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PDM NETWORK *Newsletter*

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This bimonthly newsletter lists all papers, reports, courses and other events about public debt management recently uploaded by the PDM Network Secretariat in the website www.publicdebt.net.org.

The documents considered most interesting by the PDM Network Secretariat are highlighted with a light grey background. The PDM Network Newsletter is published on January, March, May, July, September and November. The PDM Network Secretariat welcomes cooperation on information published on the website. So, please feel free to **suggest any documents, news and events** relevant to the management of public debt by contacting the Secretariat at the following email: publicdebt.net.dt@tesoro.it.

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Highlight

The first PDM Network Conference in Paris successfully fostered dialogue between practitioners and academics in public debt related issues

Italian Treasury – OECD – World Bank Public Debt Management Network

The PDM Network held its first Conference in Paris on September 4-5, 2019. Officials coming from DMOs, Central Banks, Academia, Multilateral Institutions and Financial Companies gathered at the OECD venues to exchange views and to present cutting-edge research about a wide range of public debt management issues. The event Agenda included 19 presentations and 8 sessions (click on 'Read more' below to access to download), covering several different aspects of public debt, ranging from sovereign balance sheets risks to modelling issues, from market liquidity to issuance strategies and debt sustainability. The Conference materials are available [here](#).

[Read more](#) TAGS: [Debt Policy](#); [Debt and fiscal/monetary policies](#); [Sovereign debt market](#); [Cost and Risk](#); [Sovereign ALM](#); [Contingent Liabilities](#); [OECD](#); [World Bank](#); [PDM network](#); [Best Practices](#)

Special Focus

Greater transparency on environmental, social and governance (ESG) issues: New focus for sovereign debt issuers

Farah Imrana Hussain and Rodrigo Cabral - World Bank

Growing concern over climate change and social issues are driving an unprecedented change in the way that money is invested today. According to a survey conducted by Morgan Stanley Institute for Sustainable Investing, eighty percent of individual investors, among them Millennials - the new generation of investors - are interested in investing their money not just for financial return, but also for positive social and/or environmental impact. Asset managers, pension funds, and other institutional investors are increasingly developing their capacities to serve this growing market.

[Read more](#) TAGS: [Primary market](#); [Transparency](#); [Institutional Investors](#); [World Bank](#)

A practical alternative to 3-ball cascade in managing sovereigns' foreign currency position

M. Coskun Cangoz - The World Bank Treasury

Surprisingly, in many countries the size and currency composition of the largest portfolio items in a sovereign's assets and liabilities (reserves and debt) do not match each other. In their recently published paper Coskun and co-authors propose a practical asset and liability management approach that allows optimizing those portfolios separately while mitigating the risks due to the mismatch.

[Read more](#) TAGS: [Cost and Risk](#); [Foreign Debt](#); [Sovereign ALM](#); [World Bank](#)

Colombia: Changes in primary dealer system improve the efficiency of the government securities market

World Bank

Over the last 20 years, Colombia has developed a deep, liquid and efficient domestic public debt market that accounts for 32 percent of GDP, comparable to other emerging markets such as India, Mexico and Thailand. However, there still is room for improvement, especially for the domestic market to keep up with the changes in demand and the growing interest from international investors. Initial evaluation on the former Colombian primary dealer system pointed to differences versus international practice on the obligations and the privileges of the primary dealers. Colombia partners with the World Bank Treasury - Government Debt and Risk Management (GDRM) Program in their quest to modernize the primary dealer system for government securities in line with international best practices, and the results are encouraging.

[Read more](#) TAGS: [Debt Policy](#); [Primary dealers](#); [GDRM Program](#); [World Bank](#)

Documents

Debt Policy

[Sovereign Debt Portfolios, Bond Risks, and the Credibility of Monetary Policy \(2019\)](#)

Wenxin Du, Carolin Pflueger, Jesse Schreger - University of Chicago, Columbia University

The authors document that governments whose local currency debt provides them with greater hedging benefits actually borrow more in foreign currency. The authors introduce two features into a government's debt portfolio choice problem to explain this finding: risk-averse lenders and lack of



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monetary policy commitment. A government without commitment chooses excessively counter-cyclical inflation ex post, which leads risk-averse lenders to require a risk premium ex ante. This makes local currency debt too expensive from the government's perspective and thereby discourages the government from borrowing in its own currency. TAGS: [Debt Policy](#); [Debt composition](#); [Foreign Debt](#); [Debt and fiscal/monetary policies](#)

[Nailing the Flag to the Mast - Promises of Super-Priority in Public Debt \(2019\)](#)

Mihalis Gousounis, G. Mitu Gulati, Lee C. Buchheit - Cleary Gottlieb Steen & Hamilton LLP, Duke University School of Law, Center for Contract and Economic Organization

Confronted with eroding market confidence in a country's debt obligations, what's a local politician to do? Major changes to fiscal policies are inevitably controversial back home. Securing financial support from multilateral official sector entities usually involves knuckling under to unpopular economic reforms. But there is one measure all politicians can take quickly and cheaply – cross their hearts, hope to die, and solemnly promise to treat debt service payments as the first, the highest and the most sacred priority in the use of public funds. The question is, what are such promises worth in practice? The authors argue not much. TAGS: [Debt Policy](#); [Sovereign immunity](#); [Sovereign defaults](#); [Contract standards](#)

[King Leopold's Bonds and the Odious Debts Mystery \(2019\)](#)

Joseph Blocher, G. Mitu Gulati, Kim Oosterlinck - Duke University School of Law, Université Libre de Bruxelles

In 1898, in the wake of the Spanish-American war, Spain ceded the colony of Cuba to the United States. In keeping with the law of state succession, the Spanish demanded that the U.S. also take on Spanish debts that had been

backed by Cuban revenues. The Americans refused, arguing that some of those debts had been utilized for purposes adverse to the interests of the Cuban people. This, some argue, was the birth of the doctrine of “odious debts”; a doctrine providing that debts incurred by a non-representative government and utilized for purposes adverse to the population do not need to be repaid by successor regimes.

This Article tests the historical evidence in favor of the birth of the odious debts doctrine at the turn of the twentieth century by considering the treatment of perhaps the archetypal odious debt: the debt that Belgium's King Leopold undertook to finance his horrific exploitation of the Congo Free State (“CFS”). In 1908, Leopold was forced to transfer sovereignty over the CFS to Belgium. If the doctrine of odious debts existed at the time, authors should see evidence of it in the public debate about whether Belgium was obliged to take on King Leopold's debts. Based on original archival research into political debates, litigation regarding Leopold's estate, and contemporary prices and yields of Leopold's bonds, the authors see no such evidence. TAGS: [Debt Policy](#); [Sovereign immunity](#); [Sovereign defaults](#)

[Cost and Risk](#)

[The Sovereign-Bank Nexus in EMDEs: What Is It, Is It Rising, and What Are the Policy Implications? \(2019\)](#)

Erik H.B Feyen, Igor Zuccardi - World Bank

This paper explores the sovereign-bank nexus in emerging markets and developing economies: the interconnectedness between the health of the sovereign and the banking system. Data from 140 emerging markets and developing economies suggest that this nexus is rising. First, banks have increased their exposure to their sovereigns in the past decade. Second, government debt has grown, and fiscal positions have deteriorated, raising

the specter of sovereign stress. Third, banking system assets and bank credit to the private sector have steadily increased, which may restrict the sovereign's capacity to contain a banking crisis. Fourth, empirical evidence from 36 emerging markets and developing economies documents the existence of the nexus and suggests that it has increased recently. However, deeper country analysis is required for a better understanding of the sovereign-bank nexus, given country idiosyncrasies, including the structure of sovereign debt and the composition of the investor base, and data lags and opacities. To minimize the adverse effects of the sovereign-bank nexus, efforts should be focused on maintaining fiscal and bank buffers, strengthening surveillance and supervision of the banking system, improving transparency and data quality of bank-sovereign linkages, better addressing the regulatory treatment of the sovereign exposures and government support of the banking sector, and carefully evaluating the policy trade-offs in the sovereign-bank nexus. TAGS: [Cost and Risk](#); [Institutional Investors](#); [Financial stability](#)

