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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, **signaling to the Network Secretariat** any documents, news and events of interest at **publicdebtnet.dt@tesoro.it**.

Contents

New Documents

Papers

Secondary Market

Investor redemptions and fund manager sales of emerging market bonds: how are they related? (2015)

Shek Jimmy – BIS; Shim Ilhyock – BIS; Song Shin Hyun – BIS

Abstract: Lending to emerging market economies (EMEs) through bond purchases has surged since 2009. What are the risks of a sudden stop? Bond mutual funds may curtail credit through two channels. The first is redemptions by ultimate investors. The second is additional discretionary sales by fund managers, over and above any sales implied by redemptions. In an empirical analysis of EME bond funds, the authors find that discretionary sales tend to reinforce the sales due to investor redemptions, and that 100 dollars' worth of bond sales due to investor redemptions is accompanied by roughly 10 dollars' worth of discretionary bond sales. The authors also find that 100 dollars' worth of EME international bond sales is associated with

around 4 dollars' worth of valuation losses. Finally, a 1 percentage point increase in the yield of local currency bonds is associated with a 10% decline in the dollar value of bond holdings.

[Default Premium](#) (2015)

Catão Luis - International Monetary Fund; Mano Rui - International Monetary Fund

Abstract: In this paper the authors re-assess the view that sovereigns with a history of default are charged only a small and/or short-lived premium on the interest rate warranted by observed fundamentals. Our reassessment uses a metric of such a "default premium" (DP) that is consistent with asymmetric information models and nests previous metrics, and applies it to a much broader dataset relative to earlier studies. The authors find a sizeable and persistent DP: in 1870-1938, it averaged 250 bps upon market re-entry, tapering to around 150 bps five years out; in 1970- 2011 the respective estimates are about 400 and 200 bps. The authors also find that: (i) these estimates are robust to many controls including on actual haircuts; (ii) the DP accounts for as much as 60% of the sovereign spread within five years of market re-entry; (iii) the DP rises with market exclusion spells. These findings help reconnect theory and evidence on why sovereign defaults are infrequent and earlier debt settlements are desirable.

Credit ratings and cross-border bond market spillovers (2015)

Böninghausen Benjamin - European Central Bank; Zabel Michael - Allianz Investment Management SE

Abstract: This paper studies spillovers across sovereign debt markets in the wake of sovereign rating changes. The authors compile an extensive dataset covering all announcements by the three major agencies (Standard & Poor's, Moody's, Fitch) and daily sovereign bond market movements of up to 73 developed and emerging countries between 1994 and 2011. To cleanly identify the existence of spillover effects, the authors perform an explicit counterfactual analysis which pits bond market reactions to small revisions in ratings against reactions to all other, more major changes. The authors also control for the environment in which an announcement is made, such as the anticipation through watchlistings and the interaction of similar rating actions by different agencies. While there is strong evidence of negative spillover effects in response to downgrades, positive spillovers from upgrades are much more limited at best. Furthermore, negative spillover effects are more pronounced for countries within the same region. Strikingly, this cannot be explained by fundamental linkages and similarities between countries.

Repo Market

Intermediation and Pricing in Tri-Party Repo Market (2015)

Song Zhaogang - Board of Governors of the Federal Reserve System

Abstract: In this paper the authors investigate how tri-party repo transactions are intermediated and priced in the post-crisis period using proprietary transaction-level data of all tri-party trades. Computing the daily average repo rate and borrowing amount, the authors show that the non-primary dealers that are less active in general tri-party market pay higher borrowing rate than U.S. and foreign primary dealers that are more active. The repo volume of foreign primary dealers decrease sharply at quarter ends because of regulation-induced balance sheet reductions, which may constrain their intermediation capacity between general tri-party repo market and GCF market. The repo volume of U.S. primary dealers increase at quarter ends, but the associated repo rate shoots higher, which may hinder their intermediation capacity henceforth.

Issuing in Foreign Currency

Global liquidity and external bond issuance in emerging markets and developing economies (2015)

Feyen Erik - World Bank; Ghosh Swati - World Bank; Kibuuka Katie - World Bank; Farazi Subika - World Bank

Abstract: Using the universe of all externally issued bonds by corporates and sovereigns in emerging and developing economies during 2000-14, this paper analyzes various issuance trends, including the unprecedented post-crisis surge. The paper focuses on external issuance at the country-industry and individual bond levels and finds that global factors matter greatly for emerging and developing economies issuance. A decrease in U.S. expected equity market (or interest rate) volatility, U.S. corporate credit spreads, and U.S. interbank funding costs and an increase in the Federal Reserve's balance sheet (i) raise the odds that the monthly issuance volume of a country-industry is above its historical average; (ii) decrease individual bond yields and spreads; and (iii) raise bond maturities, after controlling for country pull factors, bond characteristics (for example, type of issuer, industry, and riskiness). Additionally, the authors document support that the risk-taking channel of exchange rate appreciation also operates for external bond issuance. Moreover, while the paper finds that country pull factors affect the impact of global factors, it does not find consistent evidence for this across the board. This result suggests that, during loose global funding conditions, flows are mostly driven by push factors and do not systematically discriminate between emerging and developing

economies. Taken together, the findings suggest that although issuers might be able to benefit from benign international funding conditions, the large issuance volumes, currency risks, and high exposure to global factors could pose external and domestic challenges for policy makers, particularly when global cycles reverse.

Trends and Developments in African Frontier Bond Markets (2015)

Sy Amadou N.R. - The Brookings Institution

Abstract: Before 2006, only South Africa had issued a foreign-currency denominated sovereign bond in sub-Saharan Africa. From 2006 to 2014, at least 14 other countries have issued a total of $15 billion or more in international sovereign bonds. This sudden surge in borrowing in a region that contains some of the world's poorest countries is due to a variety of factors, including rapid growth and better economic policies in the region, high commodity prices, and low global interest rates. Increased global liquidity as well as investors' diversification needs, at a time when the correlation between many global assets has increased, have also helped increase the attractiveness of the so-called "frontier" markets, include those in sub-Saharan Africa. Whether the rash of borrowing by sub-Saharan governments (as well as a handful of corporate entities in the region) is sustainable over the medium to long term, however, is open to question. The low interest rate environment is set to change at some point—both raising borrowing costs for the countries and reducing investor interest. In addition, oil prices are falling, which makes it harder for oil-producing countries to service or refinance their loans. In the medium term, heady economic growth may not continue if debt proceeds are only mostly used for current spending, and debt is not adequately managed. Accelerating and sustaining the pace of fiscal reform and appropriate debt management policies should be a policy priority. In addition, unconventional measures such as developing a domestic regional bond market should be considered by African policymakers.

Multilateral Debt

Assessment of Debt Restructuring Operations in Commonwealth Small States (2015)

Robinson Michele - The Commonwealth

Abstract: An increase in external shocks, international terrorism and natural disasters over the past two decades has led to unsustainable debt burdens in small and vulnerable states, resulting in debt restructuring programs. This paper highlights the concerns of Commonwealth small states and pinpoints the factors that lead to debt, the hurdles involved with debt restructuring and the weaknesses involved in debt management. It offers key lessons learned based on the experiences of seven small Commonwealth countries that have restructured their debts: Antigua and Barbuda, Belize, Dominica, Grenada, Jamaica, St Kitts and Nevis, and Seychelles.

