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PDM NETWORK *Newsletter*

Number 5/ September - October 2019

ISSN 2239-2033

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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Special Focus

Ukraine: Building the domestic debt market for local currency issuances

World Bank

Through a partnership with Government Debt and Risk Management (GDRM) Program, Ukraine is moving in the right direction for developing the domestic debt market: Increased communication with the investors, the move towards benchmark securities and the expansion of UAH investor base to non-residents. [Read more](#) TAGS: [Bond market development](#); [Sovereign debt market](#); [Transparency](#); [World Bank](#)

Looking at the big picture: Sovereign Balance Sheet Risk Management Workshop introduces additional methods to account for both Assets and Liabilities

World Bank

With global debt levels at a historical high, The World Bank Treasury's Debt Management Advisory takes a holistic view to public debt management. Looking at both asset and liability sides of the balance

sheet, public debt and risk managers can increase resilience against economic shocks. Read more about the impact the Sovereign Balance Sheet Risk Management Workshop created in Thailand. [Read more](#) TAGS: [Sovereign ALM](#); [Contingent Liabilities](#); [Cost and Risk](#); [World Bank](#)

Voluntary Principles for Debt Transparency

Institute of International Finance

Amid growing concern about the implications of rising global debt levels, policymakers and private sector leaders alike have been in search of ways to support debt sustainability. With encouragement from official sector collaborators and a clear mandate from the Board of Directors of the Institute of International Finance (IIF), this set of Voluntary Principles for Debt Transparency was developed by the IIF Debt Transparency Working Group—which includes some of the world’s largest financial institutions. [Read more](#) TAGS: [Transparency](#); [Debt sustainability](#); [Best Practices](#)

Government debt: getting transparency right to achieve development goals

Ceyla Pazarbasioglu - World Bank

As Finance Ministers and central bank governors from around the world arrive in Washington next week for the Annual Meetings of the World Bank-International Monetary Fund, there will be many critical development challenges that will be the focus of discussions at open events and in closed-door meetings. The challenges in emerging market and developing economies (EMDEs) are many and they are complex --- for example, how do we create more and better jobs, how do we address climate change, and how do we provide citizens with good public services, such as education, health, electricity, water, sanitation and much more. [Read more](#) TAGS: [Transparency](#); [Foreign Debt](#); [Accounting, statistics, Reporting and Auditing](#); [World Bank](#); [Best Practices](#); [Debt sustainability](#)

Documents

Primary Markets

Blue Bonds: financing resilience of coastal ecosystems (2019)

Nathalie Roth, Torsten Thiele, Moritz von Unger - 4Climate, Global Ocean Trust, Silvestrum

The Seychelles Blue Bond was the first bond explicitly advertised as “blue”. It was launched in October 2018 by the Republic of the Seychelles for an amount of USD15 million with a maturity of 10 years and a coupon (annual interest payment) of 6.5%. In January 2019, the Nordic Investment Bank (NIB) issued a SEK 2 billion (USD 200 million) blue bond to protect and rehabilitate the Baltic Sea. Under the Seychelles bond, the proceeds from the

transaction will be used to support the expansion of marine protected areas, improve governance of priority fisheries and the development of the Seychelles' blue economy. Through the Baltic Sea bond, the issuing bank will support lending to waste water treatment and water pollution prevention projects, storm water systems and flood protection, protection of water resources, protection and restoration of water and marine ecosystems and related biodiversity (wetlands, rivers, lakes, coastal areas and open sea zones). Both the Seychelles and the Baltic bond follow in their design green and other impact bonds, notably social and sustainability bonds. The difference between these and classic bonds is that they are issued on the promise to use the funds raised for specific green, climate and/or social



purposes. TAGS: [Primary market](#); [Debt composition](#); [Bond market development](#)

[Development Impact Bonds targeting Health Outcomes \(2019\)](#)

Lorcan Clarke, Kalipso Chalkidou, Cassandra Nemzoff - Center for Global Development

As of December 2018, seven development impact bonds (DIBs) have been launched across seven countries with nearly US\$55million in cumulative outcome funding. DIBs fund public services through contracts where private investors provide upfront flexible funding to service providers and outcome funders repay these investors based on the outcomes achieved by people receiving services. Three DIBs specifically target health outcomes: the Humanitarian Impact Bond, the Utkrisht Impact Bond, and the Cameroon Cataract Bond. The three “health DIBs” involve US\$26.5 million in upfront investment, US\$38.1 million in outcome funding and aim to impact the health of at least 31,600 people. Using publicly available information, the authors describe all seven DIBs, and evaluate the three “health DIBs” in more detail, comparing their stakeholders, implementation, and outcome structures. Building on a scoping review of relevant literature, the authors outline health DIBs in the pipeline and note that the potential of DIBs as a funding structure is hindered by the lack of publicly available information on their estimated impact and value for money.

TAGS: [Primary market](#); [Bond market development](#); [Debt Policy](#); [Accounting, statistics, Reporting and Auditing](#)

[Social Impact Bonds for a sustainable Welfare State: the role of enabling factors \(2019\)](#)

Rosella Carè, Riccardo De Lisa - University Magna Graecia of Catanzaro

The financial crisis has put pressure on governments throughout the world to reduce

deficits with severe budgetary cuts in many welfare areas by reinforcing the need to modernize social policies and optimize their effectiveness and efficiency. Social impact bonds (SIBs) have rapidly become one of the most innovative financial schemes used by governments to privatize the upfront costs of welfare interventions by reducing taxpayer expenditure. Authors’ analysis focuses on healthcare impact bonds (HIBs) that correspond to the adaptation of SIBs to health programs and are considered to be a viable way to fund out-of-pocket and preventive programs, especially considering the recent cuts to public healthcare expenditure. By using an in-depth qualitative analysis of existing practices based on a multiple case study approach, this study contributes to the ongoing debate on the role of SIBs for the future sustainability of welfare systems by proposing reflections and indications for the scalability and replicability of SIBs. TAGS: [Primary market](#); [Bond market development](#); [Debt Policy](#)

[The Next Step in Green Bond Financing \(2019\)](#)

Dion Bongaerts, Dirk Schoenmaker - Erasmus University Rotterdam

Green bonds allow issuers to capture a clientele-induced yield discount, but fragment bond issues, which is bad for liquidity and comes at the expense of expected returns. The authors propose to unbundle (strip) a green bond into a regular bond and a green certificate that takes care of green earmarking of bond revenues. The authors show theoretically that in the context of a bond market with search frictions, this setup leads to higher liquidity for the bonds used to finance green projects (direct and visible effect), but also to a spillover effect on all other bonds (indirect and invisible effect). Together, these lead to a much lower effective cost of debt for green projects. As a result, green projects are more likely to be

undertaken. TAGS: [Primary market](#); [Market Liquidity](#)

Secondary Markets

Factor investing in Fixed-Income - defining and exploiting value in Sovereign Bond Markets (2019)

EDHEC-Risk Institute

In this paper, “Factor Investing in Fixed-Income – Defining and Exploiting Value in Sovereign Bond Markets”, authors propose a definition of value in Treasury bonds that, they believe, is more satisfactory than definitions found in the recent literature, and that allows statistically significant and economically relevant predictions of cross-sectional excess returns. Value pricing factor exploits the differences between the market and the theoretical values of Treasury bonds, where the theoretical value is assessed using an economically-justifiable Gaussian dynamic term structure model. Authors show that the profitability of the strategy they build using their value signal is closely linked to Treasury market volatility, and they provide an explanation for this strong link using arguments similar to those that can be found in the recent literature on liquidity in Treasuries. TAGS: [Sovereign bonds yields](#); [Secondary Markets](#)

Who holds Italian government debt? A Primer (2019)