[Risky bank guarantees \(2019\)](#)

Taneli Mäkinen, Lucio Sarno, Gabriele Zinna - Bank of Italy, University of Cambridge

Applying standard portfolio-sort techniques to bank asset returns for 15 countries from 2004 to 2018, the authors uncover a risk premium associated with implicit government guarantees. This risk premium is intimately tied to sovereign risk, suggesting that guaranteed banks, defined as those of particular importance to the national economy, inherit the risk of the guarantor. Indeed, this premium does not exist in safe-haven countries. The authors rationalize these findings with a model in which implicit government guarantees are risky in the sense that they provide protection that depends on the aggregate state of the economy. TAGS:

[Cost and Risk](#); [Contingent Liabilities](#); [Sovereign risk premia](#)

[A Joint Foreign Currency Risk Management Approach for Sovereign Assets and Liabilities \(2019\)](#)

M.Coskun Cangoz, Olga Sulla, Chun Lan Wang, Christopher Dychala - World Bank

An asset and liability management framework for managing risks arising from sovereign foreign exchange obligations requires a joint analysis of (i) the external financial liabilities resulting from a country's sovereign debt and (ii) the foreign exchange assets of its central bank. Governments often issue sizable amounts of debt denominated in foreign currencies, subjecting their fiscal positions to foreign exchange volatilities. Prudent management of a sovereign's foreign exchange position under an asset and liability management framework enables governments to mitigate risks at the lowest possible cost, hence increasing resilience to external shocks. Based on the challenges associated with the implementation of an asset and liability management framework, this study recommends a practical approach that includes analysis of the foreign exchange positions of central bank reserves and central government debt portfolios and optimization of the net position. The proposed model is tested, using the foreign exchange reserve and external debt data of seven countries (Albania, Ghana, FYR Macedonia, South Africa, the Republic of Korea, Tunisia, and Uruguay). The paper employs quantitative methods to explore the impact of an overarching asset and liability management strategy and integrated approach on the efficient management of foreign exchange risk. It provides policy recommendations on ways to minimize the risk of foreign exchange mismatches and increase the return on foreign exchange reserves. TAGS: [Cost and Risk](#); [Foreign Debt](#); [Sovereign ALM](#); [World Bank](#)

[Assessing and Managing Credit Risk from Contingent Liabilities: A Focus on Government Guarantees \(2019\)](#)

The World Bank Treasury - Public Debt Management Advisory

Since 2005, the World Bank Treasury Public Debt Management Advisory has offered training courses in designing and implementing government debt management strategies. With the increasing complexity of clients' tasks, the team responds by increasing its training courses offerings to cover topics such as cash management; asset and liability management; and contingent liabilities risk management. This publication serves as a background note to the training course "Assessing and managing credit risk from contingent liabilities – A focus on government guarantees". The course and the publication support government risk managers in improving technical capacity for managing fiscal risks from contingent liabilities, particularly government guarantees. The course introduces a broad risk management framework for fiscal risks, discusses various types of contingent liabilities, and then focuses on identifying, analyzing, quantifying, and managing credit risk from government guarantees. TAGS: [Cost and Risk](#); [Contingent Liabilities](#); [World Bank](#)

[Primary Markets](#)

[Creating a Euro Area Safe Asset without Mutualizing Risk \(2019\)](#)

Álvaro Leandro, Jeromin Zettelmeyer - Peterson Institute for International Economics

This paper explains and evaluates three proposals to create "safe assets" for the euro area based on sovereign bonds, in which sovereign risk is limited through diversification and some form of seniority. These assets would be held by banks and other financial institutions, replacing concentrated exposures to their own

sovereigns. The paper focuses on three ideas: (1) to create multitranche "sovereign bond-backed securities" (SBBS), of which the senior tranche would constitute a safe asset; (2) to create a senior, publicly owned financial intermediary that would issue a bond backed by a diversified portfolio of sovereign loans ("E-bonds"); and (3) to issue sovereign bonds in several tranches and induce banks to hold a diversified pool of senior sovereign bonds ("multitranche national bond issuance"). Public attention (including public criticism) has so far focused on the first idea; the other two have not yet been seriously debated. The authors find that none of the competing proposals entirely dominates the others. SBBS do not deserve most of the criticism to which they have been subjected. At the same time, E-bonds and multitranche national bond issuance have several interesting features—including inducing fiscal discipline—and warrant further exploration. TAGS: [Primary market](#); [Institutional Investors](#); [Bond market development](#)

[The Nonlinear Relationship Between Public Debt and Sovereign Credit Ratings \(2019\)](#)

Metodij Hadzi-Vaskov, Luca Antonio Ricci - International Monetary Fund

This study investigates the nonlinear relationship between public debt and sovereign credit ratings, using a wide sample of over one hundred advanced, emerging, and developing economies. It finds that: i) higher public debt lowers the probability of being placed in a higher rating category; ii) the negative debt-ratings relationship is nonlinear and depends on the rating grade itself; and iii) the identified nonlinearity explains the differential impact of debt on ratings in advanced economies versus in emerging markets and developing economies. These results hold for both gross debt and net debt, and are robust to alternative dependent variable definitions, analytical techniques, and empirical specifications. These findings

underscore the potential for fiscal consolidation in helping countries achieve a better credit rating. TAGS: [Sovereign Credit Ratings](#)

[Financing Low-Carbon Transitions through Carbon Pricing and Green Bonds \(2019\)](#)

Dirk Heine, Willi Semmler, Mariana Mazzucato, João Paulo Braga, Michael Flaherty, Arkady Gevorkyan, Erin Hayde, Siavash Radpour - World Bank, New School for Social Research, University College London, Federal Reserve Bank of Cleveland

To finance the transition to low-carbon economies required to mitigate climate change, countries are increasingly using a combination of carbon pricing and green bonds. This paper studies the reasoning behind such policy mixes and the economic interaction effects that result from these different policy instruments. The paper models these interactions using an inter-temporal model that proposes burden sharing between current and future generations. The issuance of green bonds helps to enable immediate investment in climate change mitigation and adaptation, and the bonds would be repaid by future generations in such a way that those who benefit from reduced future environmental damage share in the burden of financing the mitigation efforts undertaken today. The paper examines the effects of combining green bonds and carbon pricing in a three-phase model and uses a numerical solution procedure that allows for finite-horizon solutions and phase changes. The paper shows that green bonds perform better when they are combined with carbon pricing. The proposed policy option appears to be politically more feasible than a green transition based only on carbon pricing, and it is more prudent for debt sustainability than a green transition that relies overly on green bonds. TAGS: [Primary market](#); [Structural policies](#); [Debt sustainability](#); [Bond market development](#)

[The Linkage between Primary and Secondary Markets for Eurozone Sovereign Debt: Free Flow or Bottleneck? \(2019\)](#)

Alexander Eisl, Christian Ochs, Nikolay Osadchiy, Marti G. Subrahmanyam - Vienna University of Economics and Business, Emory University, New York University

In this paper, the authors investigate the consequences of interlinked sovereign bond markets in the Eurozone for the transmission of yields, liquidity and market conditions, specifically, the impact of sovereign bond auctions on secondary markets as well as their potential feedback to the sovereign's cost of debt. This linkage is established by the actions of financial intermediaries, the so-called primary dealers, who participate in sovereign bond auctions, and are also active as market makers in the secondary markets of multiple countries. The authors develop a model of financially constrained primary dealers that would like to buy newly issued bonds and may consider selling a proportion of their existing inventory, while providing liquidity in the secondary market at the same time. Their model produces optimal inventory levels for existing- and newly issued bonds that can be related to predictable price movements around sovereign bond issuances. Empirically, the authors find support for their model and its resulting hypotheses and propositions, i.e., primary dealers tend to liquidate more liquid and more risky bonds from their inventory in order to be able to participate in sovereign bond auctions and minimize the impact of the auction on their portfolios. The ability of primary dealers to participate in these auctions may depend on different market conditions. Last, the authors find that financial constraints impose costs for market participants that are, eventually, borne by the sovereign through the linkage between markets.