Legal Issues and Conventions

ESRB report on the regulatory treatment of sovereign exposures (2015)

European Sistemic Risk Board – ESRB

Abstract: This report has been produced by the European Systemic Risk Board (ESRB) through a special expert group composed of members of its advisory committees (the Advisory Technical Committee and the Advisory Scientific Committee). The exposures that banks and insurance corporations have held vis-à-vis sovereigns have been seen by many as a source of fragility in the recent and prolonged episodes of financial stress, while others have seen them as a factor of crisis mitigation. The current regulatory framework of sovereign exposures held by financial institutions needs to be re-examined at a global level. The report describes the regulatory treatment of sovereign exposures in the European Union, analyses the incentives that it may create, provides data measuring those exposures and offers analytical explanations of recent developments. The report argues that, from a macro-prudential point of view, the current regulatory framework may have led to excessive investment by financial institutions in government debt. The report recognises the difficulty in reforming the existing framework without generating potential instability in sovereign debt markets, as well as the intrinsic difficulty of redesigning regulations so as to produce the right incentives for financial institutions. It examines a set of possible options which may be considered either on their own merits or in combination with each other, both in banking and insurance, offering a detailed discussion of the pros and cons. The ESRB is hereby providing the broader public in Europe and authorities across the world with a systematic analysis of macro-prudential vulnerabilities related to the sovereign exposures of banks and insurance companies, as well as illustrating how to pre-empt or mitigate them.

Model Law Approach to Restructuring Unsustainable Sovereign Debt (2015)

Schwarcz Steven L. - Duke University School of Law

Abstract: Unresolved sovereign debt problems are hurting debtor nations, their citizens and their creditors, and also can pose serious systemic threats to the international financial system. The existing contractual restructuring approach is insufficient to make sovereign debt sustainable. Although a more systematic legal resolution framework is needed, a formal multilateral approach, such as a treaty, is not currently politically viable. An informal model-law approach should be legally, politically and economically feasible. This informal approach would not require multilateral acceptance. Because most sovereign debt contracts are governed by either New York or English law, it would be sufficient if one or both of those jurisdictions enacted a proposed Sovereign Debt Restructuring Model Law as their domestic law.

Money Market Funds and the Prospect of a U.S. Treasury Default (2015)

Gallagher Emily - Paris School of Economics; Collins Sean - Investment Company Institute

Abstract: U.S. debt ceiling crises in 2011 and 2013 were marked by significant outflows from money market funds (MMFs). This study evaluates the behavior and motivations of investors redeeming from MMFs during these crises. The authors find that the majority of redemptions reflect a generalized flight-to-liquidity and are, therefore, primarily a function of the liquidity needs of a fund's investor base. Funds holding Treasury securities at greatest risk of default or with market values below their $1 share price experience flows that are insignificantly different from other funds, all else equal. The authors also find evidence that a significant portion of the outflows stem, not from liquidity concerns, but from an opportunistic yield play on the repo market created by the crises. Finally, the authors offer anecdotal evidence that the government's guarantee of bank deposits had the perverse effect of encouraging outflows from MMFs during the 2011 crisis.

Sovereign Bond Contract Reform: Implementing the New ICMA Pari Passu and Collective Action Clauses (2015)

Makoff Gregory - CIGI - The Centre for International Governance Innovation; Kahn Robert - CIGI - The Centre for International Governance Innovation

Abstract: The International Capital Market Association (ICMA) has recently published proposed standard terms for new, aggregated collective action clauses (CACs). Concurrently, ICMA released new model wording for the pari passu clause typically included in international sovereign bond contracts. These new CACs will make it much harder for holdout creditors to disrupt future bond restructurings or to be paid in full after the other bondholders receive haircuts. Under the new contractual form, a supermajority of bondholders can vote to force non-participating creditors into a restructuring, subject to strong protections against the abuse of minority creditors by the majority. At the same time, the new pari passu clause is designed to prevent the kind of rulings that lead to a disruption in payments to investors, as was the recent case with Argentina. Neutralizing holdout creditors in this fashion is of immense economic importance. It should facilitate more predictable outcomes for debtors and creditors, and fairer outcomes among creditors in situations that require debt restructuring. These announcements and the commencement of issuance of bonds with these clauses are an important turning point in the evolution of sovereign bond markets. This paper discusses the ICMA consultative process to develop the new clauses, explains the workings of CACs and the history of their adoption, analyzes the effect of the new clauses in reducing holdout activity and discusses the use of bondholder meetings and exchange offers to accelerate the conversion of outstanding debt stocks into the new format.

Active Debt Managemnt

Using probabilistic models to appraise and decide on sovereign disaster risk financing and insurance (2015)

Ley-Borrás Roberto - Consultoría en Decisiones; Fox Benjamin D. - The World Bank

Abstract: This paper presents an overview of the structure of probabilistic catastrophe risk models, discusses their importance for appraising sovereign disaster risk financing and insurance instruments and strategy, and puts forward a model and a process for improving decision making on the linked disaster risk management strategy and sovereign disaster risk financing and insurance strategy. The paper discusses governments' use of probabilistic catastrophe models to inform sovereign disaster risk financing decision making and describes the ex ante and ex post financing instruments available for responding to extreme natural events. It also discusses the challenge of appraising sovereign disaster risk financing and insurance instruments, including a review of the multiple dimensions of disaster risks and the value that probabilistic catastrophe risk models provide. The decision making framework for sovereign disaster risk financing and insurance put forward by the paper includes the use of a decision model (an influence diagram) as a rigorous representation of the relationships between the decisions, uncertain events, and consequences relevant to sovereign disaster risk financing and insurance decision making. The framework also includes a process for generating high-quality customized components for the decision model, and a tool for designing coherent sovereign disaster risk financing and insurance strategies. The paper ends with suggestions for improving catastrophe risk models to facilitate sovereign disaster risk financing and insurance decision making.

Accounting, Transparency and Accountability

[Database of Sovereign Defaults, 2015]

Beers David T. - Bank of Canada and Special Advisor to the Governor, 2012–13; Nadeau Jean-Sébastien - Bank of Canada

Abstract: Until recently, there have been few efforts to systematically measure and aggregate the nominal value of the different types of sovereign government debt in default. To help fill this gap, the Bank of Canada's Credit Rating Assessment Group (CRAG) has developed a comprehensive database of sovereign defaults posted on the Bank of Canada's website. Our database draws on previously published data sets compiled by various official and private sector sources. It combines elements of these, together with new information, to develop estimates of stocks of government obligations in default, including bonds and other marketable securities, bank loans, and official loans in default, valued in U.S. dollars, for the years 1975 to 2014 on both a country-by-country and a global basis. This update of CRAG's database, and subsequent updates, will be useful to researchers analyzing the economic and financial effects of individual sovereign defaults and, importantly, the impact on global financial stability of episodes involving multiple sovereign defaults.

New and timely statistical indicators on government debt securities (2015)

Pérez Asier Cornejo - European Central Bank; Dias Jorge Diz - European Central Bank; Lojsch Dagmar Hartwig - European Central Bank

Abstract: New monthly statistical indicators on government debt securities for euro area countries have now been developed on the basis of the information contained in the Centralised Securities Database (CSDB), an internal database available to the European System of Central Banks (ESCB). The CSDB is jointly operated by the ESCB and contains timely and high-quality security-by-security reference data on debt securities, equities and investment funds. The new indicators on government debt securities provide an indication of the expected disbursements made for the servicing of issued debt securities together with the associated interest rate (nominal yield), broken down by country, original and remaining maturity, currency and type of coupon rate. This paper describes in detail the newly compiled statistical information and thus contributes to further describing the euro area government bond markets. The new indicators on euro area government debt securities are also highly relevant for policy-making and monetary and fiscal analyses. They indicate that, as at December 2014, the debt service scheduled for such securities in 2015 stood at approximately 15.9% of GDP (€1.6 trillion). This is associated with an average nominal yield on outstanding government debt securities for the euro area as a whole of 3.1% per annum. Both of these indicators have followed a decreasing path in recent periods. The new indicators also reveal some heterogeneity within the euro area: Italy shows the highest debt service and Luxembourg the lowest, while the debt securities issued by Germany have the lowest average nominal yield and Lithuanian ones the highest.

