb all time-invariant drivers of cross-border M&A activity—such as shared language, geographical proximity, bilateral treaties, income levels, GDP growth, and local monetary policy stance (e.g., Erel et al., 2012).

We present the results in Table 3. We report estimates separately for total deal value (Columns 1–2) and for the number of transactions (Columns 3–4). Columns 1 and 3 use the full sample of cross-border deals. Columns 2 and 4 restrict the sample to transactions that exclude pairs where the U.S. is either the acquirer or the target—approximately 7% of all observations—thereby allowing us to isolate spillover effects to third countries.

The estimates in Column 1 indicate that a one percentage point unexpected tightening in U.S. monetary policy (i.e., a higher value of the shock) is associated with a 7.3% decline in the total value of cross-border deals, while Column 3 suggests the number of deals declines by 1.3%. The greater response in deal value than in deal count indicates that larger transactions drive much of the overall effect. While this pattern is consistent with the possibility that larger firms—more likely to have FX borrowing—are disproportionately affected, deal count may be a noisier measure, as it includes many small transactions. These estimates remain quantitatively similar and statistically significant when excluding U.S.-related transactions (Columns 2 and 4), reinforcing the interpretation that U.S. monetary policy shocks generate global spillovers rather than merely reflecting U.S.-specific activity.

As a robustness check, Table A.1 reports estimates for countries that are supportive of acquirers. We define these “established markets” at the acquirer-country level over the full 2000–2019 period as those with at least ten distinct serial acquirers (firms completing three or more deals during the sample). This restriction reduces coverage from nearly 200 to roughly 80 countries. The results show that a 100-basis-point tightening in U.S. monetary policy is associated with an 8.1% decline in the total value of cross-border deals (Column 1) and a 1.6% decline in the number of deals (Column 3). Excluding transactions involving the United States yields similar estimates (Columns 2 and 4). The magnitudes are somewhat larger than in the baseline, consistent with cross-border M&A activity in established markets being especially sensitive to U.S. monetary conditions.

Now we turn to the effects on domestic deals. These results are reported in Table 4. As the first row of estimates suggests, U.S. monetary policy shocks have no statistically significant correlation with the value or the number of domestic merger transactions. By contrast, the second row suggests domestic merger activity is strongly correlated with domestic short-term policy rates: a one percentage point tightening in domestic monetary policy is associated with a nearly 2.7% decline in deal value and a 0.8% decline in deal count.

That domestic mergers are not affected by core-country monetary shocks can have a number of explanations. One possibility is that the channel of transmission is absent because domestic acquirers typically carry little foreign-currency debt. Another is that the channel is ineffective: according to the net worth channel, when the domestic currency depreciates following a U.S. monetary policy tightening, the domestic-currency value of existing FX liabilities rises, and access to new foreign-currency financing becomes more constrained. Yet, because domestic acquisitions are usually financed in local currency and depend heavily on domestic credit markets, this mechanism is less relevant for them. Distinguishing between these (and other potential) mechanisms is a task for future research. By contrast, the strong negative effect of higher domestic policy rates is intuitive: tighter domestic monetary conditions raise local borrowing costs, reduce credit supply, and dampen investment appetite. Since domestic acquisitions are typically financed in local currency and rely heavily on domestic credit markets, they are naturally sensitive to shifts in the domestic policy stance.

II.B FX Liabilities and Spillovers from U.S. Monetary Policy

One channel through which core country policy rates can transmit is through exchange rates. Diamond et al. (2020), for example, suggests that an appreciation of the local currency would lead firms with greater net foreign exchange liabilities to have greater net worth and consequently greater borrowing capacity as the real value of those liabilities declines. This "net worth" channel should lead to more merger activity, especially in countries where the corporate sector has higher net foreign exchange liabilities.

In our baseline, we construct country-level FX liabilities from SDC's Loans and Bonds database as a proxy for corporate foreign-currency exposure, and estimate the following specification:

$$y_{\alpha,\tau,t} = \beta_1 [\text{USMonPol}_t \times \text{FXLiabGDP}_{\alpha,t-1}] + \beta_2 [\text{USMonPol}_t \times \text{FXLiabGDP}_{\tau,t-1}] + \gamma_{\alpha,\tau} + \delta_t + \epsilon_{\alpha,\tau,t} \quad (2)$$

where $\text{FXLiabGDP}_{\alpha,t-1}$ and $\text{FXLiabGDP}_{\tau,t-1}$ denote the net foreign exchange liabilities of the acquirer and target countries, respectively, expressed as a share of GDP and lagged by one year. In the baseline specification, these data are constructed from SDC (firm-level bond and loan issuance). The specification is estimated with country-pair fixed effects and with and without year fixed effects. Excluding year fixed effects allows us to capture not only the interaction between U.S. monetary policy shocks and FX liability exposures, but also the direct effect of monetary policy conditions on cross-border M&A activity.

In Table 5, we present the estimated effects of U.S. monetary policy shocks interacted with countries' external liabilities. Columns 1 and 2 use foreign-currency-denominated external liabilities (all currencies), while Columns 3 and 4 restrict attention to USD-denominated liabilities. Columns 1 and 3 exclude year fixed effects, whereas Columns 2 and 4 include them. The results in Column 1 indicate that the estimated coefficient of the interaction between U.S. monetary conditions and acquirer FX liabilities is negative and statistically significant. In economic terms, tighter U.S. monetary conditions are associated with lower cross-border M&A activity in countries with larger corporate FX liabilities. The coefficient estimates remain qualitatively similar when including year fixed effects (Column 2), when using USD-denominated liabilities instead of total FX liabilities (Columns 3 and 4), and when excluding transactions involving U.S. acquirers or targets (Columns 5–8).

The magnitude of the interaction effects between FX liabilities and U.S. monetary policy shocks is economically significant. In particular, a one percentage point easing in U.S. monetary policy is associated with an estimated increase in cross-border M&A activity of approximately 0.83% for an acquirer country at the 25th percentile of net FX liabilities (e.g., Brazil or Portugal), compared to more than 5.21% for a country at the 75th percentile (e.g., Belgium or Tunisia). The heterogeneity in response becomes even more pronounced when the analysis is restricted to dollar-denominated liabilities, underscoring the global relevance of U.S. monetary conditions.

As a robustness check, we also replicate the previous analysis using FX liabilities sourced from the IMF and the BIS (Tables A.2 and A.3). The results are qualitatively similar, reinforcing the robustness of our findings. Also, while the baseline model includes contemporaneous U.S. monetary shocks and FX liabilities lagged by one year, results remain qualitatively similar when the monetary policy variable is lagged by one year and FX liabilities by two years, although standard errors increase, most likely due to the reduction in sample size (results available from authors).

In Table 6, we replicate the analysis using the number of cross-border deals as the dependent variable, rather than deal value. This serves both as a robustness check and as a way to address concerns that the earlier results may be driven by valuation effects. The findings closely mirror those in Table 5. These results underscore that the sensitivity of cross-border deal activity to U.S. monetary conditions operates through the balance-sheet exposures of acquiring firms.

Two additional points are worth noting from the estimates in Table 5 and Table 6. First, the direct correlation of acquirer-country FX liabilities with cross-border mergers is consistently positive and statistically significant, suggesting that cross-border acquirers disproportionately originate from countries with established access to foreign credit markets. Second, the interaction between U.S. monetary policy and FX liabilities is significant for acquirers and typically not for targets—both in terms of magnitude and statistical precision.

Overall, the results in Tables 5 and 6 highlight significant cross-country heterogeneity in U.S. monetary policy spillovers, shaped by the extent of external FX liabilities. The findings point to the presence of a “net worth” channel of transmission: tighter (easier) U.S. monetary conditions—and, in turn, an appreciating (depreciating) dollar—are associated with a relatively smaller (greater) increase in cross-border M&A activity originating from countries with larger FX debt exposures.

II.C Robustness

Do Domestic Monetary Conditions Matter?

A potential concern is that the effect we attribute to U.S. monetary policy spillovers on cross-border mergers may instead reflect domestic monetary policy reactions. To address this, we augment Equation 2 by including both acquirer- and target-country short-term policy rates and their interactions with FX liabilities (Table 7). The estimated coefficient on U.S. Monetary Policy \times Acquirer FX Liabilities remains essentially unchanged and statistically significant.¹² Controlling for domestic policy, therefore, leaves the U.S. spillover effect intact, indicating that the mechanism we document is not driven by domestic monetary responses.

¹²In standardized terms, the magnitudes of the two interactions are similar: $\beta_{\text{Dom}} \times \text{SD}(\text{DomRate}) \times \text{SD}(\text{FXLiab}) = -0.043 \times 4.215 \times 0.273 = -0.049$; $\beta_{\text{US}} \times \text{SD}(\text{USMonPol}) \times \text{SD}(\text{FXLiab}) = -0.385 \times 0.382 \times 0.273 = -0.040$

The specification in Table 7 also reveals a negative and statistically significant interaction between U.S. Monetary Policy and Target FX Liabilities once we incorporate domestic monetary conditions (columns 1–2), suggestive of a target-side balance-sheet mechanism under tighter U.S. conditions.¹³

Is the U.S. special?

While the global monetary and financial system is becoming more multi polar, it is natural to ask whether the U.S. remains distinctive among reserve-currency issuers in the strength of international spillovers. Table 8 compares spillovers from euro-area (EA) and U.S. monetary policy shocks. The table reports specifications for deal value and deal count in which policy shocks are interacted with the levels of acquirer- and target-country FX liabilities.¹⁴

Two findings emerge. First, the interaction between EA monetary policy shocks and acquirer FX liabilities is negative but only marginally significant. Second, when U.S. monetary policy shocks are included alongside EA shocks, the U.S. Monetary Policy Shock \times Acquirer FX Liabilities interaction is negative and highly significant, whereas the corresponding EA interaction becomes small and statistically insignificant. Interactions involving target FX liabilities are not significant.

One potential concern is that our results may be driven by regulatory arbitrage or tax-motivated deal structuring. To address this, we re-estimate our baseline country-level specifications after excluding all M&A transactions involving acquirers or targets headquartered in jurisdictions classified as tax havens. We define tax havens following the list published by the European Council, and additionally include Luxembourg and Ireland. Out of all transactions included in our country-level evidence, only about 2.6% involve tax-haven jurisdictions. The results, presented in Table 9, remain fully consistent with our baseline findings in Table 5. This robustness exercise reinforces our interpretation that the observed effects primarily reflect the balance-sheet channel of FX liabilities rather than tax-motivated deal structuring.

¹³We also estimate the interaction between foreign exchange liabilities and U.S. monetary policy shocks for domestic acquisitions (see Appendix Table A.5). The coefficient is small and statistically insignificant, consistent with the limited foreign-currency exposure of domestic acquirers discussed in Section II.A.

¹⁴We construct euro-area monetary policy shocks following the methodology of Iacoviello and Navarro (2019), using the ECB shadow rate and estimating Taylor rule residuals. While we cannot replicate the Iacoviello and Navarro (2019) measure exactly—for instance, there is no unified euro-area stock market index—we follow the spirit of their approach to ensure comparability with our U.S. monetary policy shock series.

Taken together, these results indicate that the amplification of spillovers through FX-exposed balance sheets is tightly linked to U.S. monetary policy, with euro-area shocks exhibiting, at best, weak effects once U.S. shocks are controlled for. This pattern is consistent with the dominant international role of the U.S. dollar.

III Firm-Level Evidence

III.A FX Liabilities and Spillovers from U.S. Monetary Policy

While country-level results may be suggestive, we turn to firm-level data to examine more precisely whether exposure to foreign exchange liabilities amplifies the sensitivity of cross-border M&A activity to U.S. monetary policy shocks. Specifically, we assess whether acquirers with greater dependence on FX financing are less (more) likely to engage in cross-border acquisitions when U.S. monetary conditions tighten (ease). This analysis offers a more granular test of the “net worth” channel and sheds light on the balance sheet mechanisms underpinning global capital reallocation.

As we explained in Section I.B, we use a binary outcome variable indicating whether a firm engages in at least one cross-border M&A transaction in a given year. We estimate the following logit specification:¹⁵

$$\begin{aligned} \Pr(\mathbf{1}_{\{\text{M\&A}_{\alpha,t}\}} = 1) = & \beta_1 \text{FXDebtAssets}_{\alpha,t} + \beta_2 \text{USMonPol}_t \\ & + \beta_3 [\text{FXDebtAssets}_{\alpha,t} \times \text{USMonPol}_t] + \delta_\alpha + \sigma_t + \varepsilon_{\alpha,t} \end{aligned} \quad (3)$$

The binary variable $\Pr(\mathbf{1}_{\{\text{M\&A}_{\alpha,t}\}} = 1)$ indicates whether firm α undertakes a cross-border M&A in year t . The FX exposure is captured by $\text{FXDebtAssets}_{\alpha,t}$, the foreign exchange debt-to-assets ratio. The interaction term $[\text{USMonPol}_t \times \text{FXDebtAssets}_{\alpha,t}]$ captures the differential sensitivity of M&A activity to monetary policy based on firms’ FX exposure. δ_α and σ_t are firm and time fixed effects, respectively.

¹⁵We use a conditional logit specification to accommodate firm fixed effects while avoiding the incidental parameters problem (Chamberlain, 1980). The conditional likelihood approach conditions on the number of acquisitions per firm, eliminating fixed effects without estimating them directly—an approach feasible for logit but not probit models. Estimating a probit model would require estimating the fixed effects, which is computationally intensive.