TAGS: [Primary market](#); [Secondary Markets](#); [Public debt auctions](#)

[Debt for Climate Swaps: Caribbean Outlook \(2019\)](#)

Frances Fuller, Luis Zamarioli, Bianka Kretschmer, Adelle Thomas and Laetitia De Marez - [ClimateAnalytics.org](#)

Caribbean SIDS are among the most heavily indebted per capita developing countries in the world and are also highly vulnerable to the impacts of climate change. Public debt significantly restricts capacity and fiscal space to build resilience to climate change and thus undermines debt sustainability and economic growth. Caribbean SIDS are tasked with addressing low and stagnated growth, high public debt and vulnerabilities to climate change impacts. Debt for climate swaps may provide an avenue for SIDS to address debt challenges while also increasing resilience to climate change. TAGS: [Debt composition](#); [Primary market](#); [Debt sustainability](#)

[Secondary Markets](#)

[International Capital Flow Reversals \(2019\)](#)

Eduardo A. Cavallo - [Inter-American Development Bank](#)

Sudden stops in capital flows are a form of financial whiplash that creates instability and crises in the affected economies. Sudden stops in net capital flows trigger current account reversals as countries that were borrowing on net from the rest of the world before the stop can no longer finance current account deficits. Sudden stops in gross capital flows are associated to financial instability especially when the gross flows are dominated by volatile cross-border banking flows. Sudden stops in gross and net capital flows are episodes with an external trigger. This implies that the spark that ignites sudden stops originates outside the affected country, more specifically, in the supply of foreign financing that can halt for reasons that may be unrelated to the affected country's domestic conditions. Yet a spark cannot generate a fire

unless combustible materials are around. The literature has established that a set of domestic macroeconomic fundamentals are the combustible materials that make some countries more vulnerable than others. Higher fiscal deficits, larger current account deficits, and higher levels of foreign currency debts in the domestic financial system are manifestations of weak fundamentals that increase vulnerability. Those same factors increase the costs in terms of output losses when the crisis materializes. On the flip side, international reserves provide buffers that can help countries offset the risks. Holding foreign currency reserves hedges the fiscal position of the government providing it with more resources to respond to the crisis. While it may be impossible for countries to completely insulate themselves from the volatility of capital inflows, the choice of antidotes to prevent that volatility from forcing potentially costly external adjustments is in their own hands. The global financial architecture can be improved to support those efforts if countries could agree on and fund a more powerful international lender of last resort that resembles at the global scale the role of the Federal Reserve Bank in promoting financial stability in the United States. TAGS: [Secondary Markets](#); [Financial Analysis](#); [Financial stability](#)

[An Analysis of the Daily Changes in US Treasury Security Yields \(2019\)](#)

Tanweer Akram, Anupam Das - [Thrivent, Mount Royal University](#)

This paper analyzes the dynamics of long-term US Treasury security yields from a Keynesian perspective using daily data. Keynes held that the short-term interest rate is the main driver of the long-term interest rate. In this paper, the daily changes in long-term Treasury security yields are empirically modeled as a function of the daily changes in the short-term interest rate and other important financial variables to test Keynes's hypothesis. The use

of daily data provides a long time series. It enables the extension of earlier Keynesian models of Treasury security yields that relied on quarterly and monthly data. Models based on higher-frequency daily data from financial markets—such as the ones presented in this paper—can be valuable to investors, financial analysts, and policymakers because they make it possible for a real-time fundamental assessment of the daily changes in long-term Treasury security yields based on a wide range of financial variables from a Keynesian perspective. The empirical findings of this paper support Keynes’s view by showing that the daily changes in the short-term interest rate are the main driver of the daily changes in the long-term interest rate on Treasury securities. Other financial variables, such as the daily changes in implied volatility of equity prices and the daily changes in the exchange rate, are found to have some influence on Treasury yields. **TAGS:** [Secondary Markets;](#) [Sovereign bonds yields](#)

Financial Analysis

Banks’ holdings of risky sovereign bonds in the absence of the nexus - yield seeking with central bank funding or de-risking? (2019)

Rainer Frey, Mark Weth - Deutsche Bundesbank

While during the financial crisis both moral suasion and search for yield have been cited as factors explaining high and even increasing sovereign exposures of banks in euro area countries strongly affected by the crisis, the authors analyse whether search-for-yield strategies played a role in investments in risky sovereign bonds in the absence of moral suasion. To this end, their study focuses on the investment patterns of German banks. Besides, the authors address the extent to which their investment depended on central bank funding, government support, capitalisation and securities trading activities. For the large German banks under review, a

key result is that, during the crisis period, publicly supported banks (bailed-out banks) did not engage in risky yield-seeking strategies, but instead divested from risky assets, including sovereign bonds from vulnerable countries in the euro area. This supports their hypothesis of a regulation- and reputation-induced de-risking strategy. In some ways, this behaviour contrasts with the moral suasion motive of publicly supported banks in the vulnerable countries. **TAGS:** [Sovereign bonds yields;](#) [Sovereign debt exposure](#)

Corporate Spreads, Sovereign Spreads, and crises (2019)

Julia Bevilacqua, Galina B. Hale, Eric Tallman - Wharton School of Business, Federal Reserve Bank of San Francisco

The authors document that positive correlation between corporate and sovereign cost of funds borrowed on global capital markets weakens during periods of unusually high sovereign spreads, when corporate borrowers are able to issue debt that is priced at lower rates than sovereign debt. This state-dependent correlation between sovereign and corporate cost of funds has not been previously documented in the literature. The authors demonstrate that this stylized fact is not explained by a different composition of borrowers issuing debt during periods of high sovereign spreads or by the relationship between corporate and sovereign credit ratings. The decline in the correlation between corporate yields and sovereign yields is observed across countries and industries as well as for a given borrower over time. The authors propose a simple information model that rationalizes their empirical observations: when sovereign spreads are high and more volatile, spreads on corporate debt are less correlated with spreads on sovereign debt. The calibrated model matches well the empirical correlation between sovereign and corporate cost of funds during normal and

crisis times and is able to explain the heterogeneity in the estimates across market segments. TAGS: [Financial Analysis](#); [Sovereign risk premia](#); [Sovereign bond yields](#)

[Sovereigns at Risk. A dynamic model of sovereign debt and banking leverage \(2019\)](#)

Nuno Coimbra - Paris School of Economics

This paper develops a dynamic model with heterogeneous investors and sovereign default to analyze the dynamic link between banking sector capitalization and sovereign bond yields. The banking sector is modelled as operating under a Value-at-Risk (VaR) constraint, which can bind occasionally. As default risk rises, the constraint may bind, generating a fall in demand for sovereign bonds that can be accompanied by a rise in the risk premium if other agents are more risk averse. In turn, the rise in risk premium leads to a feedback effect through debt accumulation dynamics and the probability of government default. TAGS: [Financial Analysis](#); [Sovereign debt exposure](#); [Sovereign defaults](#)

Debt Crisis

[How to Handle the Fiscal Crisis in Greece? Empirical Evidence Based on a Survey of Economic Experts \(2019\)](#)

Martin Mosler, Niklas Potrafke, Markus Reischmann - ifo Institute

The authors asked economic experts polled by the CESifo World Economic Survey how to handle the fiscal crisis in Greece in the year 2015. The sample includes about 850 experts from 110 countries. The authors find systematic differences in experts' recommendations. Their results suggest that policy advice is related to an expert's personal and country-level attributes. Country-level characteristics, especially credit default swaps as a measure of fiscal stability, predict views on whether Greece

should exit the eurozone. An expert's educational background, age and professional affiliation predict opinions on the credit programs of the International Monetary Fund. The authors propose that policymakers who seek balanced policy advice should consult experts from different countries and personal backgrounds. TAGS: [Debt crisis](#); [Sovereign CDS](#); [Financial stability](#)