Coordination with Other Policies and Operations

External and Public Debt Crises (2015)

Arellano Cristina - Federal Reserve Bank of Minneapolis; Atkeson Andrew - University of California; Wright Mark L. J. - Federal Reserve Bank of Chicago

Abstract: The recent debt crises in Europe and the U.S. states feature similar sharp increases in spreads on government debt but also show important differences. In Europe, the crisis occurred at high government indebtedness levels and had spillovers to the private sector. In the United States, state government indebtedness was low, and the crisis had no spillovers to the private sector. The authors show theoretically and empirically that these different debt experiences result from the interplay between differences in the ability of governments to interfere in private external debt contracts and differences in the flexibility of state fiscal institutions.

Debt Redemption and Reserve Accumulation (2015)

Alfaro Laura - Harvard Business School and NBER; Kanczuk Fabio - Universidade de São Paulo

Abstract: Foreign participation in local-currency bond markets in emerging countries has increased dramatically over the past decade. In light of this trend, the authors revisit sovereign debt sustainability and incentives to default when the sovereign is temporarily excluded from capital markets. Differently from previous analyses, the authors assume that in addition to accumulating international reserves, countries can borrow internationally using their own currency. As opposed to traditional sovereign debt models (all in foreign currency), the asset valuation effects occasioned by currency depreciation (or appreciation) act to absorb global shocks and render consumption smoother. In this setting, countries do not accumulate high levels of reserves to be depleted in "bad" times. Instead, issuing domestic debt while accumulating high levels of reserves acts as a hedge against negative external shocks. A quantitative exercise, in which our model matches features of the Brazilian economic fluctuations and exchange-rate volatility, suggests this strategy to be highly effective for

smoothing consumption and reducing the occurrence of default.

Monetary Policy

Bond markets and monetary policy dilemmas for the emerging markets (2015)

Sobrun Jhuvesh – BIS; Turner Philip – BIS

Abstract: Financial conditions in the emerging markets (EMs) have become more dependent on the 'world' long-term interest rate, which has been driven down by monetary policies in the advanced economies – notably Quantitative Easing (QE) – and by several non-monetary factors. This paper analyses some new mechanisms that link global long-term rates to monetary policy and to domestic bank lending in the EMs. Understanding these mechanisms could help EM central banks prepare for the exit from QE and higher (and perhaps divergent) policy rates in advanced economies. Although monetary policy in the EMs has continued to be guided by domestic objectives, it has nevertheless lost some traction. Difficult trade-offs now confront central banks.

Nominal Targeting in an Economy with Government Debt (2015)

Bai Yuting - Lancaster University; Kirsanova Tatiana - University of Glasgow

Abstract: Most analyses of monetary policy delegation schemes typically ignore the behavior of the fiscal policy maker. The paper investigates how monetary price level targeting or monetary nominal income targeting may yield social gain in an economy with government debt and where the fiscal policymaker, acting strategically, may take counter actions. The authors argue that the choice of fiscal policy instrument plays an important role for the performance of monetary policy. The optimal choice of monetary policy delegation scheme depends crucially on the level of government debt and its maturity, with a switch from price level targeting being desirable to nominal income targets being strongly preferred as debt levels rise and maturity shortens.

Fiscal Policy and Budget Management

Macroeconomics Uncertainties Prudent Debt Targets And Fiscal Rules (2015)

Fall Falilou - Oecd – France ; Fournier Jean-Marc - Oecd – France

Abstract: The sharp rise in debt experienced by most OECD countries raises questions about the prudent debt level countries should target. It also raises questions about the fiscal frameworks needed to reach them and to accommodate cyclical fluctuations along the path towards a prudent debt target. The objective of this paper is to define long-run prudent debt targets for OECD countries and country-specific fiscal rules. To this end, a semi-structural macroeconomic model for OECD countries and primary balance reaction functions are estimated. The shocks derived from these estimations are used to assess uncertainties surrounding the development of macroeconomic variables. The model is simulated up to 2040 to derive the prudent debt target for each country and design country-specific fiscal rules.

Public Debt in Macroeconomic Analysis

Debt Profile and Debt Sustainability - The Case of Ghana (2015)

Gordon Morgan Bright - Accra Institute of Technology

Abstract: The global financial crisis and the expansionary government reaction in Africa have revamped the attention of policy makers and academics on the growth effects of large public debts. Ghana as less developed country which finances its fiscal deficit through borrowing is not an exception. This article examine the trend of Ghana's public debt from 2000 to 2014 fiscal year and its effects on the economic growth in Ghana.

Measuring Contagion-Induced Funding Liquidity Risk in Sovereign Debt Markets (2015)

Hui C. H. - Hong Kong Monetary Authority; Lo Chi-Fai - The Chinese University of Hong Kong; Zheng Xiao Fen - The Chinese University of Hong Kong; Fong Tom - Hong Kong Monetary Authority

Abstract: The euro-area sovereign debt crisis demonstrated how liquidity shocks can build up in a sovereign debt market due to contagion. This paper proposes a model based on the probability density associated with the dynamics of sovereign bond spreads to measure contagion-induced systemic funding liquidity risk in the market. The two risk measures with closed-form formulas derived from the model, are (1) the rate of change of the probability of triggering a liquidity shock determined by the joint sovereign bond spread dynamics of the systemically important countries (i.e., Italy and Spain) and small country (i.e., Portugal); and (2) the distress correlation between bond spreads, which can provide forward-looking signals of such risk. A signal of the rate of change of the joint probability appeared in April 2011 before the liquidity shock occurred in November 2011. There exist endogenous critical levels of sovereign spreads, above which the signal materializes. The empirical results show that when

funding cost, risk aversion and equity prices pass through certain levels, the rate of change of the joint probability will rise sharply.

Deflation and Public Finances : Evidence from the Historical Records (2015)

End Nicolas - International Monetary Fund; Tapsoba Sampawende J.-A. - International Monetary Fund; Terrier Gilbert - International Monetary Fund; Duplay Renaud - International Monetary Fund

Abstract: This paper examines the impact of deflation on fiscal aggregates. With deflation relatively rare in modern history, it relies mostly on the historical records, using a dataset panel covering 150 years and 21 advanced economies. Empirical evidence shows that deflation affects public finances mostly through increases in public debt ratios, reflecting a worsening in interest rate–growth differentials. On average, a mild rate of deflation increases public debt ratios by almost 2 percent of GDP a year, this impact being larger during recessionary deflations. Using a simulation model that accounts for composition effects and price expectations, the authors also find that, for European countries, a 2 percentage point deflationary shock in both 2015 and 2016 would lead to a deterioration in the primary balance of as much as 1 percent of GDP by 2019.

Fiscal Deficit and Public Debt in the Western Balkans : 15 Years of Economic Transition (2015)

Koczan Zsoka - International Monetary Fund

Abstract: In this paper the authors analyze how Western Balkans public finances adapted to the boom-bust cycle. Large capital inflows into emerging European economies during the mid-2000s resulted in rapid economic growth and convergence to EU income levels. This also resulted in improved fiscal positions of most countries, on the back of strong revenue performance. Yet, since the onset of the global economic crisis, many countries have struggled to adjust to the new situation of lower external financing and lower growth.

