

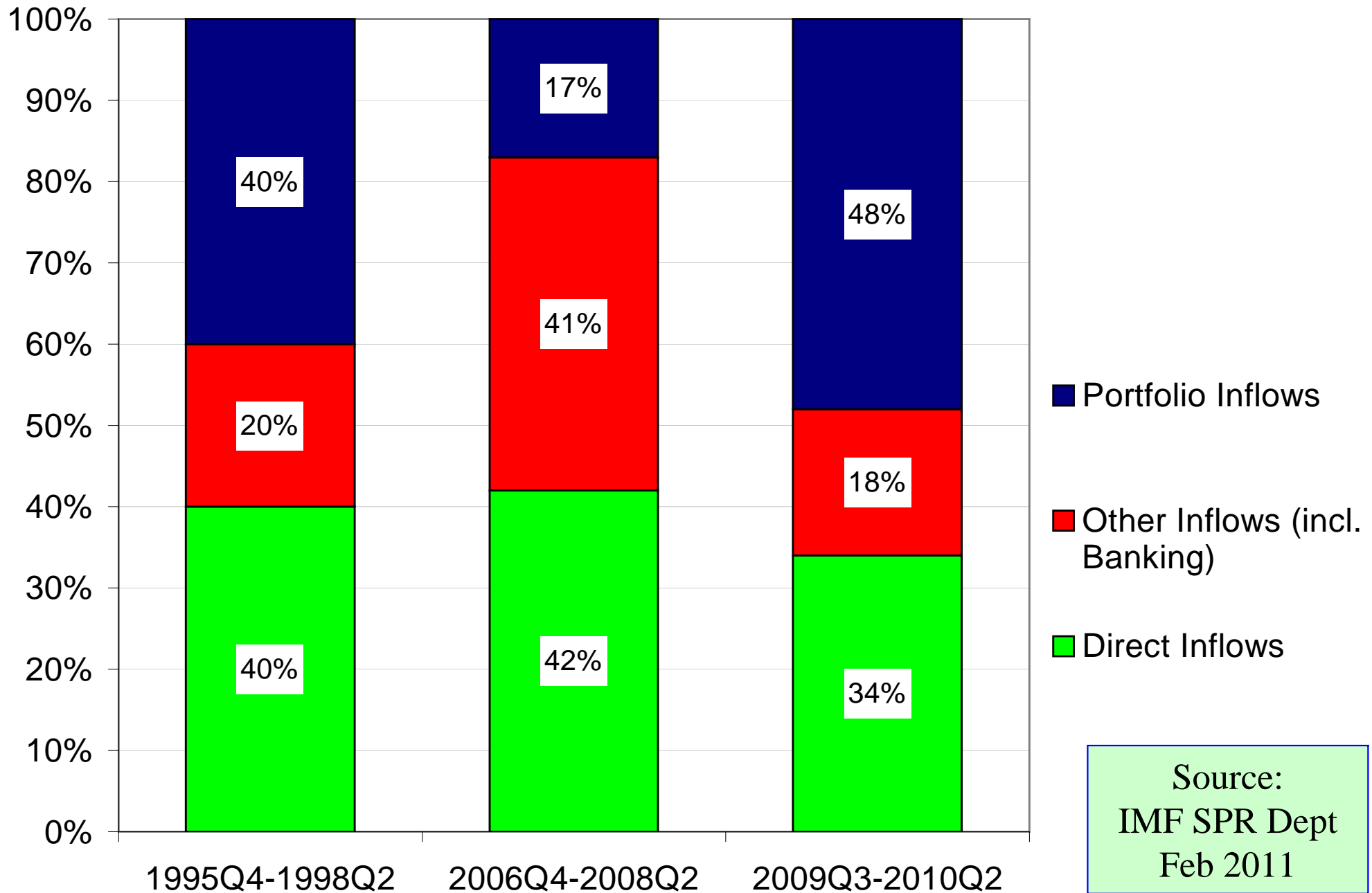
Mapping Global Liquidity

Hyun Song Shin

Brazil/IMF Conference on
“Managing Capital Flows in Emerging Markets”