Daniel Gros – CEPS

The debt to GDP ratio of Italy remains at 130% of GDP, the second highest in the euro area. Moreover, under current policy settings it is poised even to increase, rather than fall, over the next few years. This outlook has led the European Commission to start a debt-driven excessive deficit procedure against the country. The key issue is not so much the deficit, which has remained below 3% of GDP so far, but the fact that public debt is not

falling. Whether or not this procedure will go beyond its early stages is not clear. But it is certain that in the end, all the European authorities could do is to impose a fine of a few decimals of a percent of GDP. TAGS: [Secondary Markets](#); [Sovereign bonds yields](#); [Debt composition](#); [Debt Statistics](#); [Foreign Debt](#); [Debt sustainability](#)

Why Did Belgium Pay Leopold's Bonds? (2019)

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

A body of empirical research in finance has attempted to assess whether stocks associated with sinful behavior (companies selling alcohol, tobacco, gambling activities, etc.) suffer from a market penalty. This question has been less studied in the sovereign bond market, but there is some research such finding similar penalties for some of the dodgier debts of sinful regimes such as the 1906 Tsarist bond issue and the 2017 Venezuelan Hunger Bond sale. In this article, the authors examine the presence of the sin penalty for the debts of one of the most odious of regimes ever: that of King Leopold II of the Congo Free State whose cruelty resulted in one of the first global human rights movements and his removal from power. The question authors ask is whether, once information as to the genocidal behavior of Leopold’s minions became widespread in the early 1900s, the market imposed a penalty on Leopold’s borrowings. The authors find no evidence of any market penalty on the debt that funded Leopold’s misdeed; even though there had been widespread condemnation of his behavior at the time. The authors ask: Why not? TAGS: [Secondary Markets](#)

Subnational Debt

Fiscal Windfall Curse (2019)

Simon Berset, Mark Schelker - University of Fribourg

The authors study the impact of a one-off exogenous fiscal windfall on local public finances in the canton of Zurich in Switzerland. The windfall was due to the IPO of Glencore on the London Stock Exchange in 2011. As a result, its CEO paid an extraordinary tax bill of approximately CHF 360 million. About CHF 238 million of that extra tax revenue entered the municipal resource equalization scheme and rained down on the municipalities of the canton of Zurich. This quasi-experimental setup and their unusually rich dataset allow us to estimate the causal effect of this one-off windfall on all municipal accounting positions. The authors show that it triggered large expenditure increases targeting particular groups (e.g., salaries of public employees) at the same time as general tax cuts and user charge hikes (e.g., nursing home fees). The resulting imbalances caused a 7.5-fold increase in gross debt relative to the windfall. This massive overreaction hints at a substantial fiscal windfall curse. **TAGS:** [Subnational debt](#); [Debt and fiscal/monetary policies](#)

Local Government Debt and Regional Competition in China (2019)

Xi Qu, Zhiwei Xu, Jun Zhu - Shanghai Jiao Tong University, Nanjing University of Finance and Economics

The GDP tournament among local governments plays a crucial role in supporting China's growth miracle. Investment-driven economic growth has led to a surge in local government debt in the past decade. To understand the relationship between local government debt and regional competition in GDP growth, the authors build a simple decision model of local governors based on prospect theory. Using a comprehensive data set of prefectural-level government debt, their empirical results confirm the theoretical

prediction that regional competition in GDP growth does affect the dynamics of local government debt. The effect presents an asymmetric pattern, in the sense that a local government with GDP growth falling behind its competitors tends to issue debt more aggressively, while the effect is insignificant for local governments with GDP growth ahead of their competitors'. Furthermore, the authors find that the regulatory policy implemented at the end of 2015 that places a ceiling on local government debt effectively dampens the impact of regional competition on local government debt. However, local government investment remains strongly responsive to the regional GDP growth gap, probably because of alternative financial channels such as land financing. The above finding indicates that the debt regulatory policy cannot largely prevent local governments from implementing a pro-growth strategy induced by regional competition. **TAGS:** [Subnational debt](#); [Debt and growth](#)

Financial Analysis

Movements in International Bond Markets: the role of oil prices (2019)

Saban Nazlioglu, Rangan Gupta, Elie Bouri - Pamukkale University, University of Pretoria, Holy Spirit University of Kaslik

In this paper, the authors analyze daily data-based price transmission and volatility spillovers between crude oil and bond markets of major oil exporters and importers, by accounting for structural shifts as a smooth process in causality and volatility spillover estimations. In general, the authors find that, oil prices tend to predict bond prices in majority of oil exporting countries, and for the two major oil importers of India and China. But, the feedback from bond to oil prices is weak, and is detected for China and USA. Regarding volatility spillovers, oil volatility affects the bond market volatility of some

major oil exporters (Kuwait, Norway and Russia), and an importer (France). However, the most prominent volatility spillovers are from bond to oil, except for Kuwait and Saudi Arabia. The authors also reveal that taking into account for smooth structural shifts - accounting for structural breaks - strengthens their findings and particularly is important for volatility spillover analysis. Authors' results have important implications for academics, investors, and policy makers. **TAGS:** [Financial Analysis](#); [Sovereign debt market](#); [Sovereign bonds yields](#)

[Measuring sovereign risk in peripheral euro area countries with contingent claim models: a comparison with traditional indicators](#) (2019)

Manish K.Singh, Marta Gómez-Puig , Simón Sosvilla-Rivero - Universitat de Barcelona, Universidad Complutense de Madrid

This paper proposes a modified contingent claims model that incorporates the priority structure of creditors to measure and monitor sovereign credit risk in five peripheral euro area countries during the period 2000Q1-2016Q3. Unlike traditional indicators of sovereign risk, the sovereign distance-to-default (DtD) indicator that the authors propose, not only uses market-based measures, but also information from the public sector balance sheets to better isolate sovereign credit risk. By analyzing and comparing the behavior of sovereign DtD with three of the most relevant traditional market-based indicators (CDS spreads, sovereign yield spreads and credit rating), authors' results indicate that the proposed sovereign risk indicator shows better predictive ability than traditional ones and, in contrast with the latter, it is mainly driven by macroeconomic fundamentals rather than market sentiment variables. Therefore, it presents a meaningful signaling power in assessing sovereign vulnerabilities. **TAGS:** [Sovereign risk premia](#);

[Sovereign debt market; Sovereign bonds yields; Cost and Risk; Financial Analysis](#)

[Forecasting Local Currency Bond Risk Premia of Emerging Markets: the role of Cross-Country macro-financial linkages](#) (2019)

Oghuzan Cepni, Ethem Guney, M. Hasan Yilmaz - University of Pretoria Department of Economics

In this paper, the authors forecast local currency debt of five major emerging market countries (Brazil, Indonesia, Mexico, South Africa, and Turkey) over the period of January 2010 to January 2019 (with an in-sample: March 2005 to December 2018). The authors exploit information from a large set of economic and financial time series to assess the importance of not only "own-country" factors (derived from principal component and partial least squares approach), but also create "global" predictors by combining the country-specific variables across the five emerging economies. The authors find that while information on own-country factors can outperform the historical average model, global factors tend to produce not only greater statistical and economic gains, but also enhances market timing ability of investors, especially when they use the target-variable (bond premium) approach under the partial least squares method to extract their factors. Authors' results have important implications for not only fund managers but also policymakers. **TAGS:** [Financial Analysis](#); [Sovereign risk premia](#)

[Fiscal Limits and Sovereign Credit Spreads](#) (2019)

Kevin Pallara, Jean-Paul Renne - University of Lausanne

This paper presents a novel sovereign credit risk model aimed at extracting information from the term structure of credit spreads. At the heart of the model lies the fiscal limit, defined as the maximum outstanding debt

that can credibly be covered by future primary budget surpluses. By predicting how sovereign credit default swaps (CDS) react to changes in fiscal limit expectations, authors' model allows to back out such expectations from market data. The empirical analysis pertains to four large advanced economies. The resulting fiscal limit estimates feature substantial time-variation. Moreover, the authors obtain sizeable estimates of sovereign credit risk premiums as the components of sovereign spreads that would not exist if agents were risk-neutral. **TAGS:**