Limits To Government Debt Sustainability (2015)

Fournier Jean-Marc - Oecd – France; Fall Falilou - Oecd – France

Abstract: The recent euro area sovereign debt crisis has shown the importance of market reactions for the sustainability of debt. The objective of this paper is to calculate endogenous government debt limits given the markets assessment of the probability to default. The estimated primary balance reaction function to growing debt has the "fiscal fatigue" property (a loosening fiscal effort makes the primary balance insufficient to support rising debt) at high debt levels. It is the combination of this feature of the primary balance reaction function with the market interest rate reaction to growing debt that determines the government debt limit beyond which debt cannot be rolled over. An application of this framework to OECD countries over the period 1985 – 2013 shows that current debt limits are high for most of the OECD thanks to particularly low current interest rates. It shows also for some countries that current debt levels are not sustainable without a change in government behaviour as compared to the past. Most importantly, the framework illustrates the state contingent nature of debt limits and therefore the vulnerability of governments to a change in macroeconomic conditions and to market reactions.

Macroeconomic Challenges of Structural Transformation : Public Investment, Growth and Debt Sustainability in Sierra Leone (2015)

Balma Lacina - Université Montesquieu Bordeaux; Ncube Mthuli - Blavatnik School of Government

Abstract: This paper analyzes the link between public investment, economic growth and debt sustainability in Sierra Leone using an inter-temporal macroeconomic model. In the model, public capital improves the productive capacity of private capital, generating positive medium and long term effects to increases in public investment. The model application indicates that a large increase in public investment would have positive macroeconomic effects in the medium term. However, since there is no free lunch, rigidities in tax adjustment would entail unrealistic and unachievable adjustment in the current spending to cover recurrent costs and ensure debt sustainability. A more ambitious increase in public investment would entail more fiscal adjustment, particularly if external commercial loans are secured to complement the adjustment. The model simulations also emphasize the importance of improvements in the structural economic conditions to reap growth dividends. In addition, even if the macroeconomic implications of public investment scaling-up can be favorable in the long term under changes in certain structural conditions, downside risks such as terms of trade shifts and Ebola-induced productivity shortfall expose the country to increased risk of unsustainable debt dynamics. This underscores the need to remove bottlenecks to growth and maintain prudent borrowing policies.

Sovereign risk, interbank freezes, and aggregate fluctuations (2015)

Engler Philipp - Universität Berlin, Berlin, Germany; Steffen Christoph Grosse - German Institute for Economic Research (DIW Berlin)

Abstract: This paper studies the bank-sovereign link in a dynamic stochastic general equilibrium set-up with strategic default on public debt. Heterogeneous banks give rise to an interbank

market where government bonds are used as collateral. A default penalty arises from a breakdown of interbank intermediation that induces a credit crunch. Government borrowing under limited commitment is costly ex ante as bank funding conditions tighten when the quality of collateral drops. This lowers the penalty from an interbank freeze and feeds back into default risk. The arising amplification mechanism propagates aggregate shocks to the macro-economy. The model is calibrated using Spanish data and is capable of reproducing key business cycle statistics alongside stylized facts during the European sovereign debt crisis.

The geography of the great rebalancing in euro area bond markets during the sovereign debt crisis (2015)

Beck Roland - European Central Bank; Georgiadis Georgios - European Central Bank; Gräb Johannes - European Central Bank

Abstract: During the sovereign debt crisis investors rebalanced out of stressed and into non-stressed euro area countries, thereby contributing to the tensions in euro area financial markets. This paper examines the geographical pattern of this great rebalancing. Specifically, the authors test whether euro area and non-euro area investors adjusted their holdings of debt securities of euro area stressed and non-stressed countries dis-proportionately relative to benchmarks derived from a standard gravity model for portfolio choice. The authors find that non-euro area investors under-invested in stressed euro area countries, but did not over-invest in non-stressed euro area countries. As regards intra-euro area flows, the authors do not find evidence for a disproportionate slowdown of capital flows from non-stressed into stressed euro area countries. Instead, our results suggest that investors in stressed euro area countries disproportionately shifted capital into debt securities of non-stressed euro area countries. Finally, the authors find that both non-euro area investors' under-investment in stressed countries and stressed euro area investors' over-investment in non-stressed euro area countries ceased after the announcement of the ECB's OMT programme.

Articles in reviews/in books

Legal Issues and Conventions

Raze the Debt Ceiling: A Test Case for State-Sovereign and Institutional Bondholder Litigation to Void the Debt Limit Statute (2015)

Williams Victor - Catholic University of America

Abstract: In March 2015, the debt ceiling was hit again and sovereign default loomed. Refusing to timely raise the debt ceiling, congressional ideologues have four times pushed our nation to the brink of a catastrophic debt default in as many years. Our struggling economy is again threatened, financial institutions are again spending millions planning for default, and vulnerable citizens are once again worrying about their benefit payments. Enough is enough. This Essay argues that nationwide bondholder litigation can void the unconstitutional debt ceiling, and it presents the first litigation in that effort. (Williams v. Lew, No. 15-1565, U.S. Court of Appeals - D.C. Circuit). The Constitution guarantees not only that public debt will remain valid, but also that the integrity of those obligations will never be so much as questioned by our nation’s government. The debt limit statute, facially and as-applied, violates the Fourteenth Amendment’s Public Debt Clause and the Fifth Amendment’s Due Process Clause. Bondholders have standing to challenge the unconstitutional statute as they suffer economic and noneconomic injuries resulting from the degradation of their investments’ uniquely low-risk profile and monetary value. These injuries manifest as both current harm and certainly-impending future harm.[...]

Public Debt in Macroeconomic analysis

Of Haircuts and Extensions: An Analysis of Greek Government Debt (2015)

Moersch Mathias - Heilbronn University; Schmidt Carolin E. - University of Tuebingen

Abstract: In light of the current negotiations concerning the Greek debt, this paper conducts a valuation analysis based on the Present Value (PV) method. The authors explain the rationale for the PV method and use it to model a simplified representation of the Greek debt situation. The authors illustrate the effects of changes in the variables in the PV function and show that if the Greek loan interest rate was decreased by 50 basis points and the maturity of the debt was extended from 30 to 50 years, the effect would be equivalent to a haircut of roughly 59%.

Books

Coordination with Other Policies

Issues in Sub-National Borrowing in Nigeria (2015)
Ekpo Akpan H. - West African Institute for Financial and Economic Management(WAIFEM)

Summary: Since 1991 the share of sub-national outlays in total government spending has increased, reflecting their active role in service delivery and greater autonomy in policy-making and implementation. As a result, sub-national economic policies have taken on an increasingly important role in ensuring macroeconomic stability. The rising share of sub-national finance, including sub-national Governments (SNGs) debt as a share of general public debt abundantly reflects this trend of greater devolution of spending responsibilities, revenue - raising authority and the capacity to incur debt. The growing importance of SNG finances and the recognition that the trend can pose dangers to macroeconomic stability have informed different institutional responses to the difficulties of decentralized decision-making, especially addressing the need to improve policy coordination across levels of government and contain sub-national borrowing. The purpose of this paper is to articulate some issues in SNG borrowing arising from the peculiarities of the Nigerian situation. To this end, the paper is divided into four parts. Part one gives introduction. Part two outlines the models of control of sub-national borrowing across the developing and emerging market countries. It also highlights Nigeria's efforts in this regard. Part three outlines the structure of fiscal federalism in Nigeria highlighting constitutional, legislative, and administrative provisions for the sector, revenue allocation, revenue - expenditure gap, while part four dwells on the leading issues and challenges in SNG borrowing in Nigeria.