[Hybrid Recognition of Monetary and Financial Sovereignty: Or Is It? \(2019\)](#)

Marcin Menkes, Lukasz Gruszczynski - Warsaw School of Economics, Polish Academy of Sciences

This chapter critically analyses the issue of sovereign default and its legal and factual consequences, as well as the process that makes it possible to restore the capacity of a state to enter into financial relations. In this context, it is argued that sui generis recognition constitutes one of the elements of this process. This sui generis recognition does not concern the recognition of a state (as the state still exists), but rather relates to recognition of certain of its sovereign prerogatives. Due to the peculiarities of this form of recognition it is referred to as a "hybrid recognition". Its hybridity is connected with the fact that such recognition combines two different legal regimes (i.e. public and private) and is expressed in the context of a process that mixes different levels of normativity. TAGS: [Debt crisis](#); [Sovereign defaults](#); [Debt Restructuring](#)

[Greek Government-Debt Crisis Events and European Financial Markets: Surprises of Greek Bond Yields and Inter-Relations of European Financial Markets \(2019\)](#)

Konstantinos Gkillas, Paraskevi Katsiampa, Dimitrios I. Vortelinos, Mark E. Wohar - University of Patras, Sheffield University Management School, University of Lincoln, University of Nebraska

In this paper, the authors study the impact of Greek government-debt crisis events on European financial markets during the European sovereign debt crisis. The authors examine the effect of three categories of Greek government-debt crisis events in realized correlation and correlation jumps of government bonds, CDS and stock indices of seven European countries (Greece, Spain, Portugal, Ireland, Italy, Germany and France) via the respective dummy variables and news surprises of 2-year, 5-year and 10-year government bonds and CDS in a non-parametric framework by employing Tobit regression models. According to their results, the direction of most impacts on correlation and correlation jumps is negative. The authors also investigate the types of Greek government-debt crisis events that have the highest impacts on correlation and correlation jumps. Their findings provide valuable insight into the relationship between events related to Greek instability and European financial markets during the European sovereign debt crisis. **TAGS:** [Debt crisis](#); [Derivatives](#); [Sovereign CDS](#)

[Market Concentration and Bank M&As: Evidence from the European Sovereign Debt Crisis \(2019\)](#)

George N. Leledakis, Emmanouil Pyrgiotakis - Athens University of Economics and Business
Using a sample of 312 bank M&As announced between 1998 and 2016 in the EU-27 countries, this paper investigates the impact of market concentration and the European sovereign debt crisis on the way investors react to these corporate events. In Western European countries, the authors find results which contrast the conventional wisdom that acquiring banks lose around the merger announcement date. In fact, since 2009, acquiring banks shareholders gain approximately \$34 million around the announcement, a \$56 million improvement compared to the pre-crisis period. These

documented shareholder gains are also accompanied by significant improvements in post-merger profitability. Markedly, the authors link this superior performance of the post-2008 acquirers with the degree of market concentration in the Western European region. Finally, results for the Eastern European countries indicate that the crisis did not have a significant impact on the quality of bank M&As in the region. **TAGS:** [Debt crisis](#); [Institutional Investors](#)

[Contract Standards](#)

[Hidden Holdouts: contract arbitrageurs and the pricing of Collective Rights \(2019\)](#)

Robert E. Scott, Mitu Gulati, Stephen J. Choi - Economic Policy Institute, Duke University School of Law, NYU School of Law

Research on the law and economics of contract typically analyzes the explicit pricing of the contract terms in a debt contract by modeling a bilateral debtor-creditor relationship, a framework we call the “classical model.” Under this model, contract terms that affect the debtor’s repayment obligations are reflected in the price the debtor pays. Much of commercial lending, however, occurs in thick markets with standardized multilateral debt instruments. Depending on the degree to which key contract terms implicate collective decision making among dispersed and anonymous creditors, the classical bilateral model of debt contracting can err in its predictions on the pricing of terms. The authors utilize Venezuela’s 2014-2018 debt crisis as a natural experiment to evaluate the price effects of differences in contract terms in multilateral debt instruments that require collective decision for enforcement. The authors test the predictions of the classical model against the predictions generated by a “collective action” model and report evidence of the non-pricing of terms consistent with the collective action story. In

particular, the authors provide evidence of a “hidden holdout” strategy that enables the modern activist investor to capture rents without revealing arbitrage activities that enable the market to coordinate on efficient prices for different rights of enforcement.

TAGS: [Contract standards](#); [Debt crisis](#)

Debt Restructuring

How to Restructure Sovereign Debt: Lessons from Four Decades (2019)

Lee Buchheit, Guillaume Chabert, Chanda DeLong, Jeromin Zettelmeyer - French Ministry for the Economy and Finance, International Monetary Fund, Peterson Institute for International Economics

This paper attempts to provide a playbook for the sovereign debt restructuring process, drawing on the experience with sovereign debt restructuring since the 1980s. It begins with a discussion of the participating actors and their interests. It then describes the considerations that must be weighed in designing, negotiating, and concluding a debt restructuring, in light of two problems: asymmetric information between the debtor and the creditors, and creditor coordination problems, which can lead to free riding (the “holdout” problem). The paper focuses on how these problems, which can lead to inefficiently negotiated outcomes, can be managed and minimized in practice. **TAGS:** [Debt Restructuring](#); [Best Practices](#); [Debt crisis](#); [Sovereign defaults](#)

Sovereign Debt Restructuring and Debt Mutualisation in the Euro area: an assessment (2019)

European Parliament

Existing proposals for reform in the euro area, including the introduction of an orderly sovereign debt restructuring mechanism and of forms of debt mutualisation, rely on similar implicit or explicit assumptions: The “diabolic

loop” between sovereign debt and domestic banks is to be mitigated or avoided; market discipline has to be maintained; and moral hazard has to be avoided. This paper discusses the stated goals of existing proposals, together with their likely anticipated and unanticipated effects and trade-offs. It recognizes that several of these underlying assumptions and frameworks are at odds with the extant empirical evidence. It concludes by setting forth a three-pronged proposal for reform in the Euro Area. First, it is desirable to have a more explicit seniority structure in sovereign debt, which should be achieved by introducing a junior class of risky sovereign bonds linked to nominal GDP growth. Second, governments with high legacy debt and/or high deficits should be required to access new financing by issuing such junior bonds. Third, the extent of fiscal stabilization and banking union in the Euro area should be increased. **TAGS:** [Debt Restructuring](#); [Sovereign debt exposure](#)

The design of a sovereign debt restructuring mechanism for the euro area: Choices and trade-offs (2019)

Christophe Destais, Frederik Eidam, Friedrich Heinemann - CEPII

This paper critically assesses several dimensions of a sovereign debt restructuring mechanism (SDRM) for the euro area. The novelty of their analysis is that the authors abstain from recommending one ideal model for a restructuring mechanism. Instead, the authors apply a menu-type approach. For five key institutional SDRM dimensions, the authors discuss the underlying fundamental trade-offs and discuss the pros and cons of different design choices. Specifically, the authors investigate the following SDRM dimensions: (i) the institutional assignments of responsibilities, (ii) the condition or decision rule that triggers a debt restructuring, (iii) the design and size of debt restructuring, (iv) the role and details of

collective action clauses (CACs), and (v) the safeguards for financial stability in support for a SDRM. The authors conclude that there is no such thing as the single optimal SDRM. Design decisions require judgements on the underlying trade-offs and related assumptions on relative costs. Also, the search for an appropriate euro area SDRM design can benefit from complementarities. Ambition in one dimension can offer more degrees of freedom in another dimension. Their analysis implies that there is no convincing reason to further taboo the search for a euro area SDRM, as there are ways to combine the opportunities of a credible SDRM with financial stability. TAGS: [Debt Restructuring](#); [Contract standards](#)

