

PDM NETWORK *Newsletter*

FEBRUARY 2009

Dear Partner, this *Newsletter* contains a list of the latest uploaded resources both in the documentation and in the event areas of the PDM Network website (www.publicdebtnet.org). The PDM Network has its main objective in the joint cooperation among its participants regarding the quantity and quality of information available on the website. So far, it is very appreciated a stronger collaboration in this field, **signalling to the Network Secretariat** any documents, news and events of interest at publicdebtnet.dt@tesoro.it.

New Documents

PAPERS

Bond Risk Premia, Macroeconomic Fundamentals and the Exchange Rate (2009)

Pericoli Marcello, Taboga Marco (Bank of Italy)

This paper introduces a two-country no-arbitrage term-structure model to analyse the joint dynamics of bond yields, macroeconomic variables and the exchange rate. The model allows to understand how exogenous shocks to the exchange rate affect the yield curves, how bond yields co-move in different countries and how the exchange rate is influenced by the interactions between macroeconomic variables and time-varying bond risk premia. [...]

What Determines Debt Intolerance? The Role of Political and Monetary Institutions (2009)

Giordano Raffaella, Tommasino Pietro (Bank of Italy)

Why do some states default on their debt more often than others? The authors argue that sovereign default is the outcome of a political struggle among different groups of citizens. [...]

The Cost of Aggressive Sovereign Debt Policies: How Much is the Private Sector Affected? (2009)

Trebesch Christoph (IMF)

This paper proposes a new empirical measure of cooperative versus conflictual crisis resolution following sovereign default and debt distress. The index of government coerciveness is presented as a proxy for excusable versus inexcusable default behaviour and used to evaluate the costs of default for the domestic

private sector, in particular its access to international debt markets. [...]

On Emerging Economy Sovereign Spreads and Ratings (2008)

Powell Andrew Philip (IADB), Martínez Juan Francisco (Oxford University)

This paper analyzes alternative models for emerging sovereign ratings. Although a small number of economic fundamentals explain ratings reasonably well, variations in those economic fundamentals are themselves explained by a small number of world factors [...]

New Policy Challenges from Financial Integration and Deepening in the Emerging Areas of Asia and Central and Eastern Europe (2008)

Rolli Valeria (Bank of Italy)

Since the mid-nineties international financial integration has advanced gradually in the emerging areas of Asia, while it has progressed rapidly in Central and Eastern Europe. This process has helped provide long-term benefits for the economies of the two regions in terms of faster productivity growth and deepening of domestic financial markets. [...]

Default and Recovery Implicit in the Term Structure of Sovereign CDS Spreads (2008)

Pan Jun (MIT and NBER), Singleton Kenneth J. (Stanford University and NBER)

This paper explores the nature of default arrival and recovery implicit in the term structures of sovereign CDS spreads. The authors argue that term structures of spreads reveal not only the arrival rates of credit events (λQ), but also the loss rates given credit events. [...]

Is it (Still) Mostly Fiscal? Determinants of Sovereign Spreads in Emerging Markets (2008)

Baldacci Emanuele (SACE), Gupta Sanjeev (IMF), Mati Amine (IMF)

Using a panel of 30 emerging market economies from 1997 to 2007, this paper investigates the determinants of country risk premiums as measured by sovereign bond spreads. Unlike previous studies, the results indicate that both fiscal and political factors matter for credit risk in emerging markets.[...]

How Sovereign Is Sovereign Credit Risk? (2008)

Longstaff Francis A. (UCLA and NBER), Pan Jun (MIT and NBER), Pedersen Lasse H. (NYU Stern School CEPR and NBER), Singleton Kenneth J. (Stanford University and NBER)

The benefits from diversifying equity portfolios internationally are well established in the literature. The authors study whether diversifying sovereign credit portfolios across countries has similar benefits. The evidence suggests that the benefits are likely to be much smaller for two reasons. [...]

Do Bidders in Canadian Treasury Bill Auctions Have Private Values? (2008)

Hortacsu Ali (University of Chicago and NBER), Kastl Jakob (Stanford University)

This paper exploits a unique feature of data from Canadian treasury bill auctions, in which some bidders have information about rivals' bids, to develop a test if values are private. Information about a rival's bid causes a bidder to bid differently when she has a private value than when her value depends on rivals' information. [...]

A New Era of International Financial Integration: Global, Market, and Regional Factors (2007)

Cipriani Marco (George Washington University), Kaminsky Graciela L. (George Washington University and NBER)

This paper analyzes the pattern of international financial integration by studying public and private gross issuance in international bond, equity, and syndicated loan markets of one hundred one countries since 1980. [...]

The Term Structure of Real Rates and Expected Inflation (2007)

Ang Andrew (Columbia University and NBER), Bekaert Geert (Columbia University, CEPR and NBER), Wei Min (FED)

Changes in nominal interest rates must be due to either movements in real interest rates, expected inflation, or the inflation risk premium. This paper develops a term structure model with regime switches, time-varying prices of risk, and inflation to identify these components of the nominal yield curve. [...]