Best Practices Publications

Sovereign Financing and International Law: The UNCTAD Principles on Responsible Sovereign Lending and Borrowing (2014)
Espósito Carlos - University Autónoma of Madrid; Li Yuefen – UNCTAD; Bohoslavsky Juan Pablo - UNCTAD

Summary: This book provides in-depth analysis of the legal, economic and financial implications of the United Nations Conference on Trade and Development (UNCTAD) Principles on Responsible Sovereign Lending and Borrowing (the Principles), launched in 2012 in response to the causes and widespread effects of the global financial and economic crisis. Investigating the legal, economic and financial basis of the Principles, the book develops through an interdisciplinary, pluralistic and experienced group of contributors a detailed and nuanced analysis of the controversial and complex issues raised by the Principles, including those of the role international law in the context of sovereign financing, how the Principles relate to international law and other branches of law, their legal status, their economic rationale, contingent liabilities, debt management, corruption, fiduciary relations and duties, collective action clauses, China as a case study, the new EU debt restructurings instruments, and the adoption and implementation of the Principles. Ultimately, the book discusses to what extent the Principles correspond with general principles of international law offering a serious foundation upon which to build responsible behaviour for sovereign financing.

Web Resources

Primary Market

Australian Government Sovereign Debt: Are we there yet? What more can be expected in terms of developing the market?
AOFM
Presentation delivered by Rob Nicholl – CEO of the Australian Office of Financial Management (AOFM).

Debt Capital Markets

Mayerbrown.com
The global financial crisis was without doubt a watershed, impacting companies and investors alike and bringing with it sweeping changes to the regulation of banks. Among the many subtle changes in market dynamics brought about by the crisis are those seen in the debt capital markets in Asia.

Secondary Market

PwC Report Reviews State of Global Financial Market Liquidity
GFMA - Global Financial Markets Association
The Global Financial Markets Association (GFMA) and the Institute for International Finance (IIF) today released a comprehensive new report from PwC on the state of global market liquidity, produced on behalf of both Associations. [...]

Emta Survey: Second Quarter Emerging Markets Debt Trading at US$1.211 Trillion
Emta - Emerging Markets Traders Association
Emerging Markets debt trading volumes stood at US$1.211 trillion in the second quarter of 2015, according to a report released today by EMTA, the trade association for the Emerging Markets debt trading and investment industry.[...]

Shifting risks and the search for yield in financial markets
Oecd - OECD Business and Finance Outlook 2015, Chapter 3
As a result of low policy interest rates and quantitative easing, the world is awash with liquidity. This has flattened yield curves and reduced risk premia across assets. In turn, financial investors are chasing ever higher yields.[...]

Post Trading

ICMA responds to ESMA consultation paper on CSDR
Icma - 6 April 2015
The International Capital Market Association welcomes the opportunity to respond to the Consultation Paper published by ESMA on June 30 2015, related to the proposed regulatory technical standards for the operation of the mandatory buy-in process under the CSD-Regulation (CSDR) regime.[...]

TARGET2-Securities - Frequently Asked Questions
SIX Securities Services
TARGET2-Securities (T2S) is one of the most important infrastructure projects of the ECB. T2S is a pan-European settlement platform which will enable settlement in Central Bank Money (CeBM). 24 CSDs representing 21 pan-European markets signed the T2S Framework Agreement in 2012 with the Eurosystem. As a consequence, these CSDs have committed to bringing their local market into T2S and to implementing the new EU harmonization standards necessary to harmonize processes across the markets. T2S will be implemented in four migration waves and one contingency wave, starting in June 2015.[...]

Repo Market

Guide on Repo in Asia
ASIFMA.org
Establishing best practices that are in line with international standards for cross-border repurchase markets in Asia could encourage efficient trading by improving access to finance, according to a report from ASIFMA and the International Capital Market Association. The report suggests parameters that include fixing minimum transfer amounts and repurchase dates.

Multilateral Debt

A Case for External Debt Cancellation for Ebola Affected Countries
Uneca
Cancelling the external debt of Guinea, Liberia and Sierra Leone, the three countries hardest hit by the EBOLA outbreak, will give these countries the breathing space they need to address the complex social and economic development challenges they now face.

United Nations General Assembly to vote on debt restructuring principles
UNCTAD

In response to Argentina's "vulture funds" crisis and growing concerns about sovereign debt problems elswhere, the United Nations General Assembly tasked UNCTAD with ways to improve sovereign debt restructuring processes.

Democratic Republic of São Tomé and Príncipe: Request for a Three-Year Arrangement [...] - Country Report No. 15/196

International Monetary Fund

São Tomé and Príncipe's economic development is constrained by its insularity, fragility, limited resources, and low capacity as a small island state. The current ECF arrangement is set to expire on July 19, 2015, with four reviews outstanding. [...]

Greece: An Update of IMF Staffs Preliminary Public Debt Sustainability Analysis - Country Report No. 15/186

International Monetary Fund

Greece's public debt has become highly unsustainable. This is due to the easing of policies during the last year, with the recent deterioration in the domestic macroeconomic and financial environment because of the closure of the banking system adding significantly to the adverse dynamics. [...]

Jordan: Seventh and Final Review Under the Stand-By Arrangement and Proposal for Post-Program Monitoring-Press Release; Staff Report; and Statement by the Executive Director for Jordan - Country Report No. 15/225

International Monetary Fund

The conflicts in Syria and Iraq have led to a massive influx of refugees, putting enormous pressure on Jordan's limited resources, and to disruptions in trade routes, less tourism, and a hesitant investment sentiment. At the same time, the near complete halt of gas flows from Egypt required imports of expensive fuel for electricity generation, contributing to large losses at the national electricity company and adding to the already high public debt.[...]

Nepal: Request for Disbursement Under the Rapid Credit Facility - Staff Report; Press Release; and Statement by the Executive Director for Nepal - Country Report No. 15/224

International Monetary Fund

A powerful earthquake hit Nepal on April 25. Over 8,800 lives were lost and damages and losses are estimated at US$7 billion or nearly one third of GDP. Reconstruction of housing, government buildings and infrastructure will open fiscal and balance of payments gaps in the coming years. Before the earthquake, Nepal's macroeconomic performance was broadly favorable but the government's weak budget implementation capacity held back growth and propped up the external position.

Republic of Mozambique : Fourth Review Under the Policy Support Instrument and Request for Modification of Assessment CriteriaPress Release; Staff Report; and Statement by the Executive Director for the Republic of Mozambique - Country Report No. 15/223

International Monetary Fund

The economic outlook remains positive. Growth is expected to reach 7 percent in 2015 and inflation to remain low. Substantial policy adjustment is underway to respond to slippages around the elections and new balance of payment pressures from low commodity prices. Fiscal adjustment, greater exchange rate flexibility and stronger liquidity management are essential to preserve macroeconomic stability and continue to attract foreign investment to support growth, including in the oil and gas sector where projected investments could reach $100 billion over the next decade.

Developing Domestic Debt Management

Strengthening Debt Management in Jamaica

The Commonwealth

Prudent debt management practice in many Commonwealth countries remains a challenge. The reasons for this are multiple and include lack of holistic and sound policy framework on debt management, lack of adequate management information systems, lack of clear governance and institutional structures and lack of capacity among staff.[…]

Legal Issues and Conventions

How Will T+2 Settlement Change the Landscape of European Central Securities Depositories?

Tradersmagazine.com

The years of wrangling appear to have paid off. The European Union reached its latest milestone in creating a single capital market union when four European central securities depositories (CSDs) went live on the TARGET2-Securities (T2S) settlement engine in late June.[...]

Myanmar to Reorganize Rules on Government Debt and Guarantees
VDB-Loi.com
Highlights of this note: -Myanmar Government prepares a new law in relation to Government loans and bonds; -Only the Minister of Finance can borrow money; -States and regions may also borrow money but with Union Government and National Assembly approval; -State owned enterprises may borrow money only from Myanmar state owned banks; -The Union Government may or may not be liable for debts of SOEs depending on the case; -The Government may issue a guarantee for a project only with National Assembly approval.