Macroeconomic Analysis

Causality Between Public Debt, Public Debt Service And Economic Growth: Evidence From South Africa (2019)

Talknice Saungweme, Nicholas M. Odhiambo - University of South Africa

This paper explores the causality between public debt and economic growth, and between public debt service and economic growth in South Africa covering the period 1970 – 2017. The study employed the autoregressive distributed lag (ARDL) bounds testing approach to cointegration and the multivariate Granger-causality test. The empirical results indicate that there is unidirectional causality from economic growth to public debt, but only in the short run. However, the study fails to establish any causality between public debt service and economic growth, both in the short run and in the long run. In line with the empirical evidence, the study concludes that it is economic growth that drives public debt in South Africa, and that the causal relationship between public debt and economic growth is sensitive to the time frame considered. The paper recommends that South Africa should

prioritise the implementation of appropriate policies and strategies that could drive economic growth in order to uphold a sustainable public debt level. TAGS: [Debt and growth](#); [Debt and fiscal/monetary policies](#); [Debt sustainability](#)

A Buffer-Stock Model for the Government: Balancing Stability and Sustainability (2019)

Jean-Marc Fournier - International Monetary Fund

A fiscal reaction function to debt and the cycle is built on a buffer-stock model for the government. This model inspired by the buffer-stock model of the consumer (Deaton 1991; Carroll 1997) includes a debt limit instead of the Intertemporal Budget Constraint (IBC). The IBC is weak (Bohn, 2007), a debt limit is more realistic as it reflects the risk of losing market access. This risk increases the welfare cost of fiscal stimulus at high debt. As a result, the higher the debt, the less governments should smooth the cycle. A larger reaction of interest rates to debt and higher hysteresis magnify this interaction between the debt level and the appropriate reaction to shocks. With very persistent shocks, the appropriate reaction to negative shocks in highly indebted countries can even be procyclical. TAGS: [Debt and growth](#); [Debt and fiscal/monetary policies](#); [Debt sustainability](#)

Public investment, public debt, and population aging under the golden rule of public finance (2019)

Akira Kamiguchi, Toshiki Tamai - Kindai University, Nagoya University

This paper develops an overlapping generations model with debt-financed public investment. The model assumes that government is subject to the golden rule of public finance and that households are finitely lived in the sense of Yaari–Blanchard. It is shown that the growth-maximizing tax

rate is not equivalent to the welfare-maximizing one; in addition, both tax rates are lower than the output elasticity of public capital. This paper also derives the threshold value of public debt to GDP ratio that maximizes the equilibrium growth rate and social welfare, i.e., the inverted-U relation between the public debt to GDP ratio and the economic growth rate suggested by empirical studies. Furthermore, this paper shows that both tax rates and the public debt to GDP ratio positively depend on longevity. This result provides a possible explanation for the rising tendency of the public debt to GDP ratio under population aging in countries such as the United Kingdom, Germany, and Japan. **TAGS:** [Debt and fiscal/monetary policies](#); [Debt and growth](#)

[Persistent Government Debt and Aggregate Risk Distribution \(2018\)](#)

Massimiliano Croce, Stephen Raymond, Thien T. Nguyen - Bocconi University, University of North Carolina, Ohio State University

When government debt is sluggish, consumption exhibits lower expected growth, more long-run uncertainty, and more long-run downside risk. Simultaneously, the risk premium on the consumption claim (Kojien et al. (2010), Lustig et al. (2013)) increases and features more positive (adverse) skewness. The authors rationalize these findings in an endogenous growth model in which fiscal policy is distortionary, the value of innovation depends on fiscal risk, and the representative agent is sensitive to the resulting distribution of consumption risk. Their model suggests that committing to a rapid reduction of the debt-to-output ratio can enhance the value of innovation, aggregate wealth, and welfare. **TAGS:** [Debt and growth](#); [Debt and fiscal/monetary policies](#)

[Bremia: a study of the impact of Brexit based on bond prices \(2018\)](#)

Jagjit S. Chadha, Arno Hantzsche, Sathya Mellina - National Institute of Economic and Social Research, Centre for Macroeconomics, Loughborough University

Many financial prices reacted violently to the result of the UK's advisory referendum held on 23 June 2016. Subsequently financial prices have proved significantly less volatile, both unconditionally and in response to Brexit-related news. The authors particularly want to understand what sovereign bond prices might have been telling us about the likely state of the British economy under an exit from the European Union and potential policy responses. To do so, the authors model the factors determining the term structure of interest rates and find that bond yields are driven by macroeconomic factors as well as by central bank communication, which the authors quantify using text mining techniques. The authors then map their results to movements in response to Brexit news. The authors found that bond yields declined in the direct aftermath of the referendum as the result of an anticipation of more expansionary monetary policy, which initially may have offset Brexit-related increases in the risk premium. **TAGS:** [Secondary Markets](#); [Sovereign bonds yields](#); [Sovereign debt market](#); [Financial Analysis](#); [Sovereign risk premia](#)

[Economic Policies](#)

[The case for implementing effective Negative Interest Rate Policy \(2019\)](#)

Andrew Lilley and Kenneth Rogoff - Harvard University Department of Economics

This paper explores the case for gradually instituting the changes necessary to implement unconstrained negative interest rate policy as a long-term solution to the zero bound on interest rates (or more precisely the near zero effective lower bound.) The

authors shall argue that if negative interest rate policy can be implemented, it would be by far the most elegant and stable long-term solution to the severe limits on monetary tools that have emerged since the financial crisis. Admittedly, the question of how to resuscitate monetary policy is of more immediate relevance in Europe and Japan, where interest rates are already at the effective zero lower bound (in many cases mildly negative) a decade after the global financial crisis, and more than two decades after Japan's financial crisis. But even the United States is likely to face severe constraints in the event of another financial crisis, possibly even in a deep recession. TAGS: [Financial Analysis](#); [Debt and fiscal/monetary policies](#); [Economic Forecasts](#); [Sovereign bonds yields](#)

[Fiscal Rules for the Western Balkans \(2019\)](#)

Edith Kikoni, Sanja Madžarević-Šujster, Tim Irwin, Charl Jooste - World Bank, International Monetary Fund

Policy toward fiscal rules is an important issue in the countries of the Western Balkans (Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia). According to a rough estimate, the countries with rules (all but North Macedonia) have complied with their debt and overall-deficit rules a little more than half the time. An online survey, conducted for this paper, suggests that public understanding of the rules is limited, which may reduce the political pressure for compliance. To get debt down to prudent levels, Albania and Montenegro will need a strong commitment to complying with their fiscal rules and will often have to do more than their deficit rules require. The following principles should guide future policy toward fiscal rules: more emphasis should be given to ensuring that fiscal rules are widely understood and enjoy the support of a broad range of stakeholders; policy toward the rules should be consistent

with accession to the European Union, but the rules should be simpler than the European Union's and the debt limits lower; limits in rules should not be mistaken for targets; and public financial management should be improved to support the implementation of rules. TAGS: [Debt and fiscal/monetary policies](#)

[Are Budget Rigidities a Source of Fiscal Distress and a Constraint for Fiscal Consolidation? \(2019\)](#)

Ercio Muñoz, Eduardo Olaberria - City University of New York, World Bank

This paper studies whether budget rigidities affect the probability of countries getting into fiscal distress and reduce the likelihood of governments performing fiscal adjustments. Budget rigidities are constraints that limit the ability of the government to change the size and structure of the public budget in the short term. Budget rigidities stem from different institutional arrangements and therefore can take different forms. To build an indicator of rigid spending that is comparable across a large set of countries, this paper employs a simple definition based on budget components that are naturally inflexible: the sum of public wages, pensions, and debt service. It decomposes this measure into a structural component and a nonstructural component. Then, the paper applies a linear probability model to a panel of 182 advanced and developing countries. A key finding is that relatively high shares of rigid (observed) components of public spending contribute to countries getting into fiscal distress and are a constraint for fiscal consolidation. The paper finds evidence that a relatively high share of nonstructural rigid spending contributes to the probability of fiscal distress and reduces the probability of fiscal consolidation. Moreover, the effect of rigid expenditure seems to be more relevant for economies with high inequality, governments with lower margins of majority,

and countries with lower institutional quality. In addition, when looking at the composition of the measure of rigid expenditure, there is also some evidence that higher expenditure on pensions reduces the probability of fiscal adjustment more robustly than higher expenditure on wages. TAGS: [Debt and fiscal/monetary policies](#)