As discussed earlier, we focus on acquirer firms because they initiate cross-border transactions and bear the financial burden of the deal, making their access to credit and balance sheet strength—especially FX debt exposure—central to M&A decisions. In addition, we cannot create a firm panel at the acquirer-target level, as (in most cases) the target exits the dataset after the merger takes place (unlike acquirer countries, which continue to exist).

Table 10 presents the regression estimates.¹⁶ The interaction term $[\text{USMonPol}_t \times \text{FXDebtAssets}_{\alpha,t}]$ is negative and statistically significant.¹⁷ As we found in the bilateral country panel, tighter U.S. monetary policy conditions reduce the likelihood of cross-border M&A activity relatively more for firms with higher FX liabilities, supporting the presence of a balance-sheet or “net worth” channel.

The results persist when excluding U.S. acquirers (Columns 3–4), consistent with the idea that U.S. firms, which typically borrow in dollars, face limited FX exposure. In contrast, many non-U.S. firms borrow in USD and are more affected by U.S. monetary tightening through net worth channels. This is consistent with Maggiori et al. (2020), who show that U.S. firms benefit from issuing in their home currency, while foreign firms often rely on dollar-denominated debt.

Panel (a) of Figure 4 illustrates the marginal effects of U.S. monetary policy shocks on the probability of engaging in cross-border M&A activity across different levels of FX exposure measured by the firm’s FX debt-to-assets ratio using the estimates from Table 10, column (1). The plot reveals a pronounced decline in M&A activity for firms with higher FX debt-to-assets ratios following a contractionary monetary policy shock. The estimated

¹⁶The conditional fixed-effects logit estimator in our main specifications (Table 10) includes only firms with within-firm variation in cross-border M&A activity—approximately 170,000 firm-year observations from firms that switched between engaging and not engaging in international M&As). This approach minimizes potential rare-event bias. Table A.6 in the appendix shows that our key findings remain robust when using a linear probability model (LPM) with the same fixed effects structure (firm and time fixed effects) on the full sample of approximately 686,000 firm-year observations (all firms that recorded at least one domestic or international M&A).

¹⁷Table A.7 in the Appendix re-estimates the specification using non-current FX liabilities instead of total FX debt. The results remain statistically significant, reinforcing the role of balance-sheet exposure. As a robustness check, we re-estimate the specification using firm-level FX debt constructed from BIS data following Kalemlı-Ozcan et al. (2021). The results, shown in Appendix Table A.8, are consistent with our baseline findings. The estimated coefficients are statistically significant only at the 10% level (compared to 1% in all columns in Table 10), likely due to the smaller number of countries covered by the BIS dataset. We also test whether our findings are different for acquirers in tradable vs. non-tradable sectors. This is not the case: our results remain robust, whereas a triple interaction with a dummy whether the acquirer is in a tradable sector is not statistically significant.

marginal effects suggest that a one-unit tightening in U.S. monetary policy reduces the likelihood of engaging in an acquisition by approximately 1.5 percentage points for a firm at the 25th percentile of FX debt, compared to 2.5 percentage points for a firm at the 75th percentile—a difference of about 1 percentage point.

Table 11 extends the analysis by including both acquirer country and acquirer country-year fixed effects. This ensures that identification comes from differences within each country-year across firms. This helps us account for all time-invariant country traits and time-changing macroeconomic, financial, and policy conditions specific to each acquirer country. Consequently, the estimated interaction between U.S. monetary policy and firms’ FX liabilities exhibits different responses across firms operating under the same local conditions. The finding is that it is large in magnitude, negative in sign, and significant. This exercise provides a more rigorous test of the net worth channel.

III.B U.S. Exchange Rates and Cross-Border M&As

The firm-level panel also allows us to examine whether U.S. exchange rate movements affect cross-border M&A activity through firm-level net worth channels. Tighter U.S. monetary policy typically leads to dollar appreciation and a depreciation of other currencies relative to the dollar, raising the cost of financing and altering the terms of cross-border transactions. These shifts can directly influence firms’ investment capacity and strategic acquisition decisions.

To capture this channel, in Equation 3, we replace U.S. monetary policy shocks ($USMonPol_t$) with the U.S. Nominal Effective Exchange Rate ($USNEER_t$). The remaining variables are as specified in Equation 3. Changes in $USNEER_t$ are a direct measure for the external value of the dollar, and could reflect adjustments in interest rates, shifts in liquidity, and fluctuations in investor sentiment. An increase in $USNEER_t$ indicates an appreciation of the U.S. dollar, consistent with a tightening of monetary conditions.

Table 12 presents the regression results, with the interaction term ($USNEER_t \times FXDebtAssets_{a,t}$) consistently showing a negative and statistically significant coefficient across all model specifications. This suggests that firms with greater foreign currency liabilities are less likely to engage in cross-border M&A activity during periods of dollar appreciation, and more likely to do so during periods of dollar depreciation.¹⁸

¹⁸As a robustness check, we re-estimate the specification using non-current FX liabilities as a proxy for

Panel (b) of Figure 4 illustrates the marginal effects of $USNEER_t$ on the probability of engaging in cross-border M&A activity, conditional on a firm’s FX debt-to-assets ratio using the estimates from Table 12, column (1). The estimated marginal effects indicate that a one-unit appreciation of the U.S. dollar has no significant impact on the likelihood of an acquisition for a firm at the 25th percentile of FX debt, but reduces the probability of engaging in cross-border M&A by about 5.9 percentage points for a firm at the 75th percentile.

Additionally, Table 13 shows that the effects are also significant among serial acquirers—defined as firms having three or more acquisitions between 2000 and 2019—suggesting that even experienced firms with frequent deal activity are affected by U.S. monetary conditions, especially in times where they carry high FX exposure.

Put simply, a stronger U.S. dollar raises the cost of debt servicing for non-U.S. firms in local currency terms, as well as increases the present value of the stock of debt, reducing net worth. This intensifies financial strain, limiting firms’ capacity to allocate resources toward investments, including foreign M&As. Conversely, when the U.S. dollar depreciates, the cost of servicing FX-denominated debt for non-U.S. firms decreases in local currency terms. This alleviates financial constraints for non-U.S. firms with significant FX liabilities, enhancing their capacity to invest abroad. As a result, these firms are more likely to engage in cross-border M&A activity during periods of dollar depreciation, capitalizing on their improved financial position.

All in all, these findings highlight the critical role of exchange rates in shaping international investment flows. Movements in the U.S. dollar can significantly impact non-U.S. firms’ balance sheets, particularly for those with substantial FX liabilities, thereby influencing their strategic decisions regarding cross-border M&As.

III.C Robustness

We conduct four robustness checks of our firm-level results. First, we ask whether domestic monetary policy reactions—rather than U.S. spillovers—drive the findings. Second, we test whether U.S. conditions affect within-country (domestic) M&A. Lastly, we test whether our results are driven by firms in the tradable sector or by regulatory regulatory/tax

long-term currency exposure. The results remain statistically significant, suggesting that the findings are not driven by the precise measure of FX liabilities (See Table A.7).

arbitrage.

We implement the first test in Table 14 by augmenting the baseline with domestic short-term policy rates. The coefficients on domestic rates and their interactions with FX liabilities are insignificant, while U.S. monetary policy shocks remain the dominant driver. This is additional evidence that the effects we document are global in nature, operating through U.S. monetary conditions rather than domestic credit cycles.

We then examine the determinants of domestic M&A activity at the firm level (see Table 15). We find that the interaction between U.S. monetary policy shocks and firm FX liabilities is statistically significant. This finding underscores the role of U.S. monetary conditions in influencing even within-country transactions, and the benefit of teasing out the channel through the interaction effect (recall that in Table 4, the direct effects of U.S. monetary policy on domestic mergers were insignificant). As expected, higher domestic short-term policy rates dampen merger activity, but their interaction with FX liabilities remains statistically insignificant.

Another concern could be that our results are purely driven by firms in the tradable sector as they are naturally more exposed to international and therefore U.S. monetary conditions, as well as the exchange rate. However, Table 16 shows no significantly different effect when the acquirer is in an exporting sector.¹⁹ Therefore, we conclude that our results hold across sectors: there are more M&As during looser U.S. monetary condition, and this is driven by firms with higher FX liabilities, independent of their exposure to trade.

Finally, we test whether our findings are being influenced by regulatory arbitrage or tax-motivated deal structuring. To this end, we re-estimate our baseline firm-level specifications after excluding all M&A deals with acquirers or targets with head offices located in countries known to be tax havens. Of the 311,485 transactions included in our firm-level evidence, only 12,113 involved acquirers located in a tax haven. The findings—reported in Table 17—align with our baseline results (Table 10). The interaction between U.S. monetary policy shocks and firms’ foreign currency exposure remains negative and statistically significant.

¹⁹We classify firms as exporters if they are in a tradable sector according to their SIC code. This includes Agriculture, Mining, and Manufacturing.

IV The Stock-Price Reaction to Announcements of M&As

Until now, we have shown that there are more M&A deals during loose U.S. monetary conditions, driven by acquirers with high FX debt. Most likely, they take on more debt to finance these transactions. But what is the value addition of deals that take place during loose (or tight) global monetary conditions? The literature documents the stock-price response of acquirers around the announcement of domestic and cross-border deals (see Erel et al., 2024), and the results are mixed. For domestic acquisitions, acquirers typically experience small negative abnormal returns on average, although deals involving smaller or private targets tend to generate positive returns. In contrast, cross-border acquisitions are generally associated with positive and statistically significant abnormal returns for acquirers across a wide range of settings.

Our analysis focuses on how the anticipated value addition of M&As vary systematically with global monetary conditions. Specifically, we examine whether looser global monetary conditions—characterized by lower risk premia and easier credit access—lower value creation in M&As relative to periods of tighter conditions.²⁰

To construct our measure of acquirer stock-price performance following M&A announcements, we complement the M&A data with quarterly stock returns from ORBIS over the period 2010–2019. We further obtain quarterly country-specific market index returns from Global Financial Data (GFD), a comprehensive dataset that compiles long-run financial and economic time series across global markets. For our purposes, we use GFD’s benchmark equity indices, which provide consistent coverage across both advanced and emerging economies. Using these data, we calculate market-adjusted excess returns over different post-announcement horizons. Specifically, we define the excess return for firm i over a horizon of h quarters following the announcement quarter t as:

$$\text{AbnormalReturn}_{a,h,t} = R_{a,h,t} - R_{a,h,t}^{mkt} \quad (4)$$

²⁰Most existing studies do not report abnormal returns for targets. Notable exceptions include Eckbo and Thorburn, 2000 and Kiyamaz, 2004, both of which find positive returns for targets. Since acquirers are likely to suffer more from the moral hazard induced by easy conditions and carry on the acquisition debt, they are the focus of our analysis.

where $R_{a,h,t}$ denotes the stock return of acquirer a over h quarters from the announcement quarter t , and $R_{a,h,t}^{mkt}$ is the corresponding country-specific market index return over the same period. This measure captures the abnormal return earned by the acquirer relative to the market benchmark over the specified horizon, providing a standard metric for evaluating acquirer performance in M&A event studies (see Andrade et al., 2001; Moeller et al., 2005; Harford et al., 2012).

To quantify how U.S. monetary policy affects acquirer performance, we estimate the following specification:

$$AbnormalReturn_{a,h,t} = \beta USMonPol_{t-1} + \delta_a + \epsilon_{a,h,t} \quad (5)$$

where $AbnormalReturn_{a,h,t}$ denotes the market-adjusted abnormal returns of acquirer a over h quarters following the announcement date t , and $USMonPol_{t-1}$ captures unexpected changes in U.S. monetary policy conditions in the quarter prior to the deal. We use the lagged value of U.S. monetary policy shocks, $USMonPol_{t-1}$, to ensure that the measure captures monetary conditions known to market participants at the time of the M&A announcement. Since M&A deals are announced continuously, but monetary shocks are realized at specific points in time, the lagged shock provides a proxy for the latest shift in financing conditions and market expectations affecting the acquirer's valuation. This timing may also mitigate concerns about simultaneity between monetary conditions and M&A activity.

Table 18 reports estimates from regressions of acquirer abnormal returns, adjusted by the country-specific market index and measured over different horizons following the M&A announcement (one quarter after, two quarters after, etc.), on U.S. monetary policy shocks. Each coefficient corresponds to a separate regression, estimated under alternative sets of fixed effects (no fixed effects, country fixed effects, and acquirer fixed effects), and separately for the full sample of deals and the subsample of cross-border transactions.

The findings from Table 18 suggest robust evidence for a tighter U.S. monetary policy to be associated with higher abnormal returns for acquirers following M&A announcements. Across all event windows, the estimated coefficients of abnormal returns regressed on the U.S. monetary policy shock are consistently positive and statistically significant at conventional levels. This relationship holds in both Panel A, which includes all acquirers, and Panel B, which excludes U.S. acquirers, where the effects are particularly pronounced. The findings

persist across the full sample and the subset of cross-border transactions, suggesting that tighter global monetary conditions lead investors to reassess broader acquisition activity more favorably.

Figure 5 plots the predicted acquirer excess returns around M&A announcements from estimating Equation 5 as a function of lagged U.S. monetary policy shocks. Panel (a) reports predicted excess returns accumulated over one quarter (t to $t+1$), while Panel (b) extends the return horizon to four quarters (t to $t+4$). The 90% confidence intervals shown as vertical bars. The key takeaway from Figure 5 is that predicted returns increase monotonically with higher values of the monetary policy shocks, or with tighter monetary policy. The figure also suggests that this positive relationship is particularly driven by periods of loose monetary regimes. The figure displays fitted values from regressions estimated with acquirer fixed effects following Equation (5), showing that announcement returns are strongly negative when monetary policy is most accommodative, stay negative through much of the distribution of monetary policy settings, but increase systematically through the range as policy becomes tighter.