Government Debt Management: A Guidance Note on the Legal Framework
Commonwealth Secretariat
Legislation is a key component of the governance framework relating to government debt management. Good legislation underpins sound debt management: it provides strategic direction, defines and clarifies powers and supports professionalism and operational focus. It also limits potential abuses of power and promotes good governance by establishing the accountabilities for managing the government's debt liabilities. This guidance note identifies some essential provisions for debt management legislation and offers suggestions for other provisions that might be adopted, taking account of a country's specific legislative framework. […]

Derivatives

Financial stability: new Commission rules on central clearing for interest rate derivatives
European Commission
The European Commission has today adopted new rules that make it mandatory for certain over-the-counter (OTC) interest rate derivative contracts to be cleared through central counterparties. Mandatory central clearing is a vital part of the response to the financial crisis; it follows commitments made by world leaders at the G-20 Pittsburgh Summit in 2009, to improve transparency and mitigate risks.[...]

ICMA AMIC responds to European Commission consultation on central clearing of OTC derivatives
Icma -13 August 2015
ICMA's AMIC has submitted a response to the European Commission's consultation on the review of the European Market Infrastructure Regulation (EMIR). AMIC members have only expressed interest in certain aspects of the review: (1) the functioning of the clearing obligation in the areas of frontloading and risk compression; (2) trade reporting; and (3) the functioning of the pension scheme arrangement (PSA) transitional exemption from the clearing obligation.

Accounting, Transparency and Accountability

Long-term interest rate statistics for EU Member States
European Central Bank
These are the statistics for EU Member States relate to interest rates for long-term government bonds denominated in Euro for euro area Member States and in national currencies for Member States that have not adopted the Euro at the time of publication.

Outstanding amounts and transactions of euro-denominated debt securities by country of residence, sector of the issuer and original maturity: June 2015
European Central Bank
These are the Outstanding amounts and transactions of euro-denominated debt securities by country of residence, sector of the issuer and original maturity: June 2015.

National Accounts of OECD Countries, General Government Accounts 2014
Oecd
The 2014 edition of National Accounts of OECD Countries, General Government Accounts is an annual publication, dedicated to government finance.

DMO's Programmes and Reports

Debt Management Office Newsletter - August 2015

Cyprus Ministry of Finance

The 10th edition of the Public Debt Management newsletter (August 2015) contains updates on the Cypriot macroeconomic and financial indicators.

Estimated Trajectory of Brazilian General Government - Techical Note

Brazilian Treasury

The objective of this report is not only to show that the main differences found in the results come from the macroeconomic parameters used, but to demonstrate the importance given by the Brazilian government on raising back the primary surplus target. By doing this, the risks of the GGGD/GDP ratio reaching levels close to 70% are greatly reduced, even when GDP growth is modest. The projections included in the report suggest that a primary surplus target of 2% of GDP or higher could drive the GGGD/GDP ratio towards 60% in scenarios of modest economic growth, or towards lower levels in a scenario of stronger recovery. In this environment, the Brazilian public debt returns faster to a trend that supports a persistent decrease in long-term interest rates, more investment and a rise in employment and labor income.

Uruguay Debt Report - July 2015

Debt Management Unit – Uruguay

The "Debt Report" presents a review of the financial situation of the Uruguayan Central Government and the most relevant facts related with the Uruguayan public debt. It also details the evolution of key risk indicators of Central Government debt, such as rollover risk, interest rate risk and foreign currency risk. Lastly, it presents the projected Flow of Funds of the Central Government.

Uruguay in Focus - July 2015

Debt Management Unit – Uruguay

The "Uruguay in Focus" bulletin describes the recent evolution of major macroeconomic and financial indicators of the Uruguayan economy. The purpose of this report is to present a quarterly update of developments in Uruguay. The report is prepared by the DMU for potential users in various areas such as asset management firms, investment banks, rating agencies, embassies, trade associations, and multilateral agencies.

Best Practices Publications

Sovereign Debt Workouts - Roadmap and Guide published by UNCTAD

UNCTAD

In an effort to help to resolve future sovereign debt crises of the sort that have tested governments from Iceland to Argentina to Greece since the global financial meltdown of 2008, UNCTAD has published a "roadmap" of steps that countries can take before and during debt restructuring.

Other Organisations Best Practices

ICMA European Repo Council - A Guide to Best Practice in the European Repo Market - July 2015

Icma - 27 July 2015

This Guide to Best Practice in the European Repo Market (the “Guide”) is the latest important documentary contribution by the ICMA European Repo Council (ERC) towards building and sustaining a fair and efficient repo market. The ICMA ERC has been the industry’s representative body for over 20 years. Membership is open to those ICMA members who transact repo business in Europe.[...]

Public Debt in Macroeconomic Analysis

Economic Bulletin - Issue 5 / 2015

European Central Bank

The Economic Bulletin presents the economic and monetary information which forms the basis for the Governing Council’s policy decisions. It is released eight times a year, two weeks after each monetary policy meeting.

Launch of the OECD Business and Finance Outlook and opening high-level roundtable

Oecd - 24 June 2015

OECD Secretary-General Angel Gurría speaking at the launch of the first edition of the OECD Business and Finance Outlook. [...]As a result of low policy interest rates and quantitative easing, the world is awash with liquidity. This has flattened yield curves and reduced risk premia across assets. In turn, financial investors are chasing ever higher yields.[...]

Antigua and Barbuda: Staff Report for the 2014 Article IV Consultation and Second Post-Program Monitoring-Press Release; and Staff Report - Country Report No. 15/189
International Monetary Fund
The new government that came to power in June 2014 inherited serious fiscal and external payments problems, including arrears to the Fund and other creditors, and unresolved banking sector problems.[...]

Chile: 2015 Article IV Consultation - Press Release; and Staff Report - Country Report No. 15/227
International Monetary Fund
Chile's GDP growth slowed sharply in 2014, as lower copper prices hurt the mining sector while non-mining investment suffered from the decline in business confidence after the launch of an ambitious set of reforms by the new administration. [...]

Czech Republic: 2015 Article IV Consultation-Press Release; and Staff Report - Country Report No. 15/198
International Monetary Fund
The economy is growing strongly on account of improving domestic demand and robust exports. Fiscal policy has been supportive of the recovery and the authorities' medium-term fiscal objective is appropriate, but fiscal framework legislation that would anchor policy is yet to be approved.[...]

Euro Area Policies: 2015 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director - Country Report No. 15/204
International Monetary Fund
The recovery is strengthening, underpinned by lower oil prices and the ECB's expanded asset purchase program. But the medium-term outlook remains weak, weighed down by the legacies of insufficient demand, lagging productivity, and weak bank and corporate balance sheets.[...]

Germany: 2015 Article IV Consultation-Press Release; Staff Report; and Statement by the Alternate Executive Director for Germany - Country Report No. 15/187
International Monetary Fund
Growth is benefiting from lower energy prices and euro depreciation, and the labor market is strong. The external position remains substantially stronger than implied by medium-term fundamentals as the current account surplus reached another historical high. The fiscal position is healthy, corporate and household balance sheets are sound.[...]

Iraq: 2015 Article IV Consultation and Request for Purchase Under the Rapid Financing Instrument - Press Release; Staff Report; and Statement by the Executive Director for Iraq - Country Report No. 15/235
International Monetary Fund
Iraq is facing a double shock arising from the ISIS insurgency and the sharp drop in global oil prices. The conflict is hurting the non-oil economy through destruction of infrastructure and assets, disruptions in trade, and deterioration of investor confidence.[...]

Japan: 2015 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Japan - Country Report No. 15/197
International Monetary Fund
Abenomics has lifted Japan out of the doldrums and needs to be reinforced to accomplish the desired "once in a lifetime" economic regime shift. Building on initial positive results, policies now need to embark on a sustained effort to meet the unprecedented challenges Japan is facing: ending an entrenched deflationary mindset, raising growth, restoring fiscal and debt sustainability, and maintaining financial stability in the face of adverse demographics.[...]