[A Framework to Assess Debt Sustainability and Fiscal Risks under the Belt and Road Initiative \(2019\)](#)

Luca Bandiera, Vasileios Tsiropoulos - World Bank

This paper provides a framework to assess the impact of infrastructure investment expected under the Belt and Road Initiative (BRI) on the debt vulnerabilities of countries that are located on BRI transport and connectivity corridors in the absence of comprehensive and consistent information on investments and financing terms. Key assumptions relate to the amount of public and publicly guaranteed (PPG) debt financing and its terms, the size and sectoral type of identified BRI investment, and the expected impact of growth in the medium and long term of that investment. BRI debt financing is expected significantly increase PPG debt in a number of countries. The paper provides estimates for both the medium and the long term. In the medium term, defined as the period 2019-2023, debt financing of BRI investment is expected to be fully disbursed while the full growth impact of BRI related infrastructure is not entirely realized. In this initial phase, around one-third of assessed BRI-recipient countries are estimated to face elevated debt vulnerabilities post- BRI, several of which have already high debt vulnerabilities. The impact of BRI on public debt would improve over the longer term under the assumption of a sustained negative interest rate-growth differential and in the absence of the materialization of BRI related fiscal risks. Still, debt to GDP ratio is expected

to remain higher in one-third of countries (11 out of 30 with available data). TAGS: [Structural policies](#); [Cost and Risk](#); [Debt sustainability](#)

[Fiscal Buffers for Natural Disasters in Pacific Island Countries \(2019\)](#)

Hidetaka Nishizawa, Scott Roger, Huan Zhang - International Monetary Fund

Pacific island countries (PICs) are vulnerable severe natural disasters, especially cyclones, inflicting large losses on their economies. In the aftermath of disasters, PIC governments face revenue losses and spending pressures to address post-disaster relief and recovery efforts. This paper estimates the effects of severe natural disasters on fiscal revenues and expenditure in PICs. These are combined with information on the frequency of large disasters to calculate the rate of budgetary savings needed to build appropriate fiscal buffers. Fiscal buffers provide self-insurance against natural disaster shocks and facilitate quick disbursement for recovery and relief efforts, and protection of spending on essential services and infrastructure. The estimates can provide a benchmark for policymakers, and should be adjusted to take into account other sources of financing, as well as budget risks from less severe as well as more frequent disasters. TAGS: [Debt and fiscal/monetary policies](#)

[Multilateral Financing](#)

[Preferred and Non-Preferred Creditors \(2019\)](#)

Tito Cordella, Andrew Powell - World Bank, Inter-American Development Bank

International financial institutions (IFIs) generally enjoy preferred creditors treatment (PCT). Although PCT rarely appears in legal contracts, when sovereigns restructure bilateral or commercial debts they normally pay IFIs in full. This paper

presents a model where a creditor, such as an IFI, that can commit to lend limited amounts at the risk-free rate and can refrain from lending into arrears is always repaid and adds value. The analysis suggests that IFIs should not mimic commercial lenders, but exploit their complementarity, even if banning commercial borrowing can sometimes be optimal. IFIs should also focus on countries

with limited market access and should not be forced into debt restructurings. **TAGS:** [Multilateral financing](#); [Debt Restructuring](#)

Reports

2019

[Ukraine: Making Local Currency Bonds More Attractive for Foreign Investors](#)

World Bank Treasury

Yuriy Butsa, Ukraine's government commissioner for public debt management, talks about the measures they have implemented to make local currency bonds more attractive for foreign investors.

TAGS: [Primary market](#); [Sovereign debt market](#); [World Bank](#)

[What is yield curve control?](#)

Sage Belz, David Wessel - Brookings

Yield curve control is different in one major respect from QE, the trillions of dollars in bond-buying that the Fed pursued during the Great Recession. QE deals in quantities of bonds; YCC focuses on prices of bonds. Under QE, a central bank might announce that it plans to purchase, for instance, \$1 trillion in Treasury securities. Because bond prices are inversely related to their yields, buying bonds and pushing up their price leads to lower longer-term rates. [...] **TAGS:** [Financial Analysis](#); [Debt and fiscal/monetary policies](#)

[European Economic Forecast. Summer 2019](#)

European Commission

The forecast for euro area GDP growth in 2019 remains unchanged at 1.2%, while the forecast for 2020 has been lowered slightly to 1.4% following the more moderate pace expected in the rest of this year (spring forecast: 1.5%). The GDP forecast for the EU remains unchanged at 1.4% in 2019 and 1.6% in 2020. **TAGS:** [Economic Forecasts](#)

[The 2019 Stability and Convergence Programmes: An Overview and Assessment of the Euro Area Fiscal Stance](#)

European Commission

An overview of the 2019 Stability and Convergence Programmes of EU Member States and an assessment of their implications for the euro area's fiscal stance. The Stability and Growth Pact (SGP) is a set of rules designed to ensure that countries in the European Union pursue sound public finances and coordinate their fiscal policies. **TAGS:** [Debt and fiscal/monetary policies](#); [Debt sustainability](#)

[Asian Development Outlook 2019 Supplement: Outlook Steady Even as Trade Tensions Persist](#)

Asian Development Bank



Growth in Developing Asia is projected to expand by 5.7% in 2019 despite the trade conflict between the People's Republic of China (PRC) and the United States (US). Developing Asia is forecast to maintain strong but moderating growth in line with April forecasts in Asian Development Outlook 2019 (ADO 2019), even as trade conflict continues between the PRC and the US. [...] TAGS: [Economic Forecasts](#)

[Anticipating the next global financial crisis and recession](#)

Jim Ellert - IEDC Bled School of Management

This paper develops the view that the next financial crisis will be triggered by a global debt crisis. The paper reviews developments since the collapse of Lehman Brothers in the fall of 2008 with focus on (i) the evolution since 2007 of country sovereign debt obligations, (ii) the degree of preparation of large US and European banks to cope with another financial crisis, (iii) the implications of changes in the composition of borrowers profiles in the international non-financial corporate debt market, (iv) changes in the composition of global household debt, (v) some thoughts on the timing, possible causes, and potential severity of the next global financial crisis and recession, and (vi) some thoughts on how well-prepared are major economies or regions to address the consequences of another financial crisis and/or recession. [...] TAGS: [Debt crisis](#); [Debt sustainability](#); [Financial stability](#)

[The potentials and the dangers of the Italian economy in a renewed euro area](#)

Marcello Messori - LUISS

To increase Italy's economic growth, the new coalition between the Five Star Movement (FSM) and the Democratic Party must: (i) overcome their latent internal conflict, thus avoiding the reappearance in new forms of the pre-existing climate of political uncertainty; (ii) launch an effective economic policy package that will encourage sustainable development in the short and medium-long term, one that is, at the same time, compatible with Italy's commitments to the European institutions and with Italy regaining its central role in the European Union (EU). TAGS: [Debt sustainability](#); [Financial stability](#); [Debt and fiscal/monetary policies](#); [Sovereign risk premia](#)

[Sovereign debt: Do we need an EU solution?](#)

Henrik Enderlein, Joachim Fritz-Vannahme, Anna auf dem Brinke, Sabine Feige, Katharina Gnath, Jörg Haas, Heidi Marleen Kuhlmann, Max Emanuel Mannweiler, Katharina Späth, Philipp Ständer - Bertelsmann Stiftung & Jacques Delors Institut Project Team