One interpretation of this observed pattern is that more restrictive monetary conditions act as a screen: in circumstances where financing is both expensive and difficult to obtain, companies will be more likely to undertake acquisitions that offer clear strategic or synergistic benefit. This screening effect may be particularly pronounced for non-U.S. acquirers, who often rely on dollar funding markets for large cross-border transactions and thus face additional financing constraints when U.S. monetary policy tightens. During times of plentiful liquidity, on the other hand, companies may be more inclined to choose deals with poorer underlying characteristics, driven by managerial empire-building desires or growth for growth's sake. In addition, acquisitions during times of lean liquidity could indicate financial strength or better management skills, again leading to favorable stock-price responses.

Overall, these findings provide direct evidence of capital misallocation driven by U.S. monetary spillovers. Acquisitions announced during periods of accommodative U.S. monetary conditions experience negative announcement returns and systematically underperform compared to those announced during tighter conditions, indicating that easier financial conditions enable value-destroying investments. Combined with our earlier evidence that loose U.S. monetary policy also increases cross-border M&A activity, the evidence points to a consistent pattern: easier financial conditions not only encourage more deals, but also worse deals. This dual effect—higher quantity and lower quality—demonstrates how accommodative

U.S. monetary policy drives capital misallocation across borders, with resources flowing to acquisitions that destroy rather than create shareholder value.

V Conclusion

This paper offers both country and firm-level evidence for spillovers of monetary conditions and exchange rates in the core to cross-border M&A activity in the rest of the world. Our focus on interaction effects suggests that our findings may not merely reflect easier monetary conditions at the core, which are mirrored by policy responses in other countries. In particular, we find that transmission is stronger for firms that have a higher degree of foreign exchange liabilities, suggesting evidence of a "net worth" channel of spillovers. Importantly, therefore, we see an impulse given to M&A activity which need not be primarily based on real economic conditions and investment opportunities but on valuations and access to financing, altered by impulses from elsewhere. Additionally, acquisitions that occur under tighter global monetary conditions create greater value, whereas those that coincide with looser monetary conditions exhibit relatively weaker performance. Notably, this pattern is driven primarily by the weaker performance of acquisitions announced during unexpectedly loose monetary conditions. Taken together with the increase in deal volume under such conditions, the evidence points to capital misallocation in cross-border M&A activity.

These results have several implications. The extent of foreign investment into a country, especially the pattern over time, is sometimes seen as a measure of that country's health. However, some of this investment (or lack of it) is explained by monetary conditions at the core, which should temper both the euphoria as well as pessimism surrounding that data.

It is well documented that corporate acquisitions are not always driven by value maximization – many fail to create value (see Fernandes, 2019, for example), and acquirers rarely benefit. At the same time, acquisitions are often accompanied by increases in corporate debt. The leveraging of domestic companies when monetary conditions elsewhere are easier leaves a legacy problem for the country when monetary conditions at the core tighten. This has always been seen as one of the key problems associated with spillovers but is especially concerning when it accompanies an activity with uncertain benefits. From a regulatory perspective, the implication is not to ban cross-border mergers, but to pay more attention to financial stability concerns when monetary conditions are easy.

Relatedly, many emerging market central banks smooth exchange rate movements in response to monetary impulses from the core. Our paper adds to the literature suggesting that there may be a macro-prudential aspect to such smoothing (see Diamond et al., 2020 and Hofmann et al., 2019).

There is much scope for additional research, including looking at the performance of “spillover” induced acquisitions over time, looking at the effect of acquisition-induced leveraging, and getting better data on foreign exchange exposures of the corporate sector. This paper should be viewed as simply a beginning.

VI Bibliography

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Figures

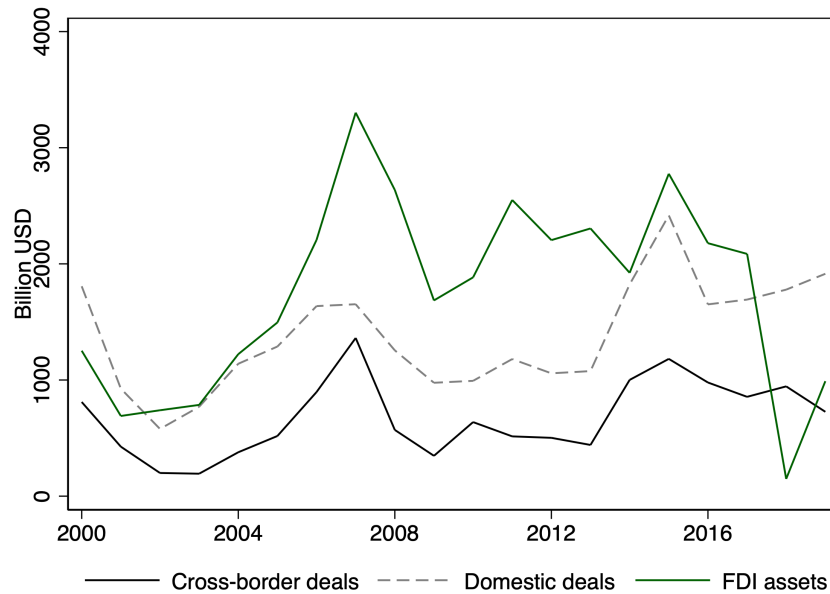


Figure 1: Trends in Domestic and Cross-Border M&A Activity and FDI Assets

Notes: This figure shows the total annual value of domestic and cross-border M&As, along with total global foreign direct investment (FDI) assets, from 2000 to 2019. Cross-border M&As refer to transactions in which the acquirer and target are based in different countries, while domestic M&As occur between firms headquartered in the same country. FDI assets include both greenfield investments and acquisitions of existing foreign assets. M&A data are from SDC Platinum Merger and Corporate Transactions. FDI asset data are from the IMF Balance of Payments Statistics. All values are expressed in billions of U.S. dollars.

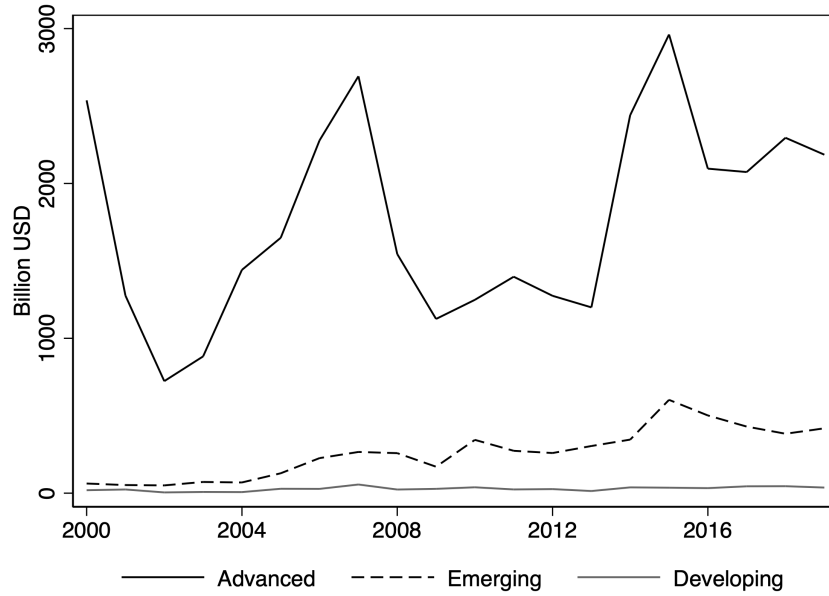
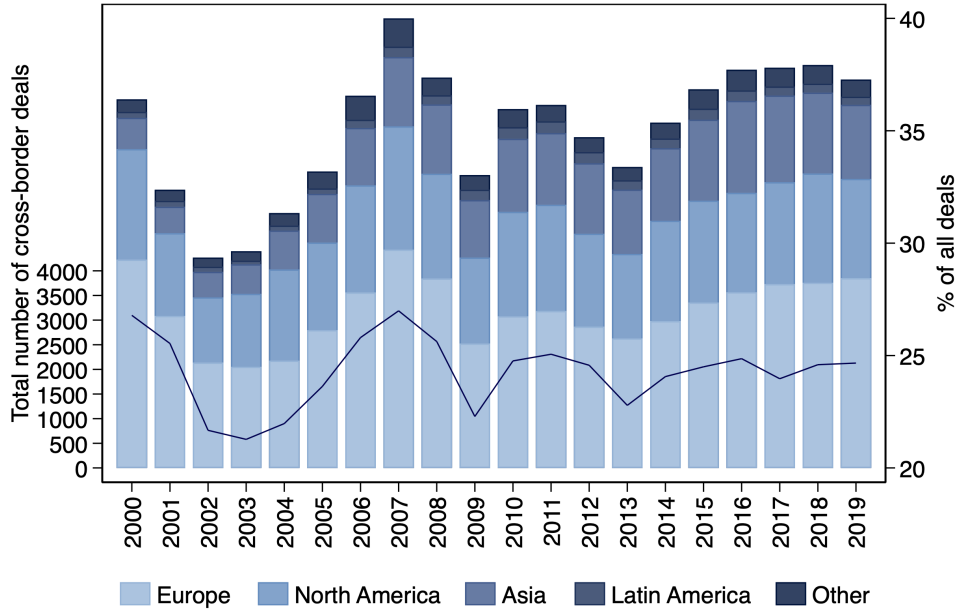
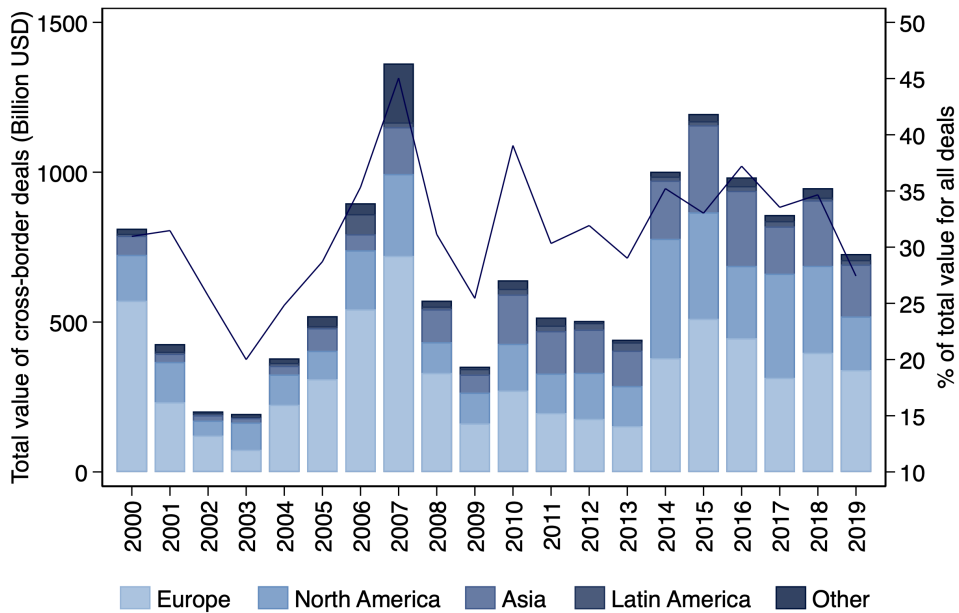


Figure 2: Total value of M&As: by acquirer country groups

Notes: This figure shows the total annual value of mergers and acquisitions—including both domestic and cross-border transactions—between 2000 and 2019, disaggregated by acquirer country groups: advanced, emerging, and developing economies. Values are expressed in billions of U.S. dollars. Data are from SDC Platinum Merger and Corporate Transactions.