[Financial Analysis](#); [Sovereign risk premia](#); [Sovereign CDS](#)

[Mind the Gap in Sovereign Debt Markets: The U.S. Treasury basis and the Dollar Risk Factor \(2019\)](#)

Arvind Krishnamurthy, Hanno N. Lustig - Stanford Graduate School of Business

The U.S. dollar exchange rate clears the global market for dollar-denominated safe assets. The authors find that shifts in the demand and supply of safe dollar assets are important drivers of variation in the dollar exchange rate, bond yields, and other global financial variables. An increase in the convenience yield that foreign investors derive from holding safe dollar assets causes the dollar to appreciate, and incentivizes foreign debtors to tilt their issuance towards dollar-denominated instruments. U.S. monetary policy also affects the dollar exchange rate through its impact on the supply of safe dollar assets and the convenience yield. Interest rate spreads with foreign countries are not sufficient statistics to gauge the impact of the stance of U.S. monetary policy on currency markets. The U.S. Treasury basis, which measures the yield on an actual U.S. Treasury minus the yield on an equivalent synthetic U.S. Treasury constructed from a foreign bond, provides a direct measure of the global scarcity of dollar safe assets. **TAGS:** [Financial Analysis](#); [Sovereign bonds yields](#); [Debt and fiscal/monetary policies](#)

[The Value of Government Debt \(2019\)](#)

John H. Cochrane - Hoover Institution

The market value of government debt equals the present discounted value of primary surpluses. Applying present value decompositions from asset pricing to this valuation equation, I find that half of the variation in the market value of debt to GDP ratio corresponds to varying forecasts of future primary surpluses, and half to varying discount rates. Variation in expected growth rates is unimportant. **TAGS:** [Financial Analysis](#)

[Breaking the Sovereign-Bank Nexus \(2019\)](#)

Jorge Abad - Center for Monetary and Financial Studies (CEMFI)

This paper develops a non-linear dynamic general equilibrium model which features endogenous bank failure and sovereign default risk. It aims to quantitatively study the feedback loop between sovereign and banking crises, and to assess the effectiveness of capital requirements in addressing it. In the model, bank failure contributes to an increase of sovereign default risk through the government bailout of bank creditors. Meanwhile, holding high-yield risky sovereign bonds may be attractive to banks protected by limited liability. By increasing banks' failure risk and their funding costs, sovereign exposures hurt bank lending and contribute to further contractions in aggregate economic activity. Capital requirements, by making banks safer, weaken the sovereign-bank nexus, at the cost of constraining credit supply. The results, thus, point to the existence of non-trivial welfare trade-offs when setting the optimal regulation. **TAGS:** [Sovereign debt exposure](#); [Sovereign defaults](#); [Institutional Investors](#)

[Debt Crisis](#)



[Sovereign Default Risk and Firm Heterogeneity](#) (2019)

Cristina Arellano Yan Bai Luigi Bocola

This paper measures the output costs of sovereign risk by combining a sovereign debt model with firm- and bank-level data. In authors' framework, an increase in sovereign risk lowers the price of government debt and has an adverse impact on banks' balance sheets, disrupting their ability to finance firms. Importantly, firms are not equally affected by these developments: those that have greater financing needs and borrow from banks that are more exposed to government debt cut their production the most in a debt crisis. The authors show that the response of aggregate output to an increase in sovereign risk depends on these cross-sectional firm-level elasticities. The authors use Italian data to measure them and parameterize the model to match the cross-sectional facts. In counterfactual analysis, the authors find that heightened sovereign risk was responsible for one-third of the observed output decline during the 2011-2012 crisis in Italy. **TAGS:** [Sovereign debt exposure](#); [Cost and Risk](#); [Debt crisis](#)

[Institutional and Organizational Framework](#)

[Do financial markets value quality of fiscal governance?](#) (2019)

Kady Keita, Gene L. Leon, Frederico Lima - International Monetary Fund

The authors examine the link between the quality of fiscal governance and access to market-based external finance. Stronger fiscal governance is associated with improvements in several indicators of market access, including a higher likelihood of issuing sovereign bonds and having a sovereign credit rating, receiving stronger ratings, and obtaining lower spreads. Using the more granular information on quality of fiscal

governance from Public Expenditure and Financial Accountability (PEFA) assessments for 89 emerging and developing economies, the authors find that similar indicators of market access are correlated with sound public financial management practices, especially those that improve budget transparency and reporting, debt management, and fiscal strategy. **TAGS:** [Primary market](#); [Sovereign Credit Ratings](#); [Transparency](#); [Debt Policy](#)

[International and Macprudential Regulation](#)

[Has the new bail-in framework increased the yield spread between subordinated and senior bonds?](#) (2019)

Irene Pablos Nuevo - European Central Bank

This paper investigates the impact of the introduction and implementation of the new EU bail-in framework on the banks subordinated bond yield spreads over senior unsecured bonds, and links the bond yields developments with the characteristics of the issuing entities and the economic and financial environment. The analysis does not show evidence of a significant and generalized increase in the spreads as a result of a higher risk perception in the sample under review. The results reinforce the relevance of the Tier 1 capital ratio for making subordinated debt safer, while markets price the higher risk of banks with less stable sources of funding in their liability/capital structures. Market conditions and economic environment variables also play a key role in explaining bond spreads. Interestingly, after the introduction of the new bail-in framework, there is a convergence between the bond yields of the GSIBs and the non-GSIBs, which could point out to a reduction in the market perception of the so called "too big to fail" public implicit guarantee. Nonetheless, this convergence is mostly driven by the reduction of the yields

of bonds issued by banks not categorized as GSIBs, and not by significant increases in the GSIBs' bond yields. TAGS: [International and Macroprudential Regulations](#); [Sovereign risk premia](#); [Sovereign bonds yields](#)

Debt Restructuring

Proactive Resolution of Sovereign and Subnational Debt (2019)

Steven L. Schwarcz - Duke University School of Law

Sovereign debt restructuring strategies have been mostly reactive, applying only once a nation's debt burden becomes unsustainable. Reactive strategies are suboptimal for many reasons, including that international law does not yet provide mechanisms—in the corporate sector, provided by bankruptcy law—for correcting collective action and other market failures that impede the restructuring of sovereign debt. A financially troubled nation often faces a dilemma: paying its debt would reduce its ability to provide critical public services, but defaulting would further damage the nation's fiscal integrity and reputation and could even shock the broader economy. Building on “proactive” strategies designed to resolve corporate debt burdens, this Article examines the proactive resolution of government debt burdens, first addressing the problem of unsustainable sovereign debt and then addressing the growing crisis of unsustainable subnational debt. TAGS: [Debt Restructuring](#); [Debt sustainability](#); [Subnational debt](#);

Debt Restructuring for the Eurozone (2019)

Dimitrios P. Tsomocos, Xuan Wang - University of Oxford

The Eurozone Debt Crisis has rekindled the debate on the nexus between currency areas and fiscal sovereigns. After the crisis, much of the intellectual and political debate has been

on the benefit of a fiscal union, the idea of creating a common fiscal entity that is well equipped to make state-contingent cross-country transfers within the eurozone. Although the role of a benevolent fiscal union can in theory be welfare-improving for a currency union, it is understood that this is a highly politically constrained option, particularly in the Eurozone. Given this constraint, in this paper, the authors take the implausibility of fiscal union as given, and argue that debt restructuring can be a close substitute to a fiscal union, leading to welfare improvement. In contrast to a fiscal union that resorts to the government's visible hand to move nominal resources across countries, the debt restructuring plan designs the bankruptcy rules, but it allows the invisible hand of the markets to make the choice based on context-dependent incentives. Much of the insight in this paper originates from Goodhart, Peiris and Tsomocos (2018) and Wang (2019). The authors show that debt restructuring is particularly vital in currency unions and can lead to significant welfare improvement for both the debtor and the creditor, given a hard government budget constraint. A wider implication of this paper is that for the understanding of modern monetary and financial phenomena, particularly the viability of a currency union, we simply cannot ignore the interplay of liquidity and default. TAGS: [Debt Restructuring](#); [Debt crisis](#)