High levels of sovereign debt have become a serious issue in the Eurozone. This does not just affect the individual member states: The European debt crisis has shown that difficulties in one euro-area country can spread to the entire currency union. What strategies are being discussed for reducing sovereign debt? Would a stronger role for the EU help to reduce debt over the long term or should this be left solely to the member states? TAGS: [Debt Policy](#); [Debt and fiscal/monetary policies](#); [Financial stability](#); [International and Macroprudential Regulations](#); [Sovereign risk premia](#)

[Sustainability in indebtedness: a proposal for a Treaty-Based framework in Sovereign Debt Restructuring](#)

Maximo Paulino T. Sison III - University of the Philippines

The debate concerning reforms in sovereign debt restructuring (SDR) ranges from those which maximize flexibility (e.g. adoption of clauses in debt contracts) to those which maximize uniformity and predictability (e.g. enacting a fixed framework similar to a domestic bankruptcy regime). This paper proposes that the principles of SDR in the United Nations General Assembly Resolution 69/319 be broadly codified into a treaty. This includes the principle of sustainability which emphasizes

“inclusive growth and sustainable development” of stakeholders in SDR. In the current unsystematized regime of SDR, this proposal seeks to bridge the value of flexibility in ex post negotiations and the values of uniformity and predictability in ex ante rules under fixed bankruptcy regimes [...] TAGS: [Debt sustainability](#); [Debt Restructuring](#)

[A new development on the CAC v. No-CAC question in Euro Area Sovereign Bonds](#)

Mitu Gulati, Mark Weidemaier - Duke University University of North Carolina

What if the sovereign decides it does not want to use the CACs to do the restructuring? That the CAC is too constraining? For example, what if it wished to engineer the restructuring by imposing a unilateral withholding tax on payments due on the bonds? Or by redenominating the currency? (The list of Reserved Matters in the Euro CACs includes some provisions that might be interpreted to forbid such acts, but we do not think that is the only way to interpret the bonds.) If we stipulate that the CACs themselves do not prevent such restructuring techniques, then it seems to us that the treaty may contain a significant new limitation—i.e., forbidding any technique that does not use the CAC or the treaty's voting procedures. If so, this is a big deal. [...] TAGS: [Debt Restructuring](#); [Contract standards](#)

[Mapping the interdealer European repo market](#)

ICMA

The European interdealer repo market can be usefully structurally differentiated at three stages of a transaction's life: a) trading --- the negotiation and execution of transactions (the formation of contracts); b) clearing --- the netting by counterparties of (1) in the normal course of business, opposite obligations to deliver the same collateral security (same ISIN) to each other on the same day and opposite obligations to pay cash in the same currency to each other on the same day to produce a smaller residual delivery and payment obligation; and (2) after a default, all mutual obligations to produce a single exposure for immediate settlement --- which can be bilaterally or across a central counterparty (CCP); c) collateral management --- the selection of specific security issues to deliver as collateral and the maintenance of the value of that collateral and the processing of other events such as income payments on the collateral.[...] TAGS: [Repo market](#)

[20 Years of European Economic and Monetary Union: Selected takeaways from the ECB's Sintra Forum](#)

Philipp Hartmann, Glenn Schepens

On the occasion of the 20th anniversary of the euro, the experiences with EMU so far and crucial factors for its success going forward were at the core of ECB's 2019 Sintra Forum on Central Banking. In this column two of the organisers highlight some of the main points from the discussions, including the diverse progress with economic convergence and how it may relate to the geographic agglomeration of industries, the role of fiscal policies relative to monetary policy for macroeconomic stabilisation in the still incomplete monetary union, and selected key determinants of future growth in the euro area. TAGS: [Debt and fiscal/monetary policies](#)

[Call for papers for the 2nd Biennial Bank of Italy and Bocconi University conference on “Financial stability and Regulation” - Rome, March 19-20, 2020 \(deadline for submission October 31, 2019\)](#)

Bank of Italy and Bocconi University

The aim of the conference is to bring together leading world scholars and policy-makers in order to discuss topics related to financial stability, financial sector regulation and the use of macroprudential policies. Patrick Bolton (Columbia Business School and Imperial College), Christine Parlour (Berkeley

Haas) and Hyun Song Shin (Bank for International Settlements) have kindly agreed to deliver the keynote lectures.[...] TAGS: [Financial stability](#); [International and Macprudential Regulations](#); [Best Practices](#)

[The determinants of Currency Risk Premium in Emerging Market Countries](#)

Yiğit Onay, Halil İbrahim Korkmaz - The CBRT Blog

The currency risk premium can be basically defined as the extra yield demanded to cover the risk of depreciation in local currency against reserve currencies (Du et al. (2013)). Investors who want to hold local currency-denominated sovereign bonds ask for the rate on US Treasury bonds, an investment instrument that is deemed risk-free, and the credit risk premium that reflects the country's default risk, in addition to the currency risk premium that they demand in return for a possible depreciation of the local currency against reserve currencies. [...] TAGS: [Foreign debt](#); [Sovereign risk premia](#); [Cost and Risk](#)

[How sensitive are credit default swap premia to the global risk factor?](#)

Oğuzhan Çepni, Doruk Küçüksaraç, Muhammed Hasan Yılmaz - The CBRT Blog

The results of our analysis demonstrate that low government debt and adequate foreign exchange reserves positively affect the perception of sovereign risk in financial markets. In this respect, recent policy steps towards effective use of reserves are thought to be beneficial. TAGS: [Sovereign CDS](#); [Cost and Risk](#)

[The economic and financial outlook of the euro area: halfway down “the long and winding road”](#)

Ignazio Visco - Bank of Italy

This conference comes at a difficult and uncertain juncture for the global economy, the euro area and Italy. After solid growth in 2017 and early 2018, world GDP decelerated significantly in the second half of last year. Although there are signs that the downward momentum might have stopped, in many countries economic activity remains weak. According to the IMF's latest forecasts, in 2019 the global economy will expand at the lowest rate since 2009, when it recorded a recession. [...] TAGS: [Economic Forecasts](#)

[Financing for Sustainable Development Report 2019](#)

Global University Network for Innovation

Sixty-plus international organizations, led by the United Nations and including the International Monetary Fund, the World Bank Group and World Trade Organization, jointly sounded the alarm Thursday in a new report, warning that unless national and international financial systems are revamped, the world's governments will fail to keep their promises on such critical issues as combatting climate change and eradicating poverty by 2030. [...] TAGS: [International and Macprudential Regulations](#); [Structural policies](#); [Debt sustainability](#)

News

What's new area of the PDM Network site proposes [a daily selection of news on public debt management](#) from online newspapers and info providers, as well as *the most recent documents and reports* uploaded on the website. Subscribers also receive the weekly newsletter [Emerging Sovereign](#)



Events and Courses

The following list contains past and future events in chronological order.

The reason for listing new and expired events is to show an at-a-glance collection of new entries published on our website after the release of the previous Bimonthly Newsletter.

To stay updated in advance about new future events, besides reading this list, go directly to the “[Events](#)” section of our website, since the Secretariat adds regularly new events in advance to their dates and deadlines.

30 September – 11 October 2019; Joint Vienna Institute – IMF, Wien (Austria)

[Monetary and Fiscal Policy Analysis with DSGE Models](#)

30 September – 3 October 2019; Joint Vienna Institute – WB and ECB, Wien (Austria)

[Non-performing Loans](#)

30 September – 1 November 2019; UNITAR, Web Based

[Principles of Central Bank Reserve Management \(2019\)](#)

30 September – 1 November 2019; UNITAR, Web Based

[Ethics in Public Finance \(2019\)](#)

2 October 2019; European Capital Markets Institute, Brussels, Belgium

[Call for Papers - 2019 European Capital Market Institute \(ECMI\) Annual Conference](#)

7 – 9 October 2019; Worldwide Business Research, CCIB Barcelona, Spain

[Fixed Income Leaders’ Summit](#)

7 – 18 October 2019; IMF / WAIFEM, Accra, Ghana

[IMF / WAIFEM Regional Course on Financial Programming and Policies \(FPP\)](#)

7 – 11 October 2019; World Bank, Washington D.C.