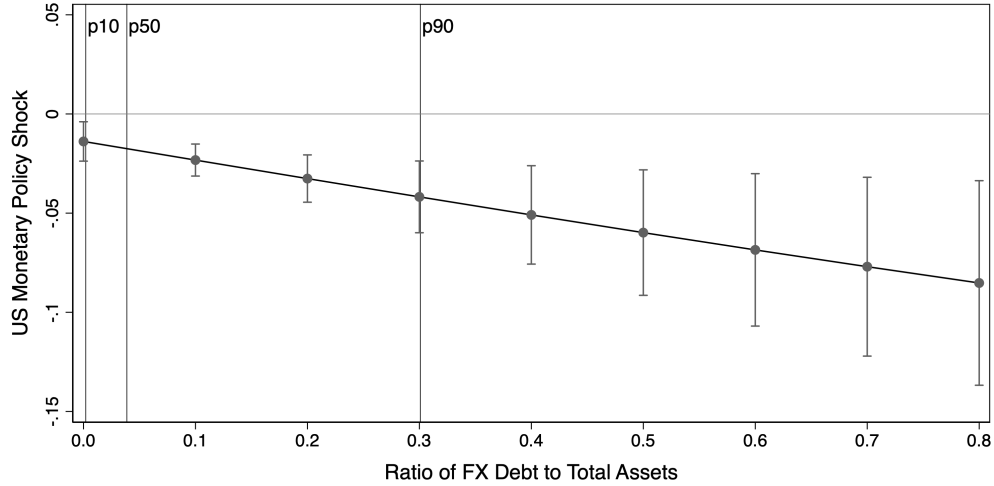
(a) Deal count



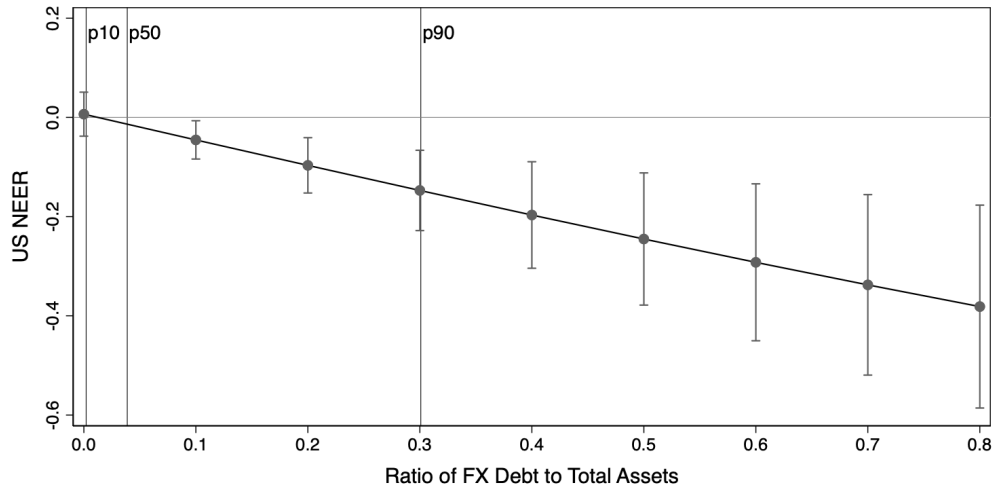
(b) Deal value

Figure 3: Geographic Distribution of Cross-border Acquirers

Note: This figure plots the number (Panel A) and the value in billions USD (Panel B) of cross-border deals with deal value larger than \$1 million between 2000 and 2019. Bars represent numbers or values in a given year, colored by region of acquirer, while solid lines represent the fraction of cross-border acquisitions relative to the total number or deal value of all acquisitions in a given year, including domestic deals. M&A data are from SDC Platinum Merger and Corporate Transactions.



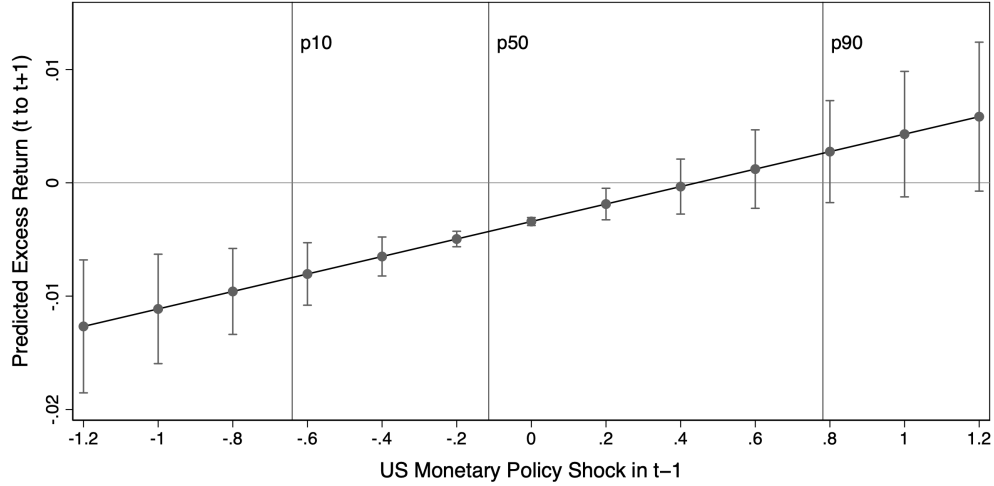
(a) U.S. Monetary Policy Shocks



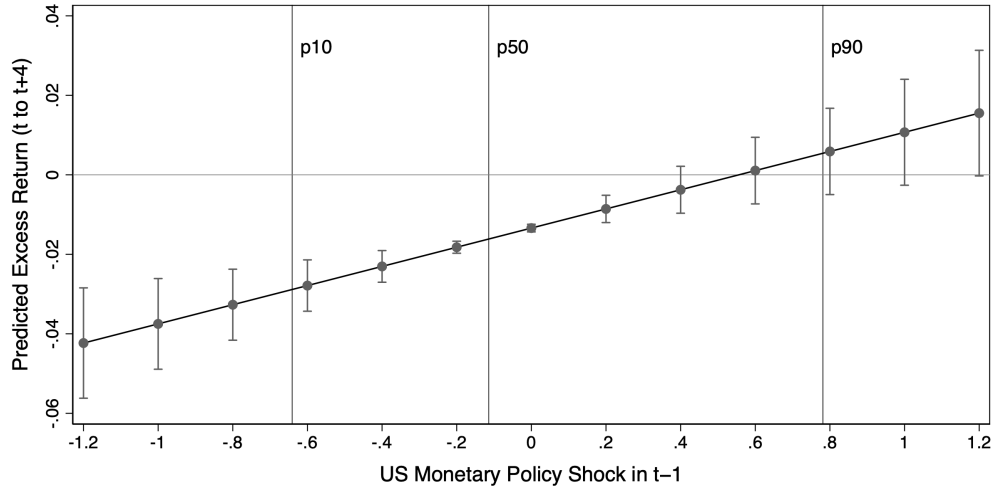
(b) U.S. NEER Shocks

Figure 4: Marginal Effects of U.S. Monetary Policy and U.S. NEER Shocks Across Acquirers' FX Debt-to-Assets Ratio

Notes: This figure displays the marginal effects of (Panel A) U.S. monetary policy shocks and (Panel B) log changes in the U.S. Nominal Effective Exchange Rate (U.S. NEER) on the likelihood of cross-border M&A activity, estimated across the distribution of acquirers' FX debt-to-assets ratios. Estimates are based on Equation (3), using a logit model with firm fixed effects. Error bars represent 95% confidence intervals. Firm-level financial and M&A data are obtained from ORBIS. U.S. monetary policy shocks are sourced from Iacoviello and Navarro (2019), and the U.S. NEER series is obtained from the IMF.



(a) Excess Return over One-Quarter Horizon (t to $t+1$)



(b) Excess Return over Four-Quarter Horizon (t to $t+4$)

Figure 5: Predicted Acquirer Excess Returns and U.S. Monetary Policy Shocks

Notes: This figure plots the predicted (fitted) acquirer excess return around M&A announcements as a function of the lagged U.S. monetary policy shocks, estimated using acquirer fixed effects following Equation (5). Panel (a) reports predicted excess returns accumulated over one quarter (t to $t+1$), while Panel (b) extends the return horizon to four quarters (t to $t+4$). Each curve represents the fitted value of the dependent variable conditional on the U.S. monetary policy shock, with 90% confidence intervals shown as vertical bars. Vertical lines mark the 10th, 50th, and 90th percentiles of the monetary policy shock distribution. Firm-level stock and market data are obtained from ORBIS, and market returns are constructed using indices from Global Financial Data. U.S. monetary policy shocks are sourced from Iacoviello and Navarro (2019).

Tables

Table 1: Summary Statistics

Variables	Unit	(1) Mean	(2) Median	(3) Std. Dev.	(4) Min.	(5) Max.	(6) Unique Obs.
Panel A. Country-Level Variables							
Deal value (bilateral)	Million USD	1,209.7	73.8	4,427.9	0.20	33,797.2	17,812
Cross-border deal value (bilateral)	Million USD	659.8	64.5	2,063.1	0.20	15,380.0	15,994
Domestic deal value (bilateral)	Million USD	5,169.0	493.7	9,911.9	0.20	33,797.2	1,818
FX Liabilities – SDC	Percent of GDP	13.4	5.5	27.3	0.07	198.3	2,043
USD Debt – SDC	Percent of GDP	11.1	4.3	22.2	0.04	151.0	1,943
FX Liabilities – IMF	Percent of GDP	74.6	39.7	96.1	6.82	505.7	1,000
USD Debt – IMF	Percent of GDP	41.7	25.6	51.9	1.52	271.9	1,000
FX Liabilities – BIS	Percent of GDP	58.5	10.7	194.6	0.30	1,496.8	2,731
USD Debt – BIS	Percent of GDP	30.0	5.6	103.2	0.06	804.1	2,716
Panel B. Firm-Level Variables							
Deal value	Million USD	280.3	24.2	919.8	0.01	14,227.6	35,936
Cross-border deal value	Million USD	361.9	40.0	1,117.2	0.06	8,397.6	11,232
Domestic deal value	Million USD	227.9	18.5	760.5	0.01	5,830.0	26,359
FX Debt - SDC Methodology	Percent of total assets	8.3	2.1	14.2	0.00	75.2	686,497
Non-current FX Liabilities - SDC Methodology	Percent of total assets	7.0	1.9	12.2	0.00	66.3	686,497
FX Debt - BIS Methodology	Percent of total assets	1.9	0.6	3.3	0.00	20.1	96,206
Stock price	USD	26.5	7.1	67.5	0.03	547.6	339,871
Acquirer total assets	Million USD	3,630.1	185.2	12,309.0	1.45	92,437.0	94,235
Target total assets	Million USD	161.0	11.7	618.8	1.07	4,824.7	43,130
Panel C. Exogenous Variables							
U.S. Monetary Policy Shocks	Percentage Points	-0.09	-0.16	0.38	-0.55	0.83	20
EA Monetary Policy Shocks	Percentage Points	-0.07	0.08	1.20	-4.06	2.03	20
Domestic rate	Percentage	4.49	3.94	3.07	-0.08	29.50	2,733
U.S. NEER	Index	4.70	4.70	0.09	4.56	4.83	20

Notes: This table reports summary statistics for the main variables. Panel A presents country-level variables, including M&A deal values from the SDC Platinum Merger and Corporate Transactions database; FX-liability measures from the IMF International Investment Position (IIP), the BIS Locational Banking Statistics (LBS), and the SDC Platinum Loans and Bonds database. Panel B presents firm-level variables. Total assets are reported only for firms with assets exceeding \$1 million. FX liabilities (FX Debt and Non-current FX Liabilities, as % of total assets) are proxied by multiplying ORBIS total liabilities by the country-level share of FX liabilities in total liabilities, constructed from the SDC Platinum Loans and Bonds database. In addition, we include a BIS-based measure that applies the same approach but uses country-level corporate FX-debt shares estimated from BIS data (Global Liquidity Indicators, International Debt Securities Statistics, and Total Credit database) following Kalemli-Ozcan et al. (2021). Panel C presents exogenous variables: U.S. and Euro Area monetary policy shocks are constructed following Iacoviello and Navarro (2019); domestic interest rates are from the IMF International Financial Statistics (IFS); and the U.S. NEER is from the IMF. The most common sectors (2-digit SIC codes) among acquirers and targets are as follows: acquirers—Business Services (73, 17.7%), Holding Companies (67, 7.9%), Engineering Services (87, 7.3%); targets—Business Services (73, 19.8%), Engineering Services (87, 7.3%), and Wholesale Trade (50, 4.1%). All variables are winsorized at the 1st and 99th percentiles.

Table 3: U.S. Monetary Policy Conditions and Cross-Border M&A Activity - Country Level Evidence

	(1)		(2)		(3)		(4)	
	Log(Deal Value + 1)				Log(Count of Deals + 1)			
	Cross-border	Cross-border (Exc. US)	Cross-border	Cross-border (Exc. US)	Cross-border	Cross-border (Exc. US)	Cross-border	Cross-border (Exc. US)
US Mon. Pol.	-0.073	-0.062	-0.013	-0.011	(0.018)	(0.018)	(0.004)	(0.004)
Constant	1.206	1.087	0.309	0.273	(0.007)	(0.007)	(0.002)	(0.002)
Observations	54,690	50,813	54,690	50,813				
R-squared	0.468	0.401	0.632	0.558				
Bilateral FE	Yes	Yes	Yes	Yes				

Notes: This table examines the relationship between U.S. monetary policy conditions and cross-border M&A activity at the country level during 2000-2019, estimated following Equation (1). The dependent variables are the log of deal value (Columns 1-2) and the log of the number of deals (Columns 3-4), each augmented by one to account for zero values. Columns 1 and 3 include all cross-border deals, while Columns 2 and 4 exclude deals involving the United States as either acquirer or target. The key independent variable is U.S. monetary policy shocks, obtained from Iacoviello and Navarro (2019). M&A data are sourced from SDC Platinum's Merger and Corporate Transactions database. All regressions include bilateral fixed effects. Robust standard errors are reported in parentheses. $p < 0.01$, $p < 0.05$, $p < 0.1$.

Table 4: Domestic M&A Activity and Domestic and U.S. Monetary Policy Conditions - Country Level Evidence

	(1)	(2)	(3)	(4)	(5)	(6)
	Log(Deal Value + 1)			Log(Count of deals + 1)		
US Mon. Pol.	-0.033 (0.071)		-0.148 (0.105)	0.006 (0.021)		-0.010 (0.035)
Domestic Policy Rate		-0.027 (0.010)	-0.028 (0.010)		-0.008 (0.004)	-0.008 (0.004)
Constant	3.365 (0.028)	5.702 (0.066)	5.692 (0.065)	1.267 (0.008)	2.233 (0.024)	2.232 (0.024)
Observations	3,142	1,432	1,432	3,142	1,432	1,432
R-squared	0.809	0.800	0.801	0.902	0.887	0.887
Country FE	Yes	Yes	Yes	Yes	Yes	Yes
Time FE	No	No	No	No	No	No

Notes: This table examines the relationship between U.S. and domestic monetary policy conditions and domestic M&A activity at the country level during 2000–2019. The dependent variables are the log of deal value (Columns 1–3) and the log of the number of deals (Columns 4–6), each augmented by one to account for zero values. Columns 1 and 4 include all domestic deals, while Columns 2–3 and 5–6 exclude deals involving the United States. The key explanatory variables are U.S. monetary policy shocks, obtained from Iacoviello and Navarro (2019), and domestic short-term policy rates, sourced from the IMF. M&A data are sourced from SDC Platinum’s Merger and Corporate Transactions database. All regressions include country fixed effects. Robust standard errors are reported in parentheses. $p < 0.01$, $p < 0.05$, $p < 0.1$.