Lebanon: 2015 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Lebanon - Country Report No. 15/190
International Monetary Fund
In Lebanon growth has remained modest and insufficient to make a dent in rising poverty and unemployment. A welcome improvement in the primary fiscal position in 2014 was largely due to temporary factors [...]

Panama: 2015 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Panama - Country Report No. 15/237
International Monetary Fund
A globally integrated economy brings substantial benefits to Panama, but also makes it vulnerable to external shocks to global growth, trade, and financial markets. However, strong fundamentals and the room to implement a countercyclical fiscal response would mitigate the impact of such external shocks.[...]

People's Republic of China: 2015 IV Consultation - Press Release; Staff Report; and Statement by the Executive Director for the People's Republic of China - Country Report No. 15/234
International Monetary Fund
China is moving to a 'new normal,' characterized by slower yet safer and more sustainable growth. The transition is challenging, but the authorities are committed to it. They have made progress in reining in vulnerabilities built-up since the global financial crisis and embarked on a comprehensive reform program. With China now the globe's largest economy, success is critical for both China and the world. […]

Portugal: Second Post-Program Monitoring Discussions - Press Release; and Staff Report - Country Report No. 15/226
International Monetary Fund
Portugal's economic recovery remains on track, boosted by a generally supportive external environment and a rebound in confidence. Despite recent market volatility related to Greece, Portugal continues to benefit from favorable commodity prices, low interest rates and a weaker euro.[...]

Russian Federation: 2015 Article IV Consultation-Press Release; and Staff Report - Country Report No. 15/211
International Monetary Fund
The fiscal policy stance for 2015 appropriately allows for limited stimulus. Monetary policy normalization should continue at a prudent pace, commensurate with the decline in underlying inflation and inflation expectations. [...]

Samoa: 2015 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Samoa - Country Report No. 15/191
International Monetary Fund
Growth is recovering gradually from natural disasters and inflation remains subdued. The current account deficit is expected to narrow on lower international oil prices and a planned fiscal consolidation. [...]

Seychelles: 2015 Article IV Consultation, Second Review Under the Extended Arrangement, and Request for Waiver and Modification of Performance Criteria-Press Release; Staff Report; Staff Statement; and Statement by the Executive Director - Country Report No. 15/201
International Monetary Fund
The robust recovery from the 2008 balance of payments and debt crisis has resulted in improved economic and social outcomes. Continued policy discipline and reforms are needed for the microstate to mitigate its geographical and population constraints and maintain momentum in developing a diversified and resilient economy. [...]

Singapore: 2015 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Singapore - Country Report No. 15/199
International Monetary Fund
As Singapore prepares to celebrate its 50th anniversary in August, its economy continues to perform well. Despite the slow pace of the global recovery and a gradual decline in domestic credit growth and housing prices, projected economic growth of about 2.9 percent in 2015 is consistent with full employment and price stability. [...]

Somalia: 2015 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Somalia - Country Report No. 15/208
International Monetary Fund
The Article IV discussions focused on immediate and medium-term actions for building institutions and policy frameworks for fiscal and financial management. Specifically, - Capacity building and governance. Concerted action is needed to build institutions and improve governance in order to support sustainable, inclusive growth, and poverty reduction. In particular, urgent efforts are required to set in place sound mechanisms and institutions to ensure that prospective natural resource wealth, notably hydrocarbons, is well managed. Considerable donor assistance is required for helping Somalia to meet these daunting challenges. - Fiscal. [...]

Spain : Staff Report for the 2015 Article IV Consultation - Country Report No. 15/232
International Monetary Fund
The recovery has strengthened and employment is increasing, driven by the rebound in consumption and investment. [...]

Ukraine: First Review Under the Extended Arrangement-Press Release; Staff Report; and Statement by the Executive Director for Ukraine - Country Report No. 15/218
International Monetary Fund

The economy is still fragile, but signs of stabilization are emerging. The escalation of the conflict in the East and the sharp depreciation of the hryvnia in early 2015 deepened the recession in 2015:Q1, raised inflation, and eroded further bank balance sheets.[...]

United Arab Emirates: 2015 Article IV Consultation-Press Release; and Staff Report - Country Report No. 15/219

International Monetary Fund

Lower oil prices are eroding long-standing fiscal and external surpluses, but the impact on economic activity in the UAE has been limited owing to large buffers.[...]

Network News

From January 2011 the "Network News" section is present also in the *Public area* of the Network's website. The Partners can find *daily news* (19.982 items inserted by the Secretariat since January 2011) extracted from best online newspapers and info providers and classified by geographical areas.

Annual Reports & Guidelines go to the "*Information Corner*" on www.publicdebtnet.org

Events and Courses

Newly uploaded

27 July 2015 - UN headquarters, New York
Third ad hoc committee session on Sovereign Debt Restructuring Processes

07 September 2015 - web-based
Debt Rescheduling with the Paris Club (2015)

10 September 2015 - Linklaters LLP - One Silk Street – London
Launch of the remodelled ICMA Primary Market Handbook

15 September 2015 - London, UK
Executive Program on Risk Management

01 October 2015 - Online
Securities Operations Foundation Course (SOFC) Online Programme

12 October 2015 - web-based
Financial Negotiation Skills and Techniques (MEFMI/UNITAR partnership course)

26 October 2015 - web-based
Fundamentals of the Derivative Markets (2015)

04 November 2015 - London, UK
Financial Markets Foundation Course (FMFC)

16 November 2015 - United Kingdom
CS-DRMS Masterclass: Optimising Debt Management Operations

23 November 2015 - Geneva, Switzerland
2015 UNCTAD Debt Management Conference

Previously signaled

01 October 2015 - Bank for International Settlements, Basel, Switzerland
Global Financial Interconnectedness [Call for Papers]

01 October 2015 - Bank for International Settlements, Basel, Switzerland
Conference on "Global Financial Interconnectedness" [Call for Papers]

27 October 2015 - Danske Bank Markets, Kuppelsalen, Laksegade 10 - DK - 1063 Copenhagen k
ICMA Conference: The impact of MiFID II and related regulations on the Nordic secondary bonds and derivatives market

09 November 2015 - Dubai, UAE
[Macroeconomic Analysis and Forecasting in MENA Economies]

18 November 2015 - London UK
[4th Annual EBA Research Workshop: Financial regulation and the real economy: a micro-prudential perspective] **[Call for Papers]**

23 November 2015 - Geneva, Switzerland
[10th UNCTAD International Debt Management Conference]

01 March 2016 - London ,UK
[Central Banking Awards 2016]

Presentations

Monetary Policy

Persistent unusually low interest rates. Why? What consequences? (2015)

Borio Claudio – BIS

Summary: The presentation develops a core theme of the Annual Report. It argues that persistent unusually low interest rates are not necessarily "equilibrium" or "natural rates", conducive to sustainable and balanced global expansion. The dominant analytical perspective defines equilibrium rates too narrowly in terms of the behaviour of inflation. As a result, it does not properly integrate financial instability and its large output costs, notably through the impact of resource misallocations on productivity growth. The broader perspective proposed in the Report casts new light on the long-term decline in real interest rates, helps us better understand possible risks for the global economy and calls for a role to be assigned to monetary policy alongside macroprudential policy in preserving financial stability.

Developing Domestic Bond Markets

Domestic Bond Market in Asia (2015)

Ng Thiam Hee - Asian Development Bank

Summary: - In 1997/98 Asian financial crisis exposed the currency and maturity mismatch endemic in the region's financial system. - Banks were borrowing short-term in foreign currency (usually US$) and lending it on in local currency long-term. - Authorities recognize the need to develop stronger and more robust regional financial markets to prevent a repeat of the crisis. - Sparked efforts to promote local currency bonds.