Rio de Janeiro, May 26-27 2011

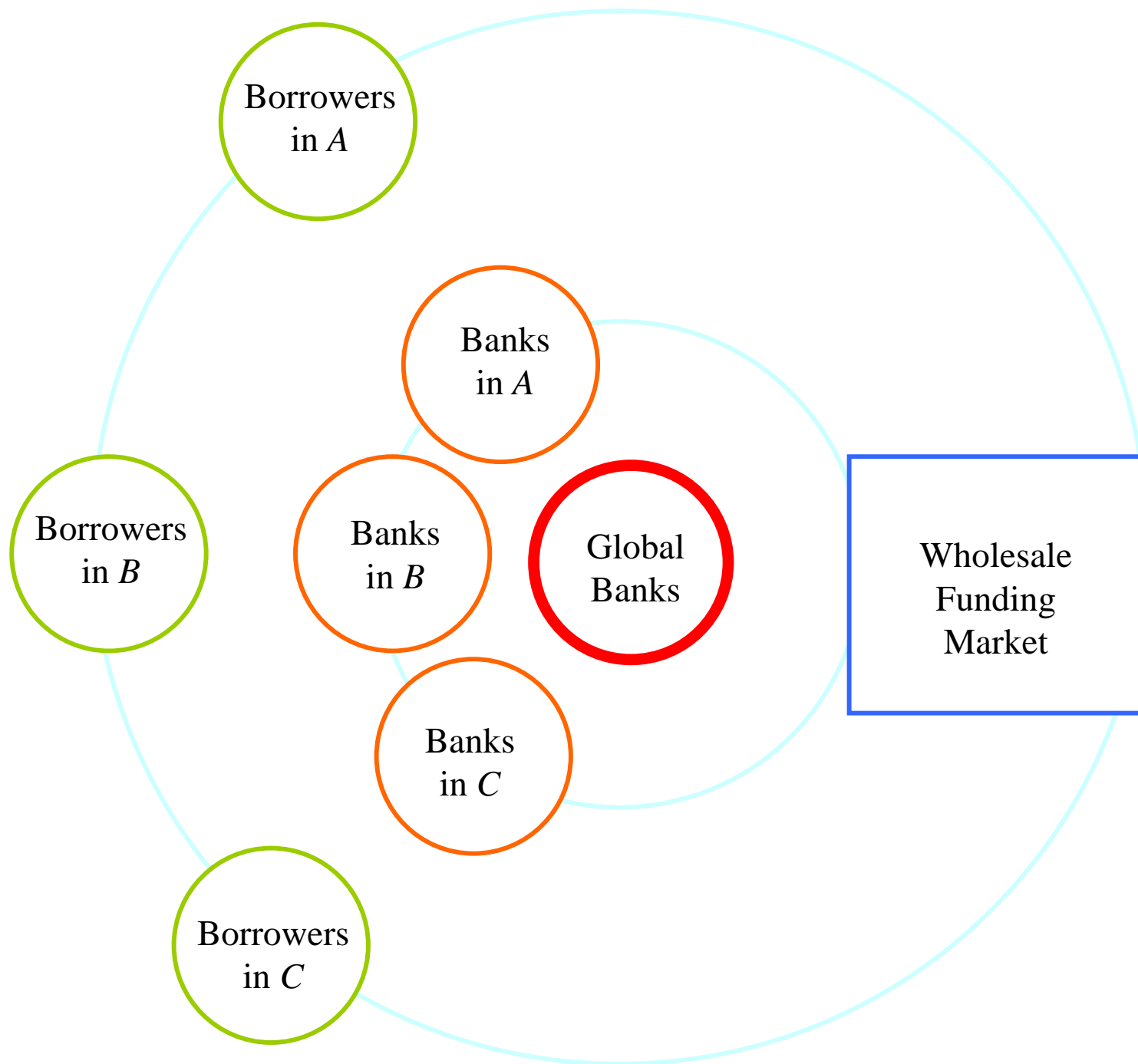