Table 5: U.S. Monetary Policy, FX Liabilities (SDC), and Cross-Border M&A Activity - Country Level Evidence on Deal Values

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Log(Deal Value + 1)				Cross-border (Exc. US)			
	Cross-border		Cross-border		Cross-border		Cross-border	
US Mon. Pol.	-0.040 (0.032)		-0.057 (0.032)		-0.011 (0.033)		-0.046 (0.032)	
Target FX Liabilities (% GDP, t-1)	-0.026 (0.075)	-0.181 (0.076)			-0.031 (0.078)	-0.185 (0.079)		
US Mon. Pol. x Target FX Liabilities (% GDP, t-1)	-0.130 (0.098)	-0.062 (0.097)			-0.167 (0.100)	-0.100 (0.099)		
Target USD Liabilities (% GDP, t-1)			-0.156 (0.091)	-0.219 (0.092)			-0.097 (0.100)	-0.168 (0.100)
US Mon. Pol. x Target USD Liabilities (% GDP, t-1)			-0.025 (0.129)	-0.007 (0.128)			-0.077 (0.140)	-0.062 (0.140)
Acquirer FX Liabilities (% GDP, t-1)	0.523 (0.078)	0.284 (0.080)			0.510 (0.079)	0.271 (0.081)		
US Mon. Pol. x Acquirer FX Liabilities (% GDP, t-1)	-0.329 (0.081)	-0.258 (0.080)			-0.349 (0.081)	-0.277 (0.080)		
Acquirer USD Liabilities (% GDP, t-1)			0.294 (0.101)	0.157 (0.102)			0.478 (0.117)	0.302 (0.117)
US Mon. Pol. x Acquirer USD Liabilities (% GDP, t-1)			-0.395 (0.105)	-0.364 (0.103)			-0.363 (0.112)	-0.327 (0.110)
Constant	1.412 (0.021)	1.484 (0.021)	1.481 (0.021)	1.514 (0.022)	1.250 (0.022)	1.324 (0.023)	1.294 (0.021)	1.328 (0.021)
Observations	31,395	31,395	31,395	31,395	29,034	29,034	29,034	29,034
R-squared	0.507	0.514	0.506	0.514	0.439	0.446	0.438	0.446
Bilateral FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Time FE	No	Yes	No	Yes	No	Yes	No	Yes

Notes: This table examines the relationship between U.S. monetary policy conditions, FX liabilities, and cross-border M&A activity at the country level, estimated following Equation (2). The dependent variable is the log of deal value, augmented by one to account for zero values. Columns 1–4 include all cross-border deals, while Columns 5–8 exclude deals involving the United States as either the acquirer or the target. The key explanatory variables include U.S. monetary policy shocks, as well as the levels of FX liabilities and USD-denominated liabilities of target and acquiring countries, interacted with U.S. monetary policy shocks. FX liabilities at the country level are constructed using data from SDC's Platinum Loans and Bonds database. GDP data are sourced from the BIS. M&A data are obtained from SDC Platinum's Merger and Corporate Transactions database, and U.S. monetary policy shocks are obtained from Iacoviello and Navarro (2019). All regressions include bilateral fixed effects and, where indicated, time fixed effects. Robust standard errors are reported in parentheses. $p < 0.01$, $p < 0.05$, $p < 0.1$.

Table 6: U.S. Monetary Policy, FX Liabilities, and Cross-Border M&A Activity – Country-Level Evidence on Deal Counts

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Log(Count of Deals + 1)							
	Cross-border				Cross-border (Exc. US)			
US Mon. Pol.	-0.005 (0.007)		-0.012 (0.007)		0.000 (0.007)		-0.012 (0.007)	
Target FX Liabilities (% GDP, t-1)	0.006 (0.016)	-0.033 (0.016)			0.007 (0.017)	-0.030 (0.017)		
US Mon. Pol. x Target FX Liabilities (% GDP, t-1)	-0.020 (0.019)	-0.003 (0.019)			-0.026 (0.020)	-0.010 (0.019)		
Target USD Liabilities (% GDP, t-1)			-0.029 (0.019)	-0.046 (0.019)			-0.020 (0.020)	-0.037 (0.020)
US Mon. Pol. x Target USD Liabilities (% GDP, t-1)			0.019 (0.026)	0.025 (0.026)			0.010 (0.027)	0.015 (0.027)
Acquirer FX Liabilities (% GDP, t-1)	0.126 (0.017)	0.065 (0.017)			0.120 (0.017)	0.062 (0.017)		
US Mon. Pol. x Acquirer FX Liabilities (% GDP, t-1)	-0.090 (0.016)	-0.072 (0.016)			-0.092 (0.016)	-0.074 (0.016)		
Acquirer USD Liabilities (% GDP, t-1)			0.111 (0.021)	0.075 (0.021)			0.103 (0.023)	0.060 (0.023)
US Mon. Pol. x Acquirer USD Liabilities (% GDP, t-1)			-0.096 (0.021)	-0.087 (0.021)			-0.078 (0.021)	-0.068 (0.021)
Constant	0.369 (0.004)	0.387 (0.004)	0.381 (0.004)	0.389 (0.004)	0.319 (0.005)	0.336 (0.005)	0.332 (0.004)	0.340 (0.004)
Observations	31,395	31,395	31,395	31,395	29,034	29,034	29,034	29,034
R-squared	0.711	0.716	0.710	0.716	0.636	0.642	0.636	0.642
Bilateral FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Time FE	No	Yes	No	Yes	No	Yes	No	Yes

Notes: This table examines the relationship between U.S. monetary policy conditions, FX liabilities, and cross-border M&A activity at the country level, estimated following Equation (2). The dependent variable is the log of the number of deals, augmented by one to account for zero values. Columns 1–4 include all cross-border deals, while Columns 5–8 exclude deals involving the United States. Key explanatory variables include U.S. monetary policy shocks, as well as the levels of FX liabilities and USD-denominated liabilities of target and acquiring countries, interacted with U.S. monetary policy shocks. FX liabilities at the country level are constructed using data from SDC’s Platinum Loans and Bonds database. GDP data are sourced from the BIS. M&A data are obtained from SDC Platinum’s Merger and Corporate Transactions database, and U.S. monetary policy shocks are obtained from Iacoviello and Navarro (2019). All regressions include bilateral fixed effects and, where indicated, time fixed effects. Robust standard errors are reported in parentheses. $p < 0.01$, $p < 0.05$, $p < 0.1$.

Table 7: Domestic and U.S. Monetary Policy, FX Liabilities (SDC), and Cross-Border M&A Activity – Country-Level Evidence

	(1)	(2)	(3)	(4)
	Log(Deal Value + 1)			
	Cross-border		Cross-border (Exc. US)	
US Mon. Pol.	0.036		0.082	
	(0.044)		(0.046)	
Target FX Liab. (% GDP, t-1)	-0.165	-0.355	-0.158	-0.350
	(0.151)	(0.151)	(0.156)	(0.157)
US Mon. Pol. x Target FX Liab. (% GDP, t-1)	-0.566	-0.385	-0.621	-0.446
	(0.175)	(0.175)	(0.177)	(0.178)
Acquirer FX Liab. (% GDP, t-1)	0.844	0.641	0.828	0.631
	(0.134)	(0.136)	(0.137)	(0.138)
US Mon. Pol. x Acquirer FX Liab. (% GDP, t-1)	-0.526	-0.362	-0.629	-0.473
	(0.187)	(0.187)	(0.189)	(0.191)
Target Dom. Pol. Rate	0.009	-0.003	0.010	-0.005
	(0.005)	(0.005)	(0.005)	(0.005)
Target Dom. Pol. Rate x Target FX Liab. (% GDP, t-1)	0.032	0.023	0.030	0.023
	(0.026)	(0.026)	(0.026)	(0.027)
Acquirer Dom. Pol. Rate	-0.006	-0.010	-0.005	-0.011
	(0.005)	(0.005)	(0.005)	(0.005)
Acquirer Dom. Pol. Rate x Acquirer FX Liab. (% GDP, t-1)	-0.040	-0.043	-0.042	-0.045
	(0.015)	(0.015)	(0.015)	(0.015)
Constant	1.538	1.661	1.331	1.466
	(0.035)	(0.038)	(0.036)	(0.039)
Observations	22,760	22,760	20,983	20,983
R-squared	0.527	0.533	0.453	0.459
Bilateral FE	Yes	Yes	Yes	Yes
Time FE	No	Yes	No	Yes

Notes: This table examines the relationship between U.S. monetary policy conditions, domestic policy rates, FX liabilities, and cross-border M&A activity at the country level. The dependent variable is the log of deal value, augmented by one to account for zero values. Columns 1–2 include all cross-border deals, while Columns 3–4 exclude deals involving the U.S. as either the acquirer or the target. Key explanatory variables include U.S. monetary policy shocks, domestic short-term policy rates, and measures of FX-denominated liabilities of target and acquiring countries—interacted with both U.S. and domestic monetary policy conditions. FX liabilities at the country level are constructed using data from SDC’s Platinum Loans and Bonds database. GDP data are sourced from the BIS. M&A data are obtained from SDC Platinum’s Merger and Corporate Transactions database. U.S. monetary policy shocks are obtained from Iacoviello and Navarro (2019). Domestic short-term policy rates are obtained from the IMF. All regressions include bilateral fixed effects and, where indicated, time fixed effects. Robust standard errors are reported in parentheses. $p < 0.01$, $p < 0.05$, $p < 0.1$.

Table 8: EA and U.S. Monetary Policy, FX Liabilities, and Cross-Border M&A Activity – Country-Level Evidence

	(1)	(2)	(3)	(4)
	Log(Deal Value + 1)		Log(Count of deals + 1)	
Target FX Liabilities (% GDP, t-1)	-0.176 (0.076)	-0.180 (0.076)	-0.036 (0.016)	-0.036 (0.016)
EA Mon. Pol. x Target FX Liabilities (% GDP, t-1)	-0.006 (0.031)	-0.002 (0.033)	0.000 (0.006)	0.000 (0.006)
US Mon. Pol. x Target FX Liabilities (% GDP, t-1)		-0.061 (0.102)		-0.001 (0.020)
Acquirer FX Liabilities (% GDP, t-1)	0.326 (0.082)	0.313 (0.081)	0.071 (0.017)	0.067 (0.017)
EA Mon. Pol. x Acquirer FX Liabilities (% GDP, t-1)	-0.056 (0.030)	-0.037 (0.031)	-0.013 (0.005)	-0.008 (0.006)
US Mon. Pol. x Acquirer FX Liabilities (% GDP, t-1)		-0.228 (0.085)		-0.064 (0.017)
Constant	1.480 (0.022)	1.479 (0.021)	0.380 (0.004)	0.380 (0.004)
Observations	31,395	31,395	31,395	31,395
R-squared	0.514	0.514	0.689	0.689
Bilateral FE	Yes	Yes	Yes	Yes
Time FE	Yes	Yes	Yes	Yes

Notes: This table examines the relationship between US and EA monetary policy conditions, FX liabilities, and cross-border M&A activity at the country level. The dependent variables are the log of deal value (Columns 1-2) and the log of the number of deals (3-4), both variables augmented by one to account for zero values. The analysis spans the period from 2002 to 2019. Key explanatory variables include US monetary policy shocks, EA monetary policy shocks, and the levels of FX and USD-denominated liabilities of target and acquiring countries, interacted with both US and EA monetary policy shocks. FX liabilities at the country level are constructed using data from SDC's Platinum Loans and Bonds database. GDP data are sourced from the BIS. M&A data are obtained from SDC Platinum's Merger and Corporate Transactions database. US and EA monetary policy shocks are calculated following Iacoviello and Navarro (2019). All regressions include bilateral fixed effects and time fixed effects. Robust standard errors are reported in parentheses. $p < 0.01$, $p < 0.05$, $p < 0.1$.