Restructuring Italy's New York Law Bonds (2019)

Andrea E. Kropp - Duke University School of Law

It has been begrudgingly presumed that Italy's bonds governed by New York law will remain untouched during an Italian debt restructuring as a result of an expectation that holdout creditors will successfully challenge any such restructuring attempt. However, it is possible to restructure them

using an exit amendment strategy to secure execution and attachment immunity, and to extend the period before creditors can accelerate on bonds that aren't exchanged. The successful implementation of this strategy previously seemed unattainable because Italy's pari passu language appeared very attractive to holdout creditors in a restructuring of these bonds. This long-held pari passu presumption is fundamentally flawed because it is based off of a reading of the sales documents rather than the Fiscal Agency Agreements, which contain less creditor-friendly pari passu language than the sales documents. This change in pari passu language increases both the recalcitrant and cooperative-minded bondholders' motivation to participate in an exchange effectuating the exit consent strategy. As a result, a successful restructuring of these bonds is actually a viable option for the first time. TAGS: [Debt Restructuring](#); [US governing law](#)

[Collective Action Clauses and Sovereign Debt Restructuring Frameworks: Why and When is Restructuring Appropriate \(2019\)](#)

Giampaolo Galli - Osservatorio sui Conti Pubblici Italiani dell'Università Cattolica Roma

This paper discusses some of the legal aspects of Collective Action Clauses (CACs) in the context of the Eurozone and then approaches the broader economic issue of why it may be useful to have more efficient CACs, such as single-limb CACs, and when and in what circumstances it may be appropriate to restructure sovereign debts. Whatever Eurozone authorities will do with ESM rules and CACs, it is crucial not to repeat the mistake that was done in 2010 in Deauville. When markets learnt about PSI, contagion effects were significant and markets were destabilized in several Eurozone countries.

TAGS: [Debt Restructuring](#)

[Why Reinvent the Wheel?: Restructuring Italy's Debt Using the Euro-CAC and Maturity Extension \(2019\)](#)

Nick Buchta, Charles Plambeck, Ashley Shan, Zachary Shufro - Duke University, University of North Carolina

The European Stability Mechanism (ESM) Treaty requires that all bonds issued in the euro area after January 1, 2013, with maturity greater than one year include a standardized collective action clause ("Euro CAC"). Italy implemented the Euro CAC through a legislative decree. In the event of an Italian debt crisis when the country cannot borrow at acceptable rates to meet its financing needs, the authors recommend that the ESM use the Euro CAC included in Italy's post-2013 bonds to restructure them. Even after excluding debt held by the European Central Bank (ECB) and accounting for potential changes in creditor composition after a restructuring announcement, Italy can still persuade enough creditors to participate in a CAC operation to restore its debt sustainability. At the same time, Italy will impose a maturity extension on debt held by non-participating creditors, which it is legally authorized to do. In other words, this plan gives creditors two options: getting paid less but on time under mutually agreed terms (by participating in a CAC restructuring), or getting paid later (under a maturity extension, which may precede a subsequent restructuring anyway). Compared to alternatives, this plan reduces holdout incentive, minimizes litigation risks, and can be implemented quickly. TAGS: [Debt Restructuring](#)

[Accounting, Statistics, Reporting and Auditing](#)

[A guide to Sovereign Debt Data \(2019\)](#)

S. M. Ali Abbas; Kenneth Rogoff - International Monetary Fund

The last decade or so has seen a mushrooming of new sovereign debt databases covering long time spans for several countries. This represents an important breakthrough for economists who have long sought to, but been unable to tackle, first-order questions such as why countries have differential debt tolerance, and how debt levels affect the scope for countercyclical policy in recessions and financial crises. This paper backdrops these recent data efforts, identifying both the key innovations, as well as caveats that users should be aware of. A Directory of existing publicly-available sovereign debt databases, featuring compilations by institutions and individual researchers, is also included. **TAGS:** [Accounting, statistics, Reporting and Auditing](#); [Debt Statistics](#)

[Instruments of Debtstruction: A New Database of Interwar Debt \(2019\)](#)

Nicolas End, Marina Marinkov, Fedor Miryugin - International Monetary Fund

The authors construct a new, comprehensive instrument-level database of sovereign debt for 18 advanced and emerging countries over the period 1913–46. The database contains data on amounts outstanding for some 3,800 individual debt instruments as well as associated qualitative information, including instrument type, coupon rate, maturity, and currency of issue. This information can provide unique insights into various policies implemented in the interwar period, which was characterized by notoriously high debt levels. The authors document how interwar governments rolled over debts that were largely unsustainable and how the external public debt network contributed to the collapse of the international financial system in the early 1930s. **TAGS:** [Accounting, statistics, Reporting and Auditing](#); [Debt and recession](#)

[Macroeconomic Analysis](#)

[Eurobonds: A Quantitative Analysis of Joint-Liability Debt \(2019\)](#)

Tsiropoulos Vasileios - World Bank

This paper assesses the consequences of implementing a joint liability debt system in a two-country small open economy model. With joint liability a default of one country makes the other participant liable for its debt. The results highlight a trade-off between the contagion risk, in the sense that this instrument may push some member states to default even though they are individually solvent, and cheaper access to credit on average, since lenders are at risk only if no participating sovereign is willing to service the debt. The findings suggest that the welfare consequences of this policy proposal hinge critically on the timing of its introduction: Introducing such instruments at the peak of the Eurozone crisis would have helped the Periphery and harm the Core member states, while its adoption during normal times has the potential to make all participants better-off. **TAGS:** [Sovereign defaults](#); [Primary market](#); [World Bank](#)

[Economic Policies](#)

[Italy: escaping the high-debt and low-growth trap \(2019\)](#)

Céline Antonin, Mattia Guerini, Mauro Napoletano, Francesco Vona - Sciences Po

With its public debt amounting to 132.1% of GDP and its negative productivity growth over the last twenty years, Italy appears to be the sick man of the European Union. In this Policy brief, the authors focus on its two main plights: high public debt burden on the one hand, sluggish GDP and productivity growth on the other hand. Both issues are intimately related: a slow growth limits the budgetary margins and casts doubts on public debt sustainability; the reduced fiscal space in turn weighs on growth and public investment. The

first part is dedicated to describing the history and causes of Italian public debt. A first phase, from the 1960s to the 1980s, was characterized by a positive but moderate growth of debt. A second phase saw the explosion of public debt, from 54% of GDP in 1980 to roughly 117% in 1994. The budget law of the Amato's government in 1992 initiated a third phase, marked by a significant fiscal consolidation effort, and the decrease of the public debt to GDP ratio. The Great Recession interrupted this consolidation era and a last phase began from 2008 on, when the public debt-to-GDP ratio consequently increased. In the second part, the authors review some of the structural weaknesses of the Italian economy. The authors notably emphasize the specialization bias towards low tech sectors, the “nanism” of Italian firms, the misallocation of talents and resources, the North-South divide and its related labor market consequences. **TAGS:** [Debt and fiscal/monetary policies](#); [Debt and growth](#); [Debt and recession](#); [Debt sustainability](#)

Fiscal stimulus under Sovereign Risk (2019)

Javier Bianchi, Pablo Ottonello, Ignacio Presno - Federal Reserve Bank of Minneapolis and NBER, University of Michigan and NBER, Federal Reserve Board

The excess procyclicality of fiscal policy is commonly viewed as a central malaise in emerging economies. The authors document that procyclicality is more pervasive in countries with higher sovereign risk and provide a model of optimal fiscal policy with nominal rigidities and endogenous sovereign default that can account for this empirical pattern. Financing a fiscal stimulus is costly for risky countries and can render countercyclical policies undesirable, even in the presence of large Keynesian stabilization gains. The authors also show that imposing austerity can backfire by exacerbating the exposure to default, but a well-designed