Three Waves of Global Liquidity

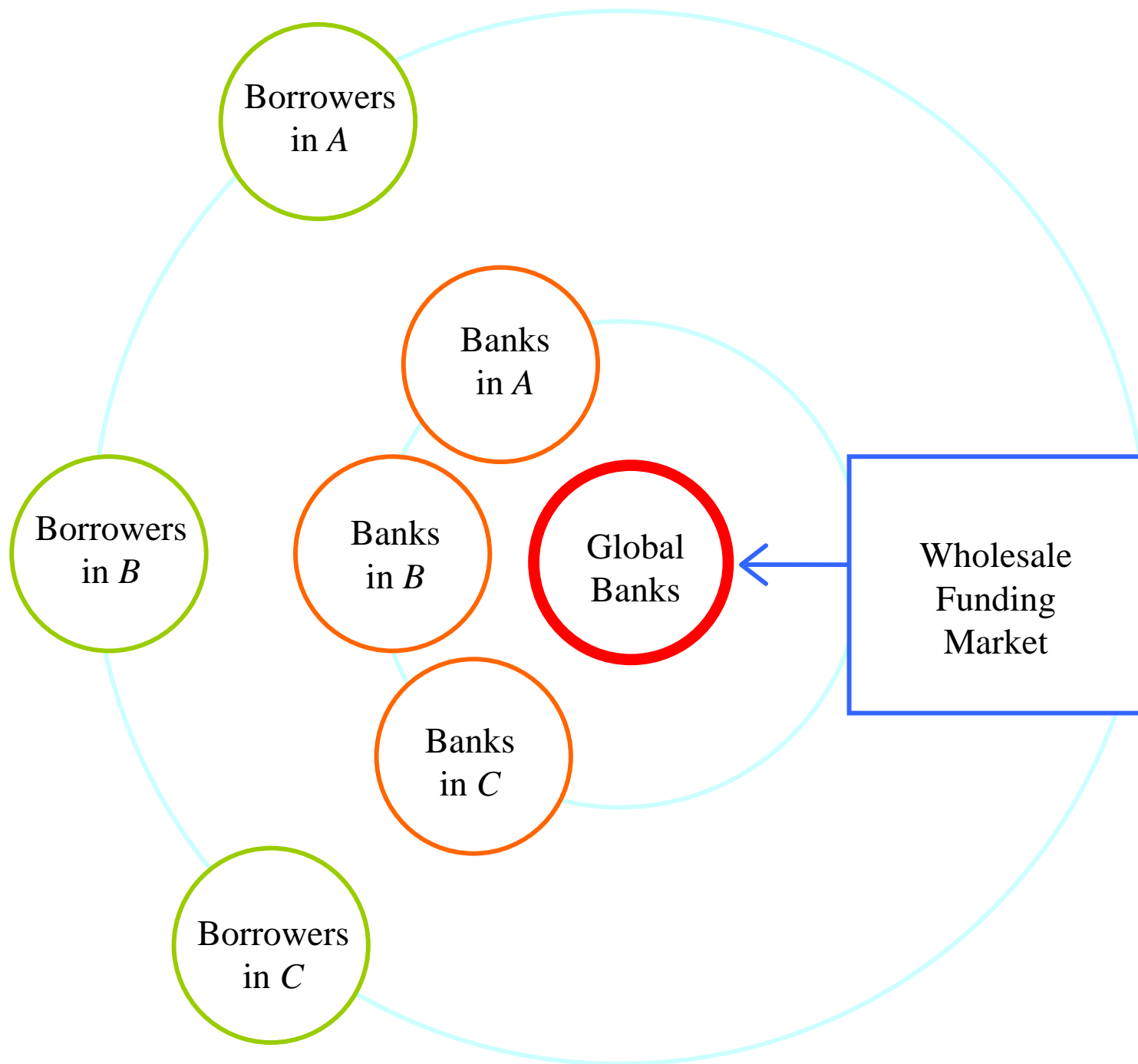