Table 9: U.S. Monetary Policy, FX Debt, and Cross-Border M&As activity - Country Level Evidence Excluding Tax Havens

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Log(Deal Value + 1)				Cross-border (Exc. US)			
	Cross-border		Cross-border		Cross-border		Cross-border	
US Mon. Pol.	0.028 (0.040)		-0.037 (0.038)		0.062 (0.041)		-0.007 (0.042)	
Target FX Liabilities (% GDP, t-1)	-0.205 (0.106)	-0.364 (0.107)			-0.232 (0.110)	-0.388 (0.111)		
US Mon. Pol. x Target FX Liabilities (% GDP, t-1)	-0.544 (0.183)	-0.425 (0.182)			-0.580 (0.186)	-0.457 (0.185)		
Target USD Liabilities (% GDP, t-1)			-0.283 (0.111)	-0.356 (0.112)			-0.324 (0.153)	-0.384 (0.155)
US Mon. Pol. x Target USD Liabilities (% GDP, t-1)			-0.154 (0.198)	-0.161 (0.197)			-0.383 (0.273)	-0.346 (0.274)
Acquirer FX Liabilities (% GDP, t-1)	0.603 (0.096)	0.373 (0.098)			0.544 (0.091)	0.322 (0.093)		
US Mon. Pol. x Acquirer FX Liabilities (% GDP, t-1)	-0.585 (0.155)	-0.424 (0.155)			-0.623 (0.150)	-0.452 (0.150)		
Acquirer USD Liabilities (% GDP, t-1)			0.351 (0.119)	0.201 (0.121)			0.722 (0.158)	0.544 (0.161)
US Mon. Pol. x Acquirer USD Liabilities (% GDP, t-1)			-0.570 (0.189)	-0.585 (0.187)			-0.641 (0.279)	-0.615 (0.277)
Constant	1.477 (0.021)	1.529 (0.022)	1.525 (0.021)	1.553 (0.021)	1.319 (0.022)	1.370 (0.023)	1.331 (0.022)	1.353 (0.022)
Observations	27,632	27,632	27,632	27,632	25,415	25,415	25,415	25,415
R-squared	0.526	0.532	0.525	0.532	0.458	0.464	0.457	0.464
Bilateral FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Time FE	No	Yes	No	Yes	No	Yes	No	Yes

Notes: This table examines the relationship between U.S. monetary policy conditions, FX liabilities, and cross-border M&A activity at the country level, estimated following Equation (2). We define tax havens based on the list published by the European Council, and also include Luxembourg and Ireland. The dependent variable is the log of deal value, augmented by one to account for zero values. Columns 1-4 include all cross-border deals, while Columns 5-8 exclude deals involving the United States as either the acquirer or the target. The key explanatory variables include U.S. monetary policy shocks, as well as the levels of FX liabilities and USD-denominated liabilities of target and acquiring countries, interacted with U.S. monetary policy shocks. FX liabilities at the country level are constructed using data from SDC's Platinum Loans and Bonds database. GDP data are sourced from the BIS. M&A data are obtained from SDC Platinum's Merger and Corporate Transactions database, and U.S. monetary policy shocks are obtained from Iacoviello and Navarro (2019). All regressions include bilateral fixed effects and, where indicated, time fixed effects. Robust standard errors are reported in parentheses. $p < 0.01$, $p < 0.05$, $p < 0.1$.

Table 10: U.S. Monetary Policy, FX Debt, and Cross-Border M&A Activity - Firm-Level Evidence

	(1)	(2)	(3)	(4)
	Cross-border		Cross-border (Exc. US)	
US Mon. Pol.	-0.055 (0.024)		-0.042 (0.027)	
FX Debt/Assets	0.463 (0.125)	0.462 (0.126)	0.444 (0.123)	0.446 (0.124)
US Mon. Pol. x FX Debt/Assets	-0.376 (0.181)	-0.410 (0.183)	-0.428 (0.185)	-0.455 (0.187)
Observations	170,069	170,069	151,165	151,165
Time FE	No	Yes	No	Yes
Firm FE	Yes	Yes	Yes	Yes

Notes: This table examines the relationship between U.S. monetary policy shocks, FX debt, and cross-border M&A activity at the firm level, estimated following Equation (3). The dependent variable is a binary indicator equal to one if an acquirer engages in at least one cross-border M&A transaction in a given year. The analysis is based on a panel at the acquirer-year level. Columns 1–2 use the full sample; Columns 3–4 exclude acquirers headquartered in the United States. Explanatory variables include U.S. monetary policy shocks, FX Debt/Assets (FX debt as a share of assets), and their interaction. Firm fixed effects are included in all specifications; time fixed effects are included in Columns 2 and 4. M&A and firm-level financial data are obtained from ORBIS. FX liabilities are proxied by multiplying firm-level total liabilities from ORBIS by the country-level share of FX liabilities in total liabilities, constructed from SDC’s Platinum Loans and Bonds database. U.S. monetary policy shocks are from Iacoviello and Navarro (2019). Standard errors are reported in parentheses. $p < 0.01$, $p < 0.05$, $p < 0.1$.

Table 11: U.S. Monetary Policy and FX Debt in Cross-Border M&A – Controlling for Acquirer Country and Country-Year Fixed Effects

	(1)	(2)	(3)	(4)
	Cross-border		Cross-border (Exc. US)	
US Mon. Pol.	-0.064 (0.022)		-0.053 (0.025)	
FX Debt/Assets	0.484 (0.093)	0.457 (0.098)	0.451 (0.091)	0.429 (0.096)
US Mon. Pol. x FX Debt/Assets	-0.336 (0.154)	-0.514 (0.194)	-0.375 (0.157)	-0.505 (0.191)
Observations	170,069	168,699	151,165	149,795
Acquirer Country FE	Yes	No	Yes	No
Acquirer Country x Year FE	No	Yes	No	Yes

Notes: This table examines the relationship between U.S. monetary policy, FX debt, and cross-border M&A activity at the firm level. The dependent variable is a binary indicator equal to one if an acquirer firm engages in at least one cross-border M&A transaction in a given year. The analysis is based on a panel dataset at the acquirer-year level. Columns 1–2 use the full sample of firms, while Columns 3–4 restrict the sample by excluding firms headquartered in the United States. Key explanatory variables include U.S. monetary policy shocks, total FX debt (expressed as a share of assets), and their interactions with monetary policy shocks. Columns 1 and 3 include acquirer country fixed effects. Columns 2 and 4 include acquirer country-by-year fixed effects. M&A and firm-level financial data are obtained from ORBIS. FX liabilities are approximated by multiplying firm-level total liabilities from ORBIS by the country-level share of FX liabilities to total liabilities, calculated using data from SDC’s Platinum Loans and Bonds database. U.S. monetary policy shocks are obtained from Iacoviello and Navarro (2019). Standard errors are reported in parentheses. $p < 0.01$, $p < 0.05$, $p < 0.1$.

Table 12: U.S. Nominal Exchange Rate, FX Debt, and Cross-Border M&A Activity - Firm-Level Evidence

	(1)	(2)	(3)	(4)
	Cross-border		Cross-border (Exc. US)	
US NEER	0.026 (0.109)		0.273 (0.122)	
FX Debt/Assets	10.275 (3.934)	11.451 (3.976)	15.279 (4.041)	15.586 (4.086)
US NEER x FX Debt/Assets	-2.082 (0.838)	-2.333 (0.847)	-3.153 (0.861)	-3.216 (0.870)
Observations	170,069	170,069	151,165	151,165
Time FE	No	Yes	No	Yes
Firm FE	Yes	Yes	Yes	Yes

Notes: This table examines the relationship between the U.S. nominal exchange rate, FX debt, and cross-border M&A activity at the firm level, estimated following Equation (3). The dependent variable is a binary indicator equal to one if an acquirer firm engages in at least one cross-border M&A transaction in a given year. The analysis is based on a panel dataset at the acquirer-year level. Columns 1–2 use the full sample of firms, while Columns 3–4 restrict the sample by excluding firms headquartered in the United States. Explanatory variables include the log of the U.S. nominal effective exchange rate (US NEER), total FX debt (each expressed as a share of assets), and their interactions. Firm fixed effects are included in all specifications. Time fixed effects are included in Columns 2 and 4. M&A and firm-level financial data are obtained from ORBIS. FX liabilities are approximated by multiplying firm-level total liabilities from ORBIS by the country-level share of FX liabilities to total liabilities, calculated using data from SDC’s Platinum Loans and Bonds database. The US NEER series is sourced from the IMF. Standard errors are reported in parentheses. $p < 0.01$, $p < 0.05$, $p < 0.1$.

Table 13: U.S. Monetary Policy, Exchange Rate, FX Debt, and Cross-Border M&A Activity (Excl. US) – Firm-Level Evidence for Serial Acquirers

	(1)	(2)	(3)	(4)
	Cross-border (Exc. US)			
US Mon. Pol.	-0.002 (0.039)			
FX Debt/Assets	0.566 (0.187)	0.592 (0.189)	17.340 (5.983)	17.730 (6.068)
US Mon. Pol. x FX Debt/Assets	-0.671 (0.280)	-0.744 (0.286)		
US NEER			-0.084 (0.176)	
US NEER x FX Debt/Assets			-3.548 (1.273)	-3.632 (1.291)
Observations	57,167	57,167	57,167	57,167
Time FE	No	Yes	No	Yes
Firm FE	Yes	Yes	Yes	Yes

Notes: This table examines the relationship between U.S. monetary policy conditions, the U.S. nominal exchange rate, FX debt, and cross-border M&A activity at the firm level, estimated following Equation (3). The analysis is based on a panel dataset at the acquirer-year level. The sample is restricted to serial acquirers (firms with at least 3 acquisitions during 2000-2019). The dependent variable is a binary indicator equal to one if an acquirer firm engages in at least one cross-border M&A transaction (excluding deals involving U.S. firms) in a given year. Key explanatory variables include U.S. monetary policy shocks, the log of the U.S. nominal effective exchange rate (US NEER), total FX debt (expressed as a share of assets), and their interactions with U.S. monetary conditions. Firm fixed effects are included in all specifications. Time fixed effects are included in Columns 2 and 4. M&A and firm-level financial data are obtained from ORBIS. FX liabilities are approximated by multiplying firm-level total liabilities from ORBIS by the country-level share of FX liabilities to total liabilities, calculated using data from SDC's Platinum Loans and Bonds database. U.S. monetary policy shocks are obtained from Iacoviello and Navarro (2019), and the US NEER series is sourced from the IMF. Standard errors are reported in parentheses. $p < 0.01$, $p < 0.05$, $p < 0.1$.

Table 14: U.S. and Domestic Monetary Policy Conditions, FX Debt, and Cross-Border M&A Activity - Firm-Level Evidence

	(1)	(2)	(3)	(4)
	Cross-border		Cross-border (Exc. US)	
US Mon. Pol.	-0.054		-0.030	
	(0.028)		(0.031)	
FX Debt/Assets	0.454	0.461	0.432	0.441
	(0.126)	(0.127)	(0.125)	(0.126)
US Mon. Pol. x FX Debt/Assets	-0.380	-0.440	-0.437	-0.495
	(0.186)	(0.189)	(0.191)	(0.193)
Domestic Pol. Rate	-0.005	-0.025	-0.007	-0.022
	(0.005)	(0.008)	(0.005)	(0.009)
Domestic Pol. Rate x FX Debt/Assets	-0.002	0.004	-0.007	0.000
	(0.008)	(0.009)	(0.008)	(0.009)
Observations	157,553	157,553	138,649	138,649
Time FE	No	Yes	No	Yes
Firm FE	Yes	Yes	Yes	Yes

Notes: This table examines the relationship between U.S. monetary policy conditions, domestic short-term policy rates, firms' foreign currency debt, and cross-border M&A activity at the firm level. The dependent variable is a binary indicator equal to one if an acquirer firm engages in at least one cross-border M&A transaction in a given year. The analysis is conducted on a panel dataset at the acquirer-year level. Columns 1–2 use the full sample of firms, while Columns 3–4 exclude U.S. acquirer firms. Key explanatory variables include U.S. monetary policy shocks, domestic short-term policy rates, and firms' FX debt-to-assets ratio, along with interaction terms between both policy variables and FX debt. All regressions include firm fixed effects. Time fixed effects are included in Columns (2) and (4). M&A and firm-level financial data are obtained from ORBIS. Firm-level FX debt is proxied by multiplying each firm's total liabilities (from ORBIS) by the share of FX liabilities in total liabilities at the country level, calculated using data from SDC's Platinum Loans and Bonds database. U.S. monetary policy shocks are obtained from Iacoviello and Navarro (2019), and domestic policy rates are sourced from the IMF's International Financial Statistics. Standard errors are reported in parentheses. $p < 0.01$, $p < 0.05$, $p < 0.1$.

Table 15: U.S. and Domestic Monetary Policy Conditions, FX Debt, and Domestic M&A Activity - Firm-Level Evidence

	(1)	(2)
	Domestic (Exc. US)	
US Mon. Pol.	0.0647 (0.0169)	
FX Debt/Assets	0.1690 (0.0736)	0.231 (0.074)
US Mon. Pol. x FX Debt/Assets	-0.5478 (0.1053)	-0.477 (0.106)
Domestic Pol. Rate	-0.0472 (0.0031)	-0.039 (0.005)
Domestic Pol. Rate x FX Debt/Assets	0.0003 (0.0040)	0.005 (0.004)
Observations	462,859	462,859
Time FE	No	Yes
Firm FE	Yes	Yes

Notes: This table examines the relationship between U.S. monetary policy conditions, domestic short-term policy rates, firms' foreign currency debt, and domestic M&A activity, excluding U.S. acquirer firms, at the firm level. The dependent variable is a binary indicator equal to one if a firm engages in at least one domestic M&A transaction in a given year. The analysis is based on a panel dataset at the acquirer-year level. Key explanatory variables include U.S. monetary policy shocks, domestic short-term policy rates, firms' FX debt-to-assets ratios, and interaction terms between FX debt and both policy variables. All regressions include firm fixed effects. Time fixed effects are included in Column (2). M&A and firm-level financial data are obtained from ORBIS. Firm-level FX debt is proxied by multiplying each firm's total liabilities (from ORBIS) by the country-level share of FX liabilities in total liabilities, based on data from SDC's Platinum Loans and Bonds database. U.S. monetary policy shocks are obtained from Iacoviello and Navarro (2019), and domestic policy rates from the IMF's International Financial Statistics. Standard errors are reported in parentheses. $p < 0.01$, $p < 0.05$, $p < 0.1$.