“fiscal forward guidance” can help reduce the excess procyclicality. **TAGS:** [Debt and fiscal/monetary policies](#); [Debt Policy](#); [Cost and Risk](#); [Sovereign defaults](#)

Sovereign Debt and the effects of fiscal austerity (2018)

Diego Anzoategui - Rutgers University

Author studies the impact of austerity programs implemented in the Eurozone since 2010. To do so he incorporates strategic sovereign default into a DSGE model where the government follows fiscal rules, which are estimated from data. Author calibrates the model using data from Spain and estimate the size and impact of fiscal policy shocks associated with austerity policies. He then uses the model to predict what would have happened to output, consumption, employment, sovereign debt levels and spreads if Spain had continued to follow the pre-2010 fiscal rule instead of switching to the austerity track. He finds that, contrary to the expectations of policy makers at the time, austerity did not decrease sovereign spreads or debt-to-GDP ratios during 2010-2013. Furthermore it had a negative impact on employment and GDP. Nevertheless, the short run pain is related to a long run gain. The model predicts that as a consequence of austerity Spain is more likely to show lower levels of debt and spreads in the future. **TAGS:** [Debt and fiscal/monetary policies](#)

The Impact of the Bank of Japan's Monetary Policy on Japanese Government Bonds' Low Nominal Yields (2019)

Tanweer Akram, Huiqing Li - Thrivent, Central University of Finance and Economics

Nominal yields for Japanese government bonds (JGBs) have been remarkably low for several decades. Japanese government debt ratios have continued to increase amid a protracted period of stagnant nominal GDP, low inflation, and deflationary pressures.

Many analysts are puzzled by the phenomenon of JGBs' low nominal yields because Japanese government debt ratios are elevated. However, this paper shows that the Bank of Japan's (BoJ) highly accommodative monetary policy is primarily responsible for keeping JGB yields low for a protracted period. This is consistent with Keynes's view that the short-term interest rate is the key driver of the long-term interest rate. This paper also relates the BoJ's monetary policy and economic developments in Japan to the evolution of JGBs' long-term interest rates. TAGS: [Debt and fiscal/monetary policies](#); [Sovereign bonds yields](#)

[Public finance sustainability in Europe: a behavioral model \(2019\)](#)

Gilles Dufrénot, Carolina Ulloa Suarez - Aix-Marseille University

This paper investigates the sustainability of public finances in the European countries since 2002. The authors provide evidence of heterogeneous behaviors among the EU countries and show that, even if they had been forced to focus their fiscal efforts on correcting the deviations of debt from their ceiling -through a correcting mechanism such as the recent TSCG rule-, this would not necessarily have changed the likelihood that debt and deficits become more sustainable. Sources of deviations from stable debt and deficits are related to the macroeconomic environment: the interest-growth differential, momentum dynamics in the sovereign bond markets, how markets react to rising debt. TAGS: [Debt and fiscal/monetary policies](#); [Debt sustainability](#)

[The Financial Fragmentation of the Euro Area Is the Main Challenge for the ECB and the Sustainability of the Monetary Union \(2019\)](#)

Eric Dor - Catholic University of Lille

This research note explains that the deep division in the governing council of the ECB results from the underlying financial fragmentation of the euro area. Disagreements between members of the governing council have been growing since the start of unconventional monetary policy implementation. The most striking feature of the financial fragmentation in the euro area is the diverging patterns of the spontaneous financial flows of funds between the countries of the periphery and those of the center, since the financial crisis. The countries of the center of the euro area are characterized by net global financial inflows. On the other hand the peripheral countries of the euro area are characterized by net global financial outflows. The consequence is that the banking systems of the periphery and those of the center of the euro area widely differ in their funding needs and excess liquidities. It is shown that banks located in countries of the center of the euro area already have abundant liquidities, without having to borrow much additional liquidities from their national central bank. They pay the most part of the negative interest rate penalty. On the contrary banks located in the periphery of the euro area have a very low level of liquidities deposited with their national central banks, but massively borrow from them. They use the largest share of LTROs and TLTROs. It is thus shown that even after the establishment of the tiering system, the negative interest rate is penalizing the banks of the countries of the center of the euro area, while TLTROs favours mainly the banks of the periphery. The banks of the peripheral countries of the euro area remain excessively loaded with bad quality loans, even if they are decreasing. The banking sector of the euro area remains fragmented. It is also striking to observe that, since the start of the recovery in the euro area, bank loans have strongly grown in France and Germany, but remain depressed or are even decreasing in Spain and Italy, despite several

years of extreme monetary policy accommodation. The pernicious loop linking the risks related to the solvency of banks to the risks related to the sovereign debt of their country is still very active. Most countries of the euro area banks remain very exposed to the public debt of their country. In percentage of their equity, this exposure however varies widely. Another feature of the fragmentation of the euro area is the extreme geographical heterogeneity of the inflation rate, based on the HICP. Therefore an ultra accommodating monetary policy with negative or very low interest rate seems completely inappropriate for the citizens of countries where inflation is close to the target, or even higher. Even the efficiency of monetary policy is threatened by this heterogeneity. The problem is that policy interest rates are the same for the whole euro area. The common policy implies higher real interest rates in the periphery than in the center of the euro area, which is exactly the contrary of what should be achieved. It is a big problem for the transmission of the monetary policy of the ECB. There are also big divergences between euro area countries, related to real activity and income. **TAGS: [Debt and fiscal/monetary policies](#); [Sovereign debt exposure](#)**

[The Intergenerational Dimension of Fiscal Sustainability \(2019\)](#)

Pedro Arévalo, Katia Berti, Alessandra Caretta, Per Ekefeldt - European Commission, Ministry of Economy and Finance Italy

Most countries, among which EU Member States, use public finances to redistribute resources from the working-age population to the old and the very young so as to smoothen resources over the life cycle of individuals. As the EU is confronted with population ageing, this societal model is facing challenges. This is particularly the case in light of public spending on pension and

health care in the EU currently accounting for almost 20% of GDP and expected to remain major public spending items going forward. As such, and against the background of a rising dependency ratio, age-related public spending could lead to increasing tax burdens on future generations. This raises questions of intergenerational equity that cannot be measured by standard budgetary indicators, nor by traditional fiscal sustainability metrics (including the European Commission's fiscal sustainability gap indicators). Generational accounting allows calculating the present value of total net tax payments to the government (taxes paid minus transfers received) over the remaining lifetime of a cohort born in a specific year. Relying on harmonised data and the European Commission projections, including the Ageing Report, this paper estimates the lifetime fiscal burden and its distribution between current and future-born generations for all EU countries, disentangling the underlying determinants. Based on the generational accounts, two indicators measuring intertemporal and intergenerational imbalances are provided, the Intertemporal Budget Gap (IBG) and the Auerbach-Gokhale-Kotlikoff (AGK) indicators. The paper concludes that public finances in the EU face long-term fiscal sustainability challenges based on current policies and that there are intergenerational issues, entailing a larger adjustment for future generations. **TAGS: [Debt sustainability](#); [Structural policies](#)**

[Government borrowing cost and balance sheets: do assets matter? \(2018\)](#)

Jemima Peppel-Srebrny - University of Oxford
Government net worth – total assets less liabilities – has declined considerably relative to national income in a number of OECD countries in recent decades, including the United States, the United Kingdom, Japan and Germany. Notably, however, in thinking about the links between fiscal policy and

bond markets, the focus of policy and academic debates has tended to be on the liabilities side of the government balance sheet. Typically, not much attention has been paid to the extent to which any increase in government debt is accompanied by government asset accumulation and hence affects government net worth. Using novel data on both sides of the government balance sheet both for a panel of OECD countries in recent decades and for the United States over the long term, the authors provide panel data and time series-based evidence that for bond markets, not all government debt is created equal: for explaining government borrowing cost empirically, (i) government assets are significant in addition to government liabilities, and (ii) it is government net worth rather than government liabilities that

matters when both are included. The central country-specific fiscal factor driving bond yields hence appears to be government net worth. TAGS: [Debt and fiscal/monetary policies](#); [Sovereign bonds yields](#)