The Yield Curve and Predicting Recessions (2006)

Wright Jonathan H. (FED)

The slope of the Treasury yield curve has often been cited as a leading economic indicator, with inversion of the curve being thought of as a harbinger of a recession. [...]

Crowding-Out and Crowding-In Effects of Government Bonds Market on Private Sector Investment (Japanese Case Study) (2006)

Alani Emad M.A. Abdullatif (Baghdad University and IDE- JETRO, Japan)

This paper reviews the relationship between public sector investment and private sector investment through government expenditures financed by government bonds in the Japanese economy. [...]

The Role of Global Risk Aversion in Explaining Latin American Sovereign Spreads (2005)

García-Herrero Alicia (Banco de España), Ortiz Álvaro (Repsol-YPF)

This paper assesses empirically whether global risk aversion (GRA) and some of its determinants (US economic growth and the US long term interest rates) explain developments in Latin American sovereign spreads. [...]

Fixed Income Pricing (2002)

Dai Qiang (New York University), Singleton Kenneth (Stanford University and NBER)

OTHER WEB RESOURCES

Guide to the Debt Management Performance Assessment Tool (DEMPEA) (2008)

World Bank Economic Policy and Debt Department (PRMED), World Bank Banking and Debt Management Department (TRE-BDM)

Managing Debt Newsletter
Crown Agents - Debt Management
from "Crown Agents" website

Capital Markets Weekly
Crown Agents - Debt Management
from "Crown Agents" website

Debt Relief International Publications
from "HIPC CBP" website

NETWORK NEWS

World Bank Launches Facility to Prevent Debt
from "World Bank website"

Public Debt Working Group Strategic Plan 2007-2012
from "Intosai website"

Annual Reports & Guidelines

EF Committee Bonds and Bill
Economic and Financial Committee on EU Government Bills and Bonds Markets - Reports

World Bank Economic Policy and Debt DeMPA Reports (2008)

Belgian Debt Agency
2008 Review – 2009 Outlook. (2009)

Danish Central Bank
Danish Government Borrowing and Debt 2008 (2009)

Papua New Guinean Treasury Department
Medium Term Debt Strategy: 2009-2013 (2009)

Pakistani Ministry of Finance
Debt Policy Statement 2008-2009 (2009)

Debt Management Office of Nigeria
External Borrowing Guidelines (2008-2012) (2008)
National Debt Management Framework (2008-2012) (2008)

Latvian Treasury Department
Central Government Debt Management Report 2008 (2009)

Portuguese Debt Agency
Financing Programme for the Republic of Portugal for 2009 (2009)

Poland Ministry of Finance
The Public Finance Sector – Debt Management Strategy in the years 2009-2011 (2008)

Events, Courses

UPCOMING

NEW

11 March 2009 - 13 March 2009; Mexico City, Mexico
Regional Seminar on the Financial Crisis and Foreign Private Capital Flows to Latin America

18 March 2009 - 20 March 2009; St. Kitts & Nevis
Government Debt Management Performance Assessment (DeMPA) Tool

23 March 2009 - 27 March 2009; Joint Vienna Institute
Workshop on joint Bank-Fund Debt Sustainability Framework for Low-Income Countries

26 March 2009 - Taipei, Taiwan
3rd Annual Taiwan Institutional Investment Forum

26 March 2009 - 27 March 2009; London
Sovereign Wealth Management 2009

20 April 2009 - 29 April 2009; Papua New Guinea
Pacific Regional Workshop on CS-DRMS and Review Mission(Tentative)

22 April 2009 - 23 April 2009; Washington D.C., USA
Commonwealth Minister's Debt Sustainability Forum

22 April 2009 - 23 April 2009; Beijing, China
ISDA 24th Annual General Meeting

18 May 2009 - 22 May 2009; Joint Vienna Institute
Workshop on Medium-term Debt Management Strategy

20 May 2009 - 22 May 2009; Slovenia, Ljubljana, Center of Excellence in Finance
Integration of Cash and Debt Management

14 December 2009 - 18 December 2009; Joint Vienna Institute
Workshop on Debt Management Performance Assessment Tool and Debt Sustainability Framework

PREVIOUSLY SIGNALLED

1 March 2009 - 14 March 2009; Accra, Ghana
Regional Course on Middle Office Operations & Risk Modeling

27 March - 31 March 2009; Medellín, Colombia
The Fiftieth Annual Meeting of the Board of Governors of the Inter-American Development Bank and the Twenty-fourth Annual Meeting of the Board of Governors of the Inter-American Investment Corporation