Table 16: U.S. Monetary Policy, FX Debt, and Cross-Border M&A Activity: Firm-Level Evidence by Tradable vs. Non-Tradable Sectors

	(1)	(2)	(3)	(4)
	Cross-border		Cross-border (Exc. US)	
US Mon. Pol.	-0.061 (0.034)		-0.057 (0.037)	
FX Debt/Assets	0.328 (0.168)	0.307 (0.169)	0.318 (0.166)	0.301 (0.167)
US Mon. Pol. \times FX Debt/Assets	-0.410 (0.243)	-0.452 (0.246)	-0.431 (0.247)	-0.464 (0.250)
US Mon. Pol. \times Tradable	0.011 (0.048)	0.016 (0.049)	0.031 (0.054)	0.036 (0.054)
FX Debt/Assets \times Tradable	0.318 (0.252)	0.363 (0.253)	0.303 (0.249)	0.346 (0.250)
US Mon. Pol. \times FX Debt/Assets \times Tradable	0.080 (0.366)	0.099 (0.370)	0.006 (0.375)	0.020 (0.379)
Observations	170,069	170,069	151,165	151,165
Time FE	No	Yes	No	Yes
Firm FE	Yes	Yes	Yes	Yes

Notes: This table examines the relationship between U.S. monetary policy shocks, FX debt, tradability, and cross-border M&A activity at the firm level, estimated following Equation (3). The dependent variable is an indicator equal to one if an acquirer engages in at least one cross-border M&A transaction in a given year. Columns 1–2 use the full sample; Columns 3–4 exclude acquirers headquartered in the United States. Tradable sectors are defined using SIC codes and include Agriculture (SIC 100–999), Mining (SIC 1000–1499), and Manufacturing (SIC 2000–3999). Explanatory variables include U.S. monetary policy shocks, FX Debt/Assets (FX debt as a share of assets), the Tradable indicator, and their interactions. Firm fixed effects are included in all specifications; time fixed effects in Columns 2 and 4. M&A and firm financial data are from ORBIS. FX liabilities are proxied by multiplying firm-level total liabilities from ORBIS by the country-level share of FX liabilities in total liabilities, constructed from SDC Platinum Loans and Bonds. U.S. monetary policy shocks are from Iacoviello and Navarro (2019). Standard errors in parentheses. $p < 0.01$, $p < 0.05$, $p < 0.1$.

Table 17: U.S. Monetary Policy, FX Debt, and Cross-Border M&A Activity - Firm-Level Evidence Excluding Tax Havens

	(1)	(2)	(3)	(4)
	Cross-border		Cross-border (Exc. US)	
US Mon. Pol.	-0.057 (0.025)		-0.044 (0.027)	
FX Debt/Assets	0.450 (0.131)	0.456 (0.131)	0.428 (0.129)	0.437 (0.130)
US Mon. Pol. x FX Debt/Assets	-0.396 (0.189)	-0.427 (0.191)	-0.449 (0.193)	-0.473 (0.195)
Observations	165,415	165,415	146,511	146,511
Time FE	No	Yes	No	Yes
Firm FE	Yes	Yes	Yes	Yes

Notes: This table examines the relationship between U.S. monetary policy, FX debt, and cross-border M&A activity at the firm level, estimated following Equation (3). We define tax havens based on the list published by the European Council, and also include Luxembourg and Ireland. The dependent variable is a binary indicator equal to one if an acquirer firm engages in at least one cross-border M&A transaction in a given year. The analysis is based on a panel dataset at the acquirer-year level. Columns 1–2 use the full sample of firms, while Columns 3–4 restrict the sample by excluding firms headquartered in the United States. Explanatory variables include U.S. monetary policy shocks, total FX debt (each expressed as a share of assets), and their interactions with monetary policy shocks. Firm fixed effects are included in all specifications. Time fixed effects are included in Columns 2 and 4. M&A and firm-level financial data are obtained from ORBIS. FX liabilities are approximated by multiplying firm-level total liabilities from ORBIS by the country-level share of FX liabilities to total liabilities, calculated using data from SDC’s Platinum Loans and Bonds database. U.S. monetary policy shocks are obtained from Iacoviello and Navarro (2019). Standard errors are reported in parentheses. $p < 0.01$, $p < 0.05$, $p < 0.1$.

Table 18: The stock price reaction to announcements of M&As, and their relation to the U.S. Monetary Policy around acquisition announcements

	(1)	(2)	(3)	(4)
	Cross-Border			
Quarters after the announcement	1	2	3	4
Panel A. All firms				
No FE	0.005** (0.003)	0.008* (0.004)	0.017*** (0.005)	0.035*** (0.007)
Country FE	0.006** (0.003)	0.009** (0.004)	0.018*** (0.005)	0.037*** (0.007)
Acquirer FE	0.008** (0.003)	0.006 (0.005)	0.015** (0.007)	0.025*** (0.008)
Panel B. Excluding US companies				
No FE	0.009*** (0.003)	0.014*** (0.005)	0.023*** (0.007)	0.044*** (0.008)
Country FE	0.009*** (0.003)	0.015*** (0.005)	0.025*** (0.007)	0.047*** (0.009)
Acquirer FE	0.010** (0.004)	0.010* (0.006)	0.021** (0.008)	0.035*** (0.010)

Notes: This table reports the stock price reaction to cross-border M&A announcements in relation to U.S. monetary policy shocks, using data from 2010–2019 and estimated following Equation (5). The dependent variable is the acquirer firm’s excess return over different post-announcement horizons (quarters 1 to 4), calculated as the stock return from the announcement quarter t to $t + h$ minus the corresponding country-specific market index return over the same period. The key explanatory variable is the US Monetary Policy Shock, measured quarterly and lagged to account for its transmission effect on M&A activity and stock prices. Panel A includes all acquirer firms, and Panel B excludes U.S. acquirers. The table presents results estimated with no fixed effects, country fixed effects, and acquirer fixed effects. Stock price data are obtained from ORBIS, while market index data come from Global Financial Data. U.S. monetary policy shocks are obtained from Iacoviello and Navarro (2019). Robust standard errors are reported in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Appendix

A Tables

Table A.1: U.S. Monetary Policy Conditions and M&A Activity - Evidence from Countries with Established Acquisition Markets

	(1)		(2)		(3)		(4)	
	Log(Deal Value + 1)				Log(Count of Deals + 1)			
	Cross-border	Cross-border (Exc. US)	Cross-border	Cross-border (Exc. US)	Cross-border	Cross-border (Exc. US)	Cross-border	Cross-border (Exc. US)
US Mon. Pol.	-0.081	-0.069	-0.016	-0.013	(0.019)	(0.019)	(0.004)	(0.004)
Constant	1.253	1.127	0.322	0.285	(0.008)	(0.008)	(0.002)	(0.002)
Observations	51,821	48,197	51,821	48,197				
R-squared	0.469	0.402	0.636	0.564				
Bilateral FE	Yes	Yes	Yes	Yes				

Notes: This table examines the relationship between U.S. monetary policy conditions and cross-border M&A activity at the country level, estimated following Equation (1). The sample is restricted to “established acquirer markets,” defined over the full 2000–2019 period as acquirer countries with at least ten distinct serial acquirers (firms completing three or more deals during the sample); market membership is fixed across years. This restriction reduces coverage from nearly 200 to roughly 80 acquirer countries. The dependent variables are the log of deal value (Columns 1–2) and the log of the number of deals (Columns 3–4), each augmented by one to account for zeros. Columns 1 and 3 include all cross-border deals, while Columns 2 and 4 exclude deals in which the United States is either the acquirer or the target. The key independent variable is U.S. monetary policy shocks, obtained from Iacoviello and Navarro (2019). M&A data are sourced from SDC Platinum’s Merger and Corporate Transactions database. All regressions include bilateral (country-pair) fixed effects. Robust standard errors are reported in parentheses. $p < 0.01$, $p < 0.05$, $p < 0.1$.

Table A.2: U.S. Monetary Policy, FX Liabilities (IMF), and Cross-Border M&As activity - Country Level Evidence

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Log(Deal Value + 1)				Cross-border (Exc. US)			
	Cross-border		Cross-border		Cross-border		Cross-border	
US Mon. Pol.	0.024 (0.047)		0.043 (0.048)		0.039 (0.049)		0.045 (0.049)	
Target FX Liabilities (% GDP, t-1)	-0.161 (0.054)	-0.189 (0.054)			-0.177 (0.055)	-0.190 (0.055)		
US Mon. Pol. x Target FX Liabilities (% GDP, t-1)	-0.018 (0.032)	-0.011 (0.032)			-0.017 (0.032)	-0.012 (0.032)		
Target USD Liabilities (% GDP, t-1)			-0.116 (0.090)	-0.018 (0.092)			-0.176 (0.090)	-0.059 (0.093)
US Mon. Pol. x Target USD Liabilities (% GDP, t-1)			-0.065 (0.058)	-0.066 (0.057)			-0.066 (0.058)	-0.067 (0.058)
Acquirer FX Liabilities (% GDP, t-1)	0.150 (0.050)	0.095 (0.052)			0.142 (0.051)	0.109 (0.053)		
US Mon. Pol. x Acquirer FX Liabilities (% GDP, t-1)	-0.102 (0.028)	-0.094 (0.028)			-0.108 (0.028)	-0.102 (0.028)		
Acquirer USD Liabilities (% GDP, t-1)			0.465 (0.088)	0.527 (0.093)			0.446 (0.090)	0.535 (0.095)
US Mon. Pol. x Acquirer USD Liabilities (% GDP, t-1)			-0.171 (0.053)	-0.169 (0.053)			-0.166 (0.053)	-0.164 (0.053)
Constant	1.904 (0.063)	1.976 (0.066)	1.728 (0.059)	1.649 (0.065)	1.695 (0.067)	1.734 (0.070)	1.536 (0.061)	1.435 (0.066)
Observations	24,258	24,258	24,258	24,258	22,477	22,477	22,477	22,477
R-squared	0.518	0.527	0.519	0.527	0.443	0.452	0.443	0.452
Bilateral FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Time FE	No	Yes	No	Yes	No	Yes	No	Yes

Notes: This table examines the relationship between U.S. monetary policy conditions, FX liabilities, and cross-border M&A activity at the country level, estimated following Equation (2). The dependent variable is the log of deal value, augmented by one to account for zero values. Columns 1–4 include all cross-border deals, while Columns 5–8 exclude deals involving the United States as either the acquirer or the target. The key explanatory variables include U.S. monetary policy shocks, as well as the levels of FX liabilities and USD-denominated liabilities of target and acquiring countries, interacted with U.S. monetary policy shocks. FX liabilities come from the IMF. GDP data are sourced from the BIS. M&A data are obtained from SDC Platinum's Merger and Corporate Transactions database, and U.S. monetary policy shocks are obtained from Iacoviello and Navarro (2019). All regressions include bilateral fixed effects and, where indicated, time fixed effects. Robust standard errors are reported in parentheses. $p < 0.01$, $p < 0.05$, $p < 0.1$.

Table A.3: U.S. Monetary Policy, FX Liabilities (BIS), and Cross-Border M&As activity - Country Level Evidence

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Log(Deal Value + 1)				Cross-border (Exc. US)			
	Cross-border		Cross-border		Cross-border		Cross-border	
US Mon. Pol.	-0.103 (0.024)		-0.102 (0.025)		-0.095 (0.025)		-0.095 (0.026)	
Target FX Liabilities (% GDP, t-1)		-0.002 (0.031)			-0.002 (0.031)	-0.033 (0.031)		
US Mon. Pol. x Target FX Liabilities (% GDP, t-1)		0.001 (0.014)			-0.005 (0.014)	-0.002 (0.014)		
Target USD Liabilities (% GDP, t-1)			-0.094 (0.067)	-0.034 (0.067)			-0.080 (0.070)	-0.007 (0.071)
US Mon. Pol. x Target USD Liabilities (% GDP, t-1)			-0.011 (0.036)	-0.006 (0.036)			-0.012 (0.037)	-0.008 (0.037)
Acquirer FX Liabilities (% GDP, t-1)	0.085 (0.023)	0.058 (0.024)			0.076 (0.023)	0.047 (0.024)		
US Mon. Pol. x Acquirer FX Liabilities (% GDP, t-1)	-0.026 (0.011)	-0.023 (0.011)			-0.027 (0.010)	-0.025 (0.010)		
Acquirer USD Liabilities (% GDP, t-1)			0.213 (0.060)	0.274 (0.061)			0.208 (0.061)	0.281 (0.062)
US Mon. Pol. x Acquirer USD Liabilities (% GDP, t-1)			-0.073 (0.032)	-0.065 (0.031)			-0.072 (0.031)	-0.065 (0.031)
Constant	1.269 (0.029)	1.319 (0.030)	1.296 (0.027)	1.266 (0.028)	1.141 (0.030)	1.193 (0.031)	1.158 (0.028)	1.120 (0.028)
Observations	39,147	39,147	39,147	39,147	36,193	36,193	36,193	36,193
R-squared	0.494	0.503	0.494	0.503	0.426	0.435	0.426	0.435
Bilateral FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Time FE	No	Yes	No	Yes	No	Yes	No	Yes

Notes: This table examines the relationship between U.S. monetary policy conditions, FX liabilities, and cross-border M&A activity at the country level, estimated following Equation (2). The dependent variable is the log of deal value, augmented by one to account for zero values. Columns 1–4 include all cross-border deals, while Columns 5–8 exclude deals involving the United States as either the acquirer or the target. The key explanatory variables include U.S. monetary policy shocks, as well as the levels of FX liabilities and USD-denominated liabilities of target and acquiring countries, interacted with U.S. monetary policy shocks. FX liabilities come from the BIS. GDP data are sourced from the BIS. M&A data are obtained from SDC Platinum's Merger and Corporate Transactions database, and U.S. monetary policy shocks are obtained from Iacoviello and Navarro (2019). All regressions include bilateral fixed effects and, where indicated, time fixed effects. Robust standard errors are reported in parentheses. $p < 0.01$, $p < 0.05$, $p < 0.1$.