Reports

2019

[What does the global economic outlook tell the debt managers?](#)

M. Coskun Cangoz - World Bank

Over the last decade debt managers, like the central bankers, fiscal policy managers and regulators, had to deal with the global financial crisis. During this period, while debt levels were increasing in many countries, thanks to the unconventional monetary policies, interest rates went down, maturities lengthen up to 100 years, and portfolio capital flows moved across markets. In the end, those were very unusual times. Now the question is: Is this the end of the global crisis? Are we back to the “normal” times? Indeed, it doesn’t look so [...] TAGS: [Economic Forecasts](#); [Debt sustainability](#); [Financial stability](#); [Debt and growth](#) ; [World Bank](#)

[Principles for debt transparency - Executive summary](#)

Institute of International Finance (IIF)

Amid growing concern about the implications of rising global debt levels, policymakers and private sector leaders alike have been in search of ways to support debt sustainability. With encouragement from official sector collaborators and a clear mandate from the Board of Directors of the Institute of International Finance (IIF), this set of voluntary Principles for Debt Transparency is being submitted ahead of the 2019 G20 Ministerial in Fukuoka, Japan on June 8-9 for potential endorsement. Developed by the IIF Debt Transparency Working Group—which includes some of the world’s largest financial institutions—these Principles are designed to enhance transparency in private sector lending, particularly to the most vulnerable low-income countries. [...]. TAGS: [Transparency](#)

[ESMA Risk Dashboard - No. 3, 2019](#)

ESMA

The risk landscape in 2Q19 remains largely unchanged compared with the previous quarter. In 2Q19 EU financial markets were characterised by increasing equity market prices and stable liquidity supply in secondary bond markets, with volatility episodes resulting from breakdowns in trade negotiations. Securities markets remain the key risk area based on high valuation by historic standards. Renewed concerns about weak economic growth and trade tensions have fuelled the demand for safe-haven bonds. The decoupling between equities and bond yields, together with the rapid rise in asset valuations, could be a sign of investors' complacency and underappreciation of market risks. Looking ahead, downside risks to growth for the EU and the global economy, the escalation of trade tensions and rise of protectionist measures, the reignited search-for-yield behaviour and the persisting uncertainty about the ultimate Brexit outcome continue to be the most important risks to EU financial stability. **TAGS:** [Financial Analysis](#)

[International Debt Statistics 2020](#)

International Bank for Reconstruction and Development / The World Bank

Today's landscape of development finance is marked by the growing debt vulnerabilities of low- and middle-income countries. The post-2008 financial crisis era is characterized by a rapid rise in lending to them, fueled by factors including buoyant commodity prices, quantitative easing, and low interest rates in high-income countries. With increased access to international capital markets, many low- and middle-income countries shifted away from traditional sources of financing and experienced a sharp rise in external debt, raising new concerns about sustainability. Among the low- and middle-income countries, several IDA-only countries have been recording the highest increases in external debt since the 2008 crisis. By the end of 2018, IDA-only countries had accumulated a total of \$387 billion external debt stock, more than double the level of a decade earlier. **TAGS:** [Debt Statistics](#)

[Opening remarks at the Association of African Central Banks 2019 Symposium: rising African Sovereign Debt: implications for Monetary Policy and Financial Stability](#)

Abebe Aemro Selassie - IMF

Public debt has increased in Africa, but also across the world. Public debt ratios are now significantly higher than before the global financial crisis in all country groups; and emerging market and developing economies face notably higher interest burdens. What are the implications of this rise? And, importantly, how does rising debt vulnerabilities affect the tasks of central banks? What does it mean for the conduct of monetary policy and the preservation of financial stability? [...] **TAGS:** [Financial stability](#); [Debt and fiscal/monetary policies](#); [Debt sustainability](#)

[Blue bonds: what they are, and how they can help the oceans](#)

World Economic Forum

Innovative financial solutions will be required to enhance ocean and coastal resilience. Blue finance, in particular blue bonds, have huge potential to help surmount these challenges. Blue bonds are an innovative ocean financing instrument whereby funds raised are earmarked exclusively for projects deemed ocean-friendly. The Republic of Seychelles last year, launched the world's first sovereign blue bond raising a total of \$15 million to advance the small island state's blue economy. The World Bank helped design the bond and vice president and treasurer Arunma Oteh said the blue bond was "yet another example of the powerful role of capital markets in connecting investors to projects that support better stewardship of the planet". [...] **TAGS:** [Primary market](#)

Blue Bonds: an audacious plan to save the World's oceans

The Nature Conservancy

Blue Bonds for Conservation leverage upfront philanthropy to catalyze as much as 40 times more in additional investments, which will be used to protect over 4 million square kilometers of the world's oceans in the next five years. How it works: TNC is helping 20 island nations refinance their national debt; the governments then use the savings to invest in marine protection efforts that will revitalize fisheries and protect coral reefs. But the full opportunity is even bigger—85 countries could use this approach to protect their ocean territories. TAGS: [Primary market](#); [Bond market development](#)

European Economic Forecast. Autumn 2019

European Commission

The European economy has entered a protracted period of subdued growth and low inflation in the context of high uncertainty, a much less supportive external environment, and structural shifts mainly affecting the manufacturing sector. Global growth is set to fall this year to a pace usually associated with the brink of recession. International trade in goods has been stagnant at best, previously-identified risks of an increase in trade tensions and geopolitical conflicts materialised over the summer, and high uncertainties related to trade policies and Brexit have not receded. Leading indicators suggest that the weakness in global manufacturing will continue in the near term. Hence, the EU economy, which slowed down in the second quarter of 2019, is not likely to rebound in the near term. [...]TAGS: [Economic Forecasts](#)

Asian Development Outlook (ADO) 2019 Update: Fostering Growth and Inclusion in Asia's Cities

Asian Development Bank

Developing Asia's gross domestic product is forecast to slow from 5.9% in 2018 to 5.4% in 2019 and 5.5% in 2020. Inflation across developing Asia is forecast to increase from 2.5% in 2018 to 2.7% this year and in 2020. Growth in developing Asia is moderating but remains robust. As global trade slows and investment weakens, regional growth forecasts are trimmed from Asian Development Outlook 2019 by 0.3 percentage points for 2019 and by 0.1 points for 2020 compared to April forecasts. The revisions reflect gloomier prospects for international trade and evidence of slowing growth in the advanced economies and the People's Republic of China, as well as in India and the larger economies in East and Southeast Asia. Inflation remains benign in the region, but pressure is building slightly as food prices rise. Inflation across developing Asia is forecast at 2.7% this year and next, or 0.2 percentage points up from April forecasts. TAGS: [Economic Forecasts](#)

Montenegro Investor Update Q1 2019

Montenegro Ministry of Finance

Key highlights of Q1 2019 regarding main financial indicators, economic activity and fiscal performance, government debt and financial activities, 2018 economic growth and 2019 projections. TAGS: [Debt Statistic](#); [Economic Forecasts](#)

Japan's Debt Management Report 2019

Japanese Ministry of Finance

This year, the all parts based on recent debt management policies and market trends, etc., have been updated and enriched the columns reflecting topics from FY 2018. The list of topics: - JGB Yields; - Strengthening the Framework for Continuous Powerful Monetary Easing; - Investor Demand Trends (Trends of Financial Resources for Investment in JGBs and Their Durations); - T-Bill Investment Utilizing Basis Swaps; - IMF Public Debt Management Forum; - Debt Management Policies in Foreign Countries;

- Status of Use of GC Repos under Subsequent Collateral Allocation Method; - OECD Discussions on Liquidity Buffers; - Repo Tax System. TAGS: [Debt Statistics](#)

[Four-Monthly Report of Public Debt Projections](#)

Brazilian Ministry of Economy – National Treasury

Published on October 30, 2019 the fourth edition of the Four-Monthly Report of Public Debt Projections has been published. A brief English summary of the document: - The report updates National Treasury forecasts for debt dynamics. There are also simulations to estimate the magnitude of fiscal results required to reduce the debt-to-GDP ratio to levels closer to those prevailing in emerging economies with risk profile compatible with an investment grade rating assessment. [...]