[Workshop on Credit Risk Management](#)

8 October 2019; ICMA, London, UK

[ICMA Workshop: Bond syndication practices for compliance and middle office professionals](#)

9 October 2019; ICMA and Japan Securities Dealers Association, Tokio, Japan

[Developments in Green, Social and Sustainability Bond Markets - Japan and Asia](#)

9 October 2019; Comité Régional France-Monaco de l’ICMA, Banque de France, Paris
[L’impact des nouvelles technologies sur les métiers du fixed income - Quelle est la nouvelle donne?](#)

10 – 11 October 2019; Financial Training Partners A/S, Stockholm, Sweden

[Bond Analysis](#)

10 – 12 October 2019; Financial Training Partners A/S, Stockholm, Sweden

[Certified Fixed Income Manager](#)

10 – 11 October 2019; Moody’s, Frankfurt, Germany

[Analysis of Sovereign and Country Risk](#)

10 – 11 October 2019; Moody's, New York, USA

[Problem Credits: Early Warning Signs and Effective Actions](#)

10 – 11 October 2019; ASIFMA, Tokio

[ASIFMA Annual Conference 2019: Developing Asia's Capital Markets in conjunction with the EU-Asia Financial Services Dialogue and Dinner](#)

10 – 11 October 2019; OECD and CVM, Rio de Janeiro, Brazil

[OECD-CVM Symposium on Financial Education](#)

10 October 2019; European Central Bank and Bank of Italy, Rome

[Joint European Central Bank – Bank of Italy Research workshop Macroeprudential policy: effectiveness, interactions and spillovers](#)

14 – 15 October 2019; ICMA, London, UK

[ICMA Workshop: Introduction to Green Bonds](#)

14 – 18 October 2019; OeNB and JVI, Vienna
[Macrofinancial Stability in Central, Eastern and Southeastern Europe](#)

16 – 17 October 2019; SIFMA, New York, NY or Webcast

[AICPA and SIFMA FMS National Conference on the Securities Industry](#)

16 – 19 October 2019; IIF, Washington, DC
[2019 IIF Annual Membership Meeting](#)

17 October 2019; The Commonwealth, Washington D.C.

[Commonwealth Finance Ministers Meeting](#)

18 – 20 October 2019; Monetary Fund and the World Bank Group, Washington, D.C.

[2019 Annual Meetings of the World Bank Group and the International Monetary Fund](#)

21 October 2019; Redmoney, Washington D.C., USA

[Sovereign Sukuk Dialogue](#)

23 – 24 October 2019; Istanbul, Turkey

[Bonds, Loans & Sukuk](#)

24 – 25 October 2019; Deutsche Bundesbank, Frankfurt am Main, Germany
[Financial Intermediation in a Globalized World](#)

24 October 2019; Moody's, Moscow, Russia

[Moody's 13th Annual Russia & CIS Summit](#)

25 October 2019; OeNB, BIS and the Central Bank Research Association, Vienna, Austria

[Call for papers: Digital currencies, central banks and the blockchain: policy implications](#)

26 October – 30 November 2019; SDA Bocconi School of Management, Milan, Italy

[Debt Management](#)

28 – 30 October 2019; ICMA and ISLA, London, UK

[ICMA Workshop: Repo and securities lending under the GMRA and GMSLA](#)

29 October 2019; LUISS, School of European Political Economy; Rome, Italy

[Germany and its banking system - seminar with Michael Diederich](#)

29 – 30 October 2019; OECD, Paris

[Forum on Green Finance and Investment](#)

30 October 2019; Moody's, New York

[Banking and Finance Conference](#)

4 - 5 November 2019; Moody's, Hong Kong

[Analysis of Sovereign and Country Risk](#)

4 – 5 November 2019; Moody's, London, UK

[Managing Market Risk in a Fixed-Income Portfolio](#)

4 – 8 November 2019; World Bank, Washington D.C., USA

[Workshop on Advanced Techniques in Portfolio Management](#)

6 – 11 November 2019; IIF, Cairo, Egypt
[IIF Digital Financial Inclusion Summit](#)

7 November 2019; Swiss Finance Institute, Zurich, Switzerland
[13th Annual Meeting of SFI](#)

7 – 8 November 2019; IMF, Washington D.C., USA
[Debt: The Good, the Bad and the Ugly](#)

11 – 22 November 2019; IMF, Vienna
[Managing Capital Flows: Macroeconomic Analysis and Policies](#)

12 November 2019; Moody's, London
[Global Sovereign Summit](#)

14 – 15 November 2019; Corvinus Business School, Budapest, Hungary
[10th Annual Financial Market Liquidity Conference](#)

18 – 22 November 2019; UNCTAD, Geneva, Switzerland
[12th Biennial UNCTAD Debt Management Conference & DMFAS Advisory Group Meeting](#)

18 – 19 November 2019; SIFMA, JW Marriott, Washington D.C., USA
[SIFMA's Annual Meeting 2019](#)

18 – 22 November 2019; IMF - Singapore Regional Training Institute, Singapore
[Sovereign Liability and Risk Management \(SLRM\)](#)

18 – 20 November 2019; IMF, Singapore
[Managing Sovereign Debt Risk \(SLRM\)](#)

21 - 22 November 2019; Moody's, Singapore

[Analysis of Sovereign and Country Risk](#)

25 - 26 November 2019; EIB, Luxembourg
[EIB Central Banks Seminar](#)

26 November 2019; ASIFMA, Hong Kong
[ASIFMA 9th China Capital Markets Conference](#)

26 November 2019; EIB, Luxembourg
[Chief Economists Advisory Group](#)

26 - 27 November 2019; EIB, Luxembourg
[Annual Economics Conference](#)

28 November 2019; EIB, Luxembourg
[European Network for research on Investment](#)

3 December 2019; RedMoney, Kuala Lumpur, Malaysia
[IFN FORUM Green & Sustainable Finance](#)

4 December 2019; Moody's, New York
[The Sub-Saharan Africa Briefing](#)

5 – 6 December 2019; Bank of Albania, Tirana, Albania
[13th South-Eastern European Economic Research Workshop](#)

5 – 6 December 2019; Central Bank Research Association, Mexico City, Mexico
[Call for papers: The effect of Monetary Policy Normalization on Emerging Markets](#)

[Heterogeneous agents or heterogeneous information: which route for Monetary Policy?](#)

11 – 12 December 2019; Financial Training Partners A/S, Stockholm Sweden
[OTC Derivatives - Pricing and Counterparty Risk](#)

31 December 2019; Central Bank Research Association, New Zealand
[Call for papers: New Zealand Economic Papers Special Issue - Central Banking: Challenges and Practices](#)

9 – 11 March 2020; Wbresearch.com, The Ritz-Carlton Westchester, White Plains, NY, USA
[Fixed income leaders' summit Emerging markets](#)

19 – 20 March 2020; Bank of Italy and Bocconi University, Rome
[2nd Biennial Bank of Italy and Bocconi University conference on 'Financial stability and Regulation'](#)

29 March – 1 April 2020; CEPR, Lenzerheide, Switzerland
[13th Swiss Winter Conference on Financial Intermediation](#)

PDM Network in Figures

At **25th September 2019**, total documents and reports available on the PDM Network website were **7,504**. Events and News uploaded on the website since **April 2018** were respectively **352** and **3,220**. This newsletter is sent to **848** Subscribers from emerging and advanced countries.

Special Thanks

The PDM Secretariat is grateful to **Banu Turhan Kayaalp (World Bank)**, **Tanweer Akram (Thrivent Financial)** and to **Brazilian, Cypriot and Japanese DMOs** for information on new documents and reports.

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