Table A.4: U.S. Monetary Policy, FX Liabilities (SDC), and Cross-Border M&As activity - Country Level Evidence in Established Acquisition Markets

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Log(Deal Value + 1)							
	Cross-border				Cross-border (Exc. US)			
US Mon. Pol.	-0.044 (0.033)		-0.060 (0.033)		-0.017 (0.034)		-0.048 (0.033)	
Target FX Liabilities (% GDP, t-1)	-0.026 (0.077)	-0.183 (0.077)			-0.033 (0.080)	-0.186 (0.080)		
US Mon. Pol. x Target FX Liabilities (% GDP, t-1)	-0.125 (0.100)	-0.059 (0.098)			-0.162 (0.101)	-0.098 (0.100)		
Target USD Liabilities (% GDP, t-1)			-0.168 (0.093)	-0.233 (0.093)			-0.098 (0.102)	-0.171 (0.102)
US Mon. Pol. x Target USD Liabilities (% GDP, t-1)			-0.027 (0.131)	-0.007 (0.130)			-0.073 (0.143)	-0.059 (0.142)
Acquirer FX Liabilities (% GDP, t-1)	0.553 (0.081)	0.304 (0.083)			0.532 (0.079)	0.290 (0.082)		
US Mon. Pol. x Acquirer FX Liabilities (% GDP, t-1)	-0.334 (0.082)	-0.262 (0.081)			-0.342 (0.079)	-0.265 (0.078)		
Acquirer USD Liabilities (% GDP, t-1)			0.327 (0.106)	0.181 (0.107)			0.530 (0.124)	0.343 (0.125)
US Mon. Pol. x Acquirer USD Liabilities (% GDP, t-1)			-0.404 (0.107)	-0.371 (0.105)			-0.376 (0.113)	-0.338 (0.111)
Constant	1.435 (0.021)	1.511 (0.022)	1.507 (0.022)	1.542 (0.022)	1.269 (0.022)	1.345 (0.023)	1.313 (0.022)	1.349 (0.022)
Observations	30,635	30,635	30,635	30,635	28,352	28,352	28,352	28,352
R-squared	0.507	0.513	0.506	0.513	0.439	0.446	0.438	0.445
Bilateral FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Time FE	No	Yes	No	Yes	No	Yes	No	Yes

Notes: This table examines the relationship between U.S. monetary policy conditions, FX liabilities, and cross-border M&A activity at the country level, estimated following Equation (2). This analysis includes only country-years with at least 5 distinct serial acquirers present, where serial acquirers are defined as companies with 3 or more acquisitions during 2000-2019. The dependent variable is the log of deal value, augmented by one to account for zero values. Columns 1-4 include all cross-border deals, while Columns 5-8 exclude deals involving the United States as either the acquirer or the target. The key explanatory variables include U.S. monetary policy shocks, as well as the levels of FX liabilities and USD-denominated liabilities of target and acquiring countries, interacted with U.S. monetary policy shocks. FX liabilities at the country level are constructed using data from SDC's Platinum Loans and Bonds database. GDP data are sourced from the BIS. M&A data are obtained from SDC Platinum's Merger and Corporate Transactions database, and U.S. monetary policy shocks are obtained from Iacoviello and Navarro (2019). All regressions include bilateral fixed effects and, where indicated, time fixed effects. Robust standard errors are reported in parentheses. $p < 0.01$, $p < 0.05$, $p < 0.1$.

Table A.5: Domestic and U.S. Monetary Policy Conditions, FX Liabilities (SDC), and Domestic M&A Activity - Country Level Evidence

	(1)	(2)	(3)	(4)
	Log(Deal Value + 1)			
US Mon. Pol.	-0.171 (0.142)		-0.173 (0.148)	
FX Liabilities (% GDP, t-1)	-0.586 (0.524)	-0.896 (0.531)		
US Mon. Pol. x FX Liabilities (% GDP, t-1)	0.122 (0.598)	0.497 (0.629)		
USD Liabilities (% GDP, t-1)			-1.156 (0.724)	-1.328 (0.736)
US Mon. Pol. x USD Liabilities (% GDP, t-1)			0.041 (1.292)	0.773 (1.314)
Domestic Pol. Rate	-0.045 (0.017)	-0.008 (0.017)	-0.037 (0.017)	-0.001 (0.018)
Domestic Pol. Rate x USD Liabilities (% GDP, t-1)			0.184 (0.089)	0.185 (0.085)
Domestic Pol. Rate x FX Liabilities (% GDP, t-1)	0.161 (0.054)	0.175 (0.055)		
Constant	6.599 (0.111)	6.441 (0.115)	6.599 (0.111)	6.431 (0.115)
Observations	1,042	1,042	1,042	1,042
R-squared	0.815	0.832	0.814	0.831
Country FE	Yes	Yes	Yes	Yes
Time FE	No	Yes	No	Yes

Notes: This table examines the relationship between U.S. and domestic monetary policy conditions, FX liabilities, and domestic M&A activity at the country level. The dependent variable is the log of deal value, augmented by one to account for zero values. The sample includes only domestic deals and excludes those from U.S. companies. Key explanatory variables include U.S. monetary policy shocks, domestic short-term policy rates, and the levels of FX and USD-denominated liabilities of target and acquiring countries, interacted with both U.S. and domestic policy rates. FX liabilities at the country level are constructed using data from SDC's Platinum Loans and Bonds database. GDP data are sourced from the BIS. M&A data are obtained from SDC Platinum's Merger and Corporate Transactions database. U.S. monetary policy shocks are obtained from Iacoviello and Navarro (2019), and domestic short-term policy rates are sourced from the IMF. All regressions include country fixed effects and, where indicated, time fixed effects. Robust standard errors are reported in parentheses. $p < 0.01$, $p < 0.05$, $p < 0.1$.

Table A.6: U.S. Monetary Policy, FX Debt, and Cross-Border M&A Activity - Firm-Level Evidence using a LPM

	(1)	(2)	(3)	(4)
	Cross-border		Cross-border (Exc. US)	
US Mon. Pol.	-0.002 (0.001)		-0.001 (0.001)	
FX Debt/Assets	0.012 (0.003)	0.013 (0.003)	0.011 (0.003)	0.012 (0.003)
US Mon. Pol. x FX Debt/Assets	-0.010 (0.004)	-0.009 (0.004)	-0.012 (0.004)	-0.011 -0.004
Observations	686,453	686,453	645,519	645,519
Time FE	No	Yes	No	Yes
Firm FE	Yes	Yes	Yes	Yes

Notes: This table examines the relationship between U.S. monetary policy shocks, FX debt, and cross-border M&A activity at the firm level using a linear probability model (LPM), estimated following Equation (3). The dependent variable is a binary indicator equal to one if an acquirer engages in at least one cross-border M&A transaction in a given year. The analysis is based on a panel at the acquirer-year level. Columns 1–2 use the full sample; Columns 3–4 exclude acquirers headquartered in the United States. Explanatory variables include U.S. monetary policy shocks, FX Debt/Assets (FX debt as a share of assets), and their interaction. Firm fixed effects are included in all specifications; time fixed effects are included in Columns 2 and 4. M&A and firm-level financial data are obtained from ORBIS. FX liabilities are proxied by multiplying firm-level total liabilities from ORBIS by the country-level share of FX liabilities in total liabilities, constructed from SDC’s Platinum Loans and Bonds database. U.S. monetary policy shocks are from Iacoviello and Navarro (2019). Standard errors are reported in parentheses. $p < 0.01$, $p < 0.05$, $p < 0.1$.

Table A.7: U.S. Monetary Policy, Exchange Rate, FX Debt, and Cross-Border M&A Activity (Excl. US) – Firm-Level Evidence

	(1)	(2)	(3)	(4)
	Cross-border (Exc. US)			
US Mon. Pol.	-0.046 (0.028)			
Non-Current FX Liabilities/Assets	1.231 (0.134)	1.201 (0.135)	16.722 (4.387)	17.403 (4.435)
US Mon. Pol. x Non-Current FX Liabilities/Assets	-0.410 (0.198)	-0.446 (0.200)		
US NEER			0.267 (0.126)	
US NEER x Non-Current FX Liabilities/Assets			-3.295 (0.934)	-3.444 (0.945)
Observations	151,165	151,165	151,165	151,165
Time FE	No	Yes	No	Yes
Firm FE	Yes	Yes	Yes	Yes

Notes: This table examines the relationship between U.S. monetary policy, the U.S. nominal exchange rate, FX debt, and cross-border M&A activity at the firm level, estimated following Equation (3). The dependent variable is a binary indicator equal to one if an acquirer firm engages in at least one cross-border M&A transaction in a given year, excluding deals involving U.S. firms. Key explanatory variables include U.S. monetary policy shocks, the log of the U.S. nominal effective exchange rate (US NEER), non-current FX liabilities as a share of assets, and their interactions with U.S. monetary policy conditions. Firm fixed effects are included in all specifications. Time fixed effects are included in Columns 2 and 4. M&A and firm-level financial data are obtained from ORBIS. Non-current FX liabilities are approximated by multiplying firm-level non-current liabilities from ORBIS by the country-level share of FX liabilities to total liabilities, calculated using data from SDC's Platinum Loans and Bonds database. U.S. monetary policy shocks are obtained from Iacoviello and Navarro (2019), and the US NEER series is sourced from the IMF. Standard errors are reported in parentheses. $p < 0.01$, $p < 0.05$, $p < 0.1$.

Table A.8: U.S. Monetary Policy, FX Debt (BIS methodology), and Cross-Border M&A Activity - Firm-Level Evidence

	(1)	(2)
	Cross-border	
US Mon. Pol.	0.132 (0.088)	
FX debt / Assets (BIS methodology)	-2.568 (1.398)	-2.422 (1.448)
US Mon. Pol. x FX Debt/Assets (BIS methodology)	-3.318 (1.826)	-3.542 (1.858)
Observations	14,014	14,014
Time FE	No	No
Firm FE	Yes	Yes

Notes: This table examines the relationship between U.S. monetary policy shocks, FX debt, and cross-border M&A activity at the firm level, estimated following Equation (3). The dependent variable is a binary indicator equal to one if an acquirer engages in at least one cross-border M&A transaction in a given year. The analysis is based on a panel at the acquirer–year level and uses the full sample. Explanatory variables include U.S. monetary policy shocks, FX Debt/Assets (FX debt as a share of assets), and their interaction. Firm and year fixed effects are included in all specifications. Firm-level financial and M&A data are obtained from ORBIS. FX liabilities are proxied by multiplying each firm’s total liabilities by the country-level corporate FX-debt share estimated using data from the BIS Global Liquidity Indicators (GLI), the BIS International Debt Securities Statistics (IDS), and the BIS Total Credit database, following the methodology of Kalemli-Ozcan et al. (2021). U.S. monetary policy shocks are from Iacoviello and Navarro (2019). Robust standard errors are reported in parentheses. $p < 0.01$, $p < 0.05$, $p < 0.1$.

B Estimation of firms' FX debt using BIS data

We construct firm-level estimates of foreign currency (FX) debt following Kalemli-Ozcan et al. (2021). Readers interested in additional details should refer to the paper.

The BIS Global Liquidity Indicators (GLI) database provides total FX debt at the country level. The GLI combines information on debt securities denominated in U.S. dollars, euros, and Japanese yen issued by non-financial sector entities with data on bank loans in these currencies extended to non-bank sector entities.²¹ The GLI data includes both cross-border and domestically extended credit.

To isolate the corporate component of FX debt, we use the BIS International Debt Securities Statistics (IDS), which report the value of FX-denominated debt securities issued by the government. We subtract these government FX securities from the GLI totals, leaving FX debt attributable to non-financial firms.

For the denominator, we use the BIS Total Credit to the Non-Financial Sector database, which reports total credit—loans and debt securities, in all currencies—extended by banks and non-banks. We subtract government credit from total credit to obtain total credit to non-financial corporations.

We then compute each country's corporate-sector FX debt share as the ratio of corporate FX debt to total corporate credit. This ratio represents the share of corporate debt denominated in foreign currency. All figures denominated in currencies other than the U.S. dollar are converted into U.S. dollars using BIS quarter-end exchange rates.

Finally, we estimate firm-level FX debt by multiplying each firm's total outstanding debt from ORBIS balance sheets by the country-level corporate FX debt share corresponding to its country of residence. The resulting variable provides an estimate of each firm's outstanding FX-denominated debt.

The BIS GLI data provide comprehensive information for a limited set of countries—approximately fourteen with complete coverage of both FX loans and FX bonds, counting only individual countries and excluding regional aggregates such as the euro area or emerging and developing economies. Consequently, the resulting sample is smaller than in our baseline estimations, and we employ this BIS-based approach primarily as a robustness check.

²¹The non-financial sector comprises non-financial corporations and the government, while the non-bank sector includes both non-bank financial institutions and the non-financial sector.