TAGS: [Debt Forecasts](#)

[Guaranteed Debt Report - May - August 2019](#)

Brazilian National Treasury

The Brazilian National Treasury released on September 26th the Guaranteed Debt Report for the months of May-August/2019. The main points published: - By the end of August 2019, the outstanding guaranteed debt amounted to BRL 263.29 bn. The domestic guaranteed debt reached BRL 111.98 bn, while the external guaranteed debt reached BRL 151.31 bn. The amount is 2.9% higher than BRL 255.76 bn, the outstanding guaranteed debt at the end of the first four-month pThe Brazilian National Treasury released on September 26th the Guaranteed Debt Report for the months of May-August/2019. [...]

TAGS: [Contingent Liabilities](#); [Debt Statistics](#)

[2019 Report World Observatory on Subnational Government](#)

OECD

This report is the fruit of an international initiative led by the Organisation for Economic Cooperation and Development (OECD) and United Cities and Local Governments (UCLG). With four supporting partners, 50 Steering Committee members, 120+ countries, 50 local and national experts, collecting, collating and analysing the 10,000+ data points on subnational government structure and finance this publication gathers was truly a collective effort. But this effort has never been more important or relevant. [...]

TAGS: [OECD](#); [Subnational debt](#); [Debt Statistics](#)

[The 2019 Long-Term Budget Outlook](#)

Congress of the United States, Congressional budget office

Each year, the Congressional Budget Office publishes a report presenting its budget projections for the next 30 years. Those extended baseline projections generally reflect current law. This report is the latest in the series.

TAGS: [Debt Forecast](#); [Economic Forecasts](#)

[Africa's Eurobonds are a blank cheque](#)

Andrew Roche - FINEXEM Emerging Market Solutions

Eurobond financing is booming, even in the last-developed emerging markets. African sovereigns issued \$26bn on the market last year alone. You would be hard-pressed, however, to find out how the money was used.

TAGS: [Foreign Debt](#); [Primary market](#)

[Sovereign Debt Report - October 2019](#)

Uruguayan MoF

The government launched a dual-tranche reopening of its dollar-denominated global benchmarks maturing in 2031 and 2055, with a total issuance of USD 1,055 million. - Uruguay becomes the top-

ranked country in the ESG-adjusted sovereign bond benchmark (JESGEMBI) among 73 emerging market countries, reflecting steady progress on Environmental, Social and Governance performance. - Moody's affirmed Uruguay's Baa2 ratings with stable outlook. - Update on the domestic market issuance calendar for July – December 2019. TAGS: [Debt Policy](#); [Debt Statistics](#)

[Uruguay in Focus - October 2019](#)

Uruguayan MoF

A quarterly bulletin issued by the Debt Management Unit of the Ministry of Economy and Finance. Results of the Presidential and legislative elections on October 27th: ruling Broad Front party and opposition National Party advance to the run-off in end-November; no majority in Congress from either party. TAGS: [Debt Statistics](#); [Debt and fiscal/monetary policies](#)

[Transparency of loans to governments](#)

Jubilee Debt Campaign

Transparency of debt information is good for everyone. It gives lenders more certainty about the basis upon which they are lending, it gives borrowers lower interest rates, and it allows citizens to subject lending and borrowing by their governments to more scrutiny, including through holding public debt audits into borrowing and lending decisions. Such scrutiny is vital to ensure loans to governments are used well so that the Sustainable Development Goals can be met. Transparency is primarily the responsibility of borrowing governments, and lenders should only be willing to give loans to governments that are willing to disclose that the loans exist. [...] TAGS: [Transparency](#); [Multilateral financing](#); [Foreign Debt](#)

[Chinese Bonds - the case for an increased allocation](#)

Michele Barlow, Yichan Shu - SSGA State Street Global Advisory

The improvement in access to China's large bond market has started a conversation among global investors about the merits of allocating to Chinese bonds. Investors are considering whether to make an allocation and, if they do, what level of investment that should be. By 2020, Chinese bonds are expected to account for 6% of Global Aggregate Bond Indices and our analysis shows that an allocation beyond that level can offer significant diversification benefits to a global bond portfolio. The authors believe those diversification benefits will likely remain in place over the foreseeable future. [...] TAGS: [Sovereign debt market](#); [Sovereign bonds yields](#)

[Strategy for Global Asset and Liability Management 2019 - 2022](#)

Peru Ministry of Economy and Finance

Over the last six years, the Strategy for Global Asset and Liability Management (EGIAP in Spanish) has served as an instrument for decision-making on financial management in order to manage the assets and liabilities of the Non-Financial Public Sector (NFPS) to the extent that this Strategy has been setting the guidelines for public finance. The EGIAP is also an instrument to prioritize funding for investment projects with resources coming from Treasury securities auctions; to strengthen the domestic public debt securities market with higher depth, liquidity and competitiveness; and to obtain higher returns on the country's financial assets. [...] TAGS: [Debt Policy](#); [Sovereign ALM](#)

[Debt and gender equality: how debt-servicing conditions harm women in Africa](#)

Dinah Musindarwezo, Tim Jones - Womankind Worldwide Jubilee Debt Campaign UK

Debt crises are increasing across the African continent, and debt-related policies continue to be designed with little or no regard for the realisation of human rights in general, and women's rights in

particular. To reduce the cost of public debt, we need to improve the international legal framework for the prevention and resolution of debt crises. TAGS: [Debt crisis](#); [Debt Policy](#); [Transparency](#) ; [Debt sustainability](#); [Debt Restructuring](#)

[Impact of Climate Change Risk on sovereign credit](#)

Lucie Villa - Vice-President SCO, Moody's Sovereign Risk Group

Presentation's main points: Small, agriculture-reliant sovereign credits most susceptible to climate change; Heat-map for climate change risk; High ND-GAIN exposure can be consistent with high ratings; Sovereigns with high climate change exposure tend to have weak institutions; MDBs support credit profiles by enhancing resiliency to climate change on low-cost terms. TAGS: [Debt sustainability](#); [Financial stability](#); [Sovereign Credit Ratings](#)

[Why the U.S. Yield Curve reliably predicts U.S. recessions](#)

Richard M. Salsman - InterMarket Forecasting, Inc.

The U.S. Treasury yield curve, depicted by maturities on a horizontal axis and corresponding interest rates (yields) on a vertical axis, is normally upward sloping, with yields on bonds (10-year maturity and beyond) and notes (intermediate term) lying above yields on bills (short term). Infrequently – but importantly, for economic and investment forecasting – the yield curve becomes inverted, with long-term bond yields lying below short-term bill yields. [...] TAGS: [Financial Analysis](#); [Economic Forecasts](#)

[Long term real interest rates fell below zero in all euro area countries](#)

Zsolt Darvas - Corvinus University of Budapest Bruegel - Brussels European and Global Economic Laboratory

The 10-year real government bond yield, which is the nominal yield deflated by expected inflation, has fallen below zero in Italy and Greece, boosted by increased market confidence for their new governments. Romania is the only remaining EU country with a positive real interest rate. Negative real interest rates vastly help fiscal sustainability and provide a great opportunity to invest in much-needed infrastructure and the transition to a carbon-neutral economy. TAGS: [Sovereign bonds yields](#)

[Challenges ahead for the European Central Bank: navigating in the Dark?](#)

Grégory Claeys, Maria Demertzis, Francesco Papadia - European Parliament's Committee on Economic and Monetary Affairs

