This paper uses the Neumeyer-Yano's monetary dynamic general equilibrium model to investigate the inter-connectivity of the world economy through bond holding beyond national borders. The possibility that unexpected inflation in one country transmits to another is demonstrated within a framework in which the nominal exchange rate is flexibly determined so that the purchasing power parity holds. Deflation can also be imported through the same channel. Whether inflation or deflation diffuses internationally depends on the level of fiscal deficit. Although a country may suffer from monetary disturbances from abroad, each country can completely defend itself by implementing appropriate fiscal policies.