Subnational Bond Markets

Subnational Debt Management

Prasad Abha - Lead Debt Specialist

Summary: At the Debt Management Forum Abha Prasad, Lead Debt Specialist at the World Bank, Held the Opening Discussion for Subnational session.

Communication Corner

At the link below, Partners can find details on the *Philippines* study visit held on February 2014 at the Italian Ministry of Economy and Finance premises.

http://www.publicdebtnet.org/public/MoreAboutUs/Study/

REMINDER…

e-LEARNING COURSE MATERIALS

The PDM network website hosts materials from e-learning course "**ADVANCED RISK MANAGEMENT**" organized by UNITAR thanks to Enrique Cosio-Pascal contribution.

The four modules course is downloadable from the Reserved Area of the website in the Section "*Learning Area*". This course is oriented toward those economists and financial specialists that would be dealing with financial risk management issues.

Some figures

On 22rd September 2015, the number of total resources of the PDM Network website is 26789 (of which 19.982 news, 2.890 papers and articles in reviews and books, and 2.516 webresources). Registered Members are 807, coming from 117 countries. 439 Partners belong to sovereign debt management institutions of emerging and advanced countries. This newsletter is sent to 600 Partners.

Special thanks

The PDM Secretariat is grateful to various DMOs and course Centres for resource contributions, and to Dmitry Yakovlev (IMF) for research help.

Participating Institutions in the PDM Network

OECD

Australian OFM, Austrian DMA, Belgian DMA, Belgian Central Bank, Canadian Foreign Affairs and International Trade, Canadian Government, Chilean Central Bank, Chilean MOF, Czech Central Bank, Czech Mof, Danish DMO, Danish Central Bank, Danish Mof, Dutch Central Bank, Dutch DMA, Dutch MoF, Finnish Treasury, Finnish MoF, French Central Bank, French DMA, French MoF, German Central Bank, German MoF, German Finance Agency, Greek DMA, Greek MoF, Greek Central Bank, Hungarian DMA, Hungarian MoF, Hungarian National Bank, Icelandic DMA, Irish NTMA, Irish MoF, Israeli MoF, Israeli Central Bank, Italian Development Co-operation Office, Italian Ministry of Foreign Affairs, Italian MoF, Italian Senate, 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, Slovenian MoF, Spanish Central Bank, Spanish MoF, Swedish DMO, Swedish Mof, Swiss State Secretary for Economic Affairs SECO, Turkish Treasury, US GAO, US Treasury, UK Central Bank, UK DMO, UK Treasury.

Non-OECD

Afghan Mof, Albanian Mof, Angolan National Bank, argentine Central Bank, Argentine MoF, Bangladeshi MoF,The Audit Board of The Republic of Indonesia, Autonomous Sinking Fund of Cameroon, Barbados Central Bank, Bosnia and Herzegovina Federal Ministry of Finance, Brazilian Central Bank, Brazilian MoF, Bulgarian MoF, Chinese MoF, Colombian MHCP, Cypriot Central Bank, Cypriot MoF, Dubai Government, Dubai MoF, Eastern Caribbean Central Bank, Egyptian MoF, Estonian MoF, Ethiopian MoF, Fiji MoF, Georgian Mof, Ghanaian Central Bank, Ghanaian MoF, Hong Kong Monetary Auth., Indian Reserve Bank, Indian NIPF, Indonesian Central Bank, Jordanian Central bank, Kenyan Central Bank, Kenyan MoF, , Latvian DMO, Lebanese MoF, Lesotho Central Bank, Lesotho MoF, Lithuanian MoF, Republic of Macedonia MoF, Malawian Reserve Bank, Maldives MoF, Maltese Treasury, Maltese Central Bank, Mauritius Ministry of Finance and Economic Development, Moldovan MoF, Moldovan Court of Accounts, Moroccan MoF, Mozambique Ministry of finance, National Analytical Centre of the Government of Kazakhstan, Nicaraguans Ministry of Finance and Public Credit, Nigerian DMO, State Bank of Pakistan, Pakistani MoF, Papua New Guinean Treasury, Paraguayan Ministry of Finance, Philippine Bureau of the Treasury, Romanian MoF, Romanian Central Bank, Romanian Court of Accounts, Rwandan MoF, Sain Kitts & Nevis MoF, Santa Lucia Ministry of Finance Economic Affairs and National Development, Serbian Mof, Singaporean MoF, Solomon Island Central Bank, Solomon Islands MoF, South African National Treasury, South Korean MoF, Bank Of Korea, Sri Lanka Central Bank, Swaziland's MoF, Tanzanian MoF, Thai Central Bank, Thai Mof, The People's Bank of China, Ugandan Central Bank, United Arab Emirates MoF and Central Bank, Uruguayan MoF, Vietnamese Mof, Zimbabwean DMO.

Multilateral Institutions

ADB-Asian Development Bank, African Development Bank Group, African Forum and Network on Debt and Development (Afrodad), Asian Development Bank Institute, CEF-Center of Excellence in Finance, Commonwealth Secretariat, Debt Relief International, European Bank EBRD, European Central Bank, European Commission, Inter-American Development Bank (IADB), International Monetary Fund (IMF), International Finance Corporation (IFC), International Monetary Fund (IMF), MEFMI, OECD, West African Institute for Financial and Economic Management (WAIFEM), World Bank, United Nations Conference on Trade and Development (UNCTAD).

Universities

Columbia University, CRIEP (Italy), Duke University's Fuqua School of Business, Harvard University, Harvard Business School, Johns Hopkins University, London Business School, Mays Business School at Texas A&M University, National Chengchi University, National University of Science and Technology, Norwegian School of Economics and Business Administration, Stanford University, The George Washington University, University "Dunarea de Jos" Galati – Romania, University of Bologna, University of Brussels, University of California, University of Chicago, University of Colorado, University of London Birkbeck, University of Maryland, University of Milan, University of Molise, University of Padua, University of Rome "La Sapienza", University of Rome "Tor Vergata", University of Tokyo, University of Tuzla, University of Vienna, University of Viterbo "La Tuscia".

Other Institutions

Afrifocus Securities; Association for Financial Markets in Europe (AFME), Barclays Capital, BE Berlin Economics GmbH, Belgrade Banking Academy, Business Monitor International Limited, Cass Business School, CCM - Carolina Capital Markets, Centre for Planning and Economic Research, Crown Agents, CfC Stanbic Bank, Colchester Global Investors, Comitè de

Inversiones Extranjeras, Concorde Capital, Devfin Advisers AB, DIFC-Dubai International Financial Centre, Digital Bridge Institute, Econviews, Euromoney, Exchange Data International Limited, Finance for Development-FMO, FTI, HSBC, International Capital Market Association (ICMA), International Social-Economic Development for Africa (ISEDA), Institut d'Anàlisi Econòmica (CSIC), Japan Bank for International Cooperation, JCVP Consulting, Johannesburg Stock Exchange Limited (JSE), KFW Bankengruppe, Korea Bond Pricing, Linus Capital, MAK Azerbaijan Ltd, Mckinsey & Company, Inc. International, Michele Robinson Consult, Morgan Stanley, NEDBANK, Newstate Partners LLP, Oxford Policy Management (OPM), Pragma Corporation, Public Debt Finance, Reykjavik Academy, Századvég Economic Research, Sifma-Epda, Storkey & Co. Ltd., The ONE Campaign, Tudor Investment Corporation, United Bank For Africa (UBA) PLC., U.S. Agency for International Development (USAID).