The European Central Bank (ECB) has faced major challenges in the last decade: the global financial crisis, the Great Recession and the euro crisis, resulting in the worst economic situation since the Great Depression. These events made it difficult for the ECB to fulfil its price stability mandate as deflation risks mounted (especially after the double-dip recession) and transmission channels were broken because of the banking crisis and the sovereign debt crisis in some euro-area countries.[...] TAGS: [Debt crisis](#); [Debt sustainability](#); [Sovereign debt market](#); [Debt and fiscal/monetary policies](#)

[Tinkering with public debt we doom innovation and growth](#)

Bocconi University

New research by Bocconi University's Max Croce and colleagues shows that innovative firms are the hardest hit by the uncertainty generated by an increase in public deficit. TAGS: [Debt and growth](#)

[Monetary policy in action: multiple dimensions of ECB policy communication and their financial market effects](#)

Carlo Altavilla, Luca Brugnolini, Refet Gürkaynak, Roberto Motto, Giuseppe Ragusa - ECB, Independent Researcher, Bilkent University, ECB, University of Pisa

The newly released Euro Area Monetary Policy Event-Study Database makes available high-resolution data on asset price responses to ECB monetary policy announcements. In this column, the authors – the creators of the dataset – show that market perceptions of ECB policy communication comprise four factors: policy target, timing, forward guidance, and quantitative easing. These factors elicit large and long-lasting market reactions and help explain asset price changes in response to policy maker speeches and other news as well. **TAGS:** [Debt and fiscal/monetary policies](#)

[Geopolitics, sanctions, and Russian Sovereign Debt since the annexation of Crimea](#)

Maximilian Hess - Foreign Policy Research, Eurasia Program Leadership

This report illustrates how the Russian Federation's foreign currency bonds have become an arena for interstate competition in the aftermath of Russia's 2014 annexation of Crimea. Sanctions, both real and threatened, on Russia's government, state-owned enterprises, and other major enterprises have induced Russia's government to adjust borrowing practices, currency management, and reserves allocation. Russia's Eurobonds, the primary instrument through which the Russian state borrows in foreign currency, have been altered to allow repayment in various currencies, including—in some cases—the ruble. The potential impact of proposed bans on Russian sovereign debt issuance are analyzed because these developments show that foreign investors face novel risks in investing in Russian debt and that further Russian debt sanctions may have major geopolitical repercussions.

TAGS: [Debt composition](#); [Foreign Debt](#)

[Consensus Sovereign credit data and tradeable anomalies in Government Bond prices](#)

David Carruthers, Barbora Makova, Sheliza Siddiqui - Credit Benchmark

This report uses data for 31 Government bond markets, each with a full consensus credit estimate history for the past 38 months. Government bonds are usually liquid, but more volatile than pure credit risk estimates. Consensus credit risk estimates: - May provide valuation benchmarks for Government bonds. - Are correlated with Government bonds, but are less volatile. - Provide positive but volatile out-of-sample performance in specific markets and time periods vs. traditional trading strategies. **TAGS:** [Sovereign bonds yields](#); [Sovereign Credit Ratings](#); [Financial stability](#); [Sovereign risk premia](#)

[Treasury basis and dollar overshooting](#)

Ralph Sueppel - SR-SV.com

Safe dollar assets, such as Treasury securities, carry significant convenience yields. Their suitability for liquidity management and collateralization means that they provide value over and above financial return. The dollar exchange rate clears the market for safe dollar-denominated assets. Hence, when the convenience value of such assets turns positive the dollar appreciates above its long-term equilibrium, similar to classical exchange rate overshooting. Changes in convenience yields are common responses to financial crises, monetary policy actions, and regulatory changes. A proxy for such fluctuations is the Treasury basis, the difference between an actual Treasury yield and the yield on a synthetic counterpart based on foreign-currency yields and FX hedges. There is empirical support for the link between the Treasury basis on the dollar exchange rate. **TAGS:** [Financial Analysis](#); [Sovereign bonds yields](#); [Market Liquidity](#)

[Post-Programme Surveillance Report. Ireland, Spring 2019. Autumn 2019](#)

European Commission



Staff from the European Commission, in liaison with staff from the European Central Bank (ECB), visited Dublin from 21 to 24 May 2019 for the eleventh post-programme surveillance (PPS) review for Ireland. The main objective of PPS is to assess the country's capacity to repay the loans granted under the former EU-IMF financial assistance programme and, if necessary, to recommend corrective actions. Staff from the European Stability Mechanism participated in the meetings in the context of its Early Warning System. [...]TAGS: [Multilateral financing](#); [Debt and fiscal/monetary policies](#); [Debt sustainability](#)

2018

[Impact of Sovereign Debt Credit Rating revision on banking industry: evidence from G7 Countries](#)

Reza Tahmoorespour, Mohamed Ariff, Alireza Zarei - University Putra Malaysia, Sunway University Malaysia

The aim of this study is to identify the economic impacts on G7 banking industry when sovereign rating is revised. We used event study methodology (t-statistics) and found that sovereign rating changes significantly affect share market prices. It seems that there is information leakage prior to sovereign rating announcement dates as released by the S&P: there are some negative price effects as well on mixed-type rating change effects, such as 'rating watch' announcements. These are new findings that may help to extend the sovereign rating literature in terms of findings from multiple countries, and on sustainability of debt taking. TAGS: [Sovereign Credit Ratings](#); [Financial Analysis](#)

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 Debt Markets News](#) drafted by the PDM Secretariat and based on *Thomson Reuters* © information services.

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.



9 – 11 November 2020; EUROMONEY,
London UK

[Debt Capital Markets](#)

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](#)

13 – 14 December 2019; Mumbai, India

[International conference on economics
and finance](#)

13 December 2019; Malta

[IOMA - The WFE's Clearing & Derivatives
Conference](#)

15 – 19 December 2019; Dubai

[Islamic Finance Academy](#)

16 – 17 December 2019; Barcelona, Spain

[International Conference on
Microeconomics and Macroeconomics](#)

15 – 19 December 2019; EUROMONEY,

Dubai

[Islamic Finance Academy](#)

21 December 2019; Hammamet, Tunisia

[FEM2019: Financial Economics Meeting:
Post-Crisis Challenges](#)

31 December 2019; Central Bank Research
Association, New Zealand

[Call for papers: New Zealand Economic
Papers Special Issue - Central Banking:
Challenges and Practices](#)

7 December 2019; Paris

[Credit Outlook 2020](#)

15 January 2020; Vienna, Austria

[CEE Covered Bond Briefing 2020](#)

21 – 24 January 2020; World Economic

Forum, Davos-Klosters, Switzerland

[World Economic Forum Annual Meeting](#)

30 – 31 January 2020: online training

[Monetary Policy Implementation in the
Eurosystem](#)

2 – 6 February 2020; online training

[Debt Management, Debt Reporting, and
Investor Relations \(DMIR\)](#)

5 – 7 February 2020; Washington D.C.
[2020 Endowment and Debt Management Forum](#)

9 – 20 February 2020; online training
[Public Sector Debt Statistics](#)

2 March 2020; London, UK
[Analyzing Sovereign and Country Risk](#)

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'](#)

19 – 20 March 2020; OECD Headquarters, Paris
[27th OECD Global Forum on Public Debt Management](#)

23 – 24 March 2020; Westminster, London
[Bond Conference & Awards 2020](#)

27 March 2020; San Francisco; USA
[2020 Annual Conference on Macroeconomics and Monetary Policy](#)

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

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[7th International Conference on Sovereign Bond Markets](#)

15 – 17 June 2020; EUROMONEY, London UK
[Debt Capital Markets](#)

16 – 17 June 2020; cmd, London, United Kingdom
[The Global Borrowers & Bond Investors Forum 2020](#)

24 – 26 June 2020; ICMA, Wien Austria
[ICMA Annual General Meeting and Conference 2020](#)

9 – 11 November 2020; Euromoney, London, UK
[Debt Capital Markets](#)

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Special Thanks

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

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