7 April 2009 - 11 April 2009; South Africa
Workshop on Domestic Debt & Auctioning Module of CS-DRMS 2000+

15 April - 17 April 2009; Montevideo, Uruguay
V Annual Meeting of the Group of Latin American and the Caribbean Debt Management Specialists

20 April 2009 - 24 April 2009; Lagos, Nigeria
Regional Workshop on Domestic Debt Management and Money & Capital Market Operations

22 June 2009 - 26 June 2009; Lagos, Nigeria
Seminars on Public Financial Management for Effective Aid Management for Policymakers and Parliamentarians

3 August 2009 - 7 August 2009; Lagos, Nigeria
Comprehensive CS-DRMS 2000 + User Training Featuring latest version 1.3 & Security Auction System

21 September 2009 - 2 October 2009; Banjul, The Gambia
Post-HIPC Debt Sustainability Analysis for The Gambia

12 October 2009 - 16 October 2009; Lagos, Nigeria
Debt Recording for Sub-national Debt Management in Nigeria

The PDM Secretariat is grateful to Abha Prasad and the World Bank Debt Management in LICs team for their resource contributions.

Communication Corner

E-MAIL NOTIFICATION SERVICE FOR PARTNERS

We are glad to remind that a **notification service** is provided on the Network website for Partners. By this service, they will receive an e-mail when a new document or event is uploaded onto the website in the category of their choice (i.e. primary market, secondary market, or other categories or macro-categories). To activate the service Partners should access in the private area of the website and choose the "GO" button in the "Mailing List" box. They can click on the categories they are interested in and, after clicking again on "subscribe" they will receive an email whenever a new document is uploaded in the preferred category. For any assistance contact the PDM Secretariat at Publicdebtnet.dt@tesoro.it

Participating Institutions in PDM Network

OECD: Australian OFM, Austrian DMA, Belgian DMA, Belgian Central Bank, Canadian Foreign Affairs and International Trade, Czech Central Bank, Czech MoF, Danish DMO, Danish Central Bank, Dutch Central Bank, Dutch DMA, Dutch MoF, Finnish Treasury, Finnish MoF, French Central Bank, French DMA, French MoF, German Central Bank, German MoF, German FA, Greek DMA, Greek MoF, Hungarian DMA, Hungarian MoF, Icelandic DMA, Irish NTMA, Irish MoF, Italian Central Bank, Italian MoF, Italian Development Co-operation Office, Japanese MoF, Japanese Central Bank, Luxembourg MoF, Mexican MoF, New Zealander DMO, Norwegian MoF, Polish MoF, Polish Central Bank, Portuguese Central Bank, Portuguese DMA, Slovak MoF, Slovak DMA, Spanish Central Bank, Spanish MoF, Swedish DMO, Swedish MoF, Swiss State Secretary for Economic Affairs SECO, Turkish Treasury, US GAO, , UK Central Bank, UK DMO, UK Treasury.

Non OECD: Albanian MoF, Angolan National Bank, Brazilian MoF, Brazilian Central Bank, Bulgarian MoF, Chilean Central Bank, Chinese MoF, Colombian MHCP, Cyprian Central Bank, Cyprian MoF, Dubai DMO, Dubai Government, Egyptian MoF, Estonian MoF, Ethiopian MoF, Ghanaian Central Bank, Ghanaian MoF, Hong Kong Monetary Auth., Indian Reserve Bank, Indian NIPF, Israeli MoF, Israeli Central Bank, Kenyan MoF, Latvian DMO, Lebanese MoF, Lesotho MoF, Lithuanian MoF, Macedonian MoF, Malawian Reserve Bank, Maltese Treasury, Maltese Central Bank, Moldovan MoF, Moroccan MoF, Nigerian DMO, Pakistani MoF, Papua New Guinean Treasury, Romanian MoF, Romanian Central Bank, Rwandan MoF, Singaporean MoF, Slovenian MoF, Solomon Islands MoF, South African National Treasury, Sri Lanka Central Bank, Thai MoF, Ugandan Central Bank, Uruguayan MoF.

Multilateral Institutions: OECD, European Commission, ADB, African Development Bank Group, Asian Development Bank Institute, Commonwealth Secretariat, European Central Bank, European Bank EBRD, Inter-American Development Bank, IFC, International Monetary Fund, MEFMI, WAIFEM, World Bank, UNCTAD.

Universities: University of Brussels, University of Cambridge, University of California, University of Milan, University of Molise, University of Padua, University of Rome "La Sapienza", CRIEP (Italy), University of Rome "Tor Vergata".

Others : Center of Excellence in Finance, Devfin Advisers AB, Finance for Development-FMO, ICMA, ISEDA, KFW Bankengruppe, Japan Bank for International Cooperation, Michele Robinson Consult, Oxford Policy Management, Pragma Corporation, Public Debt Finance, Reykjavik Academy, Storkey & Co. Ltd. ,

Some Figures...

On 28th February 2009, the number of documents available on the PDM Network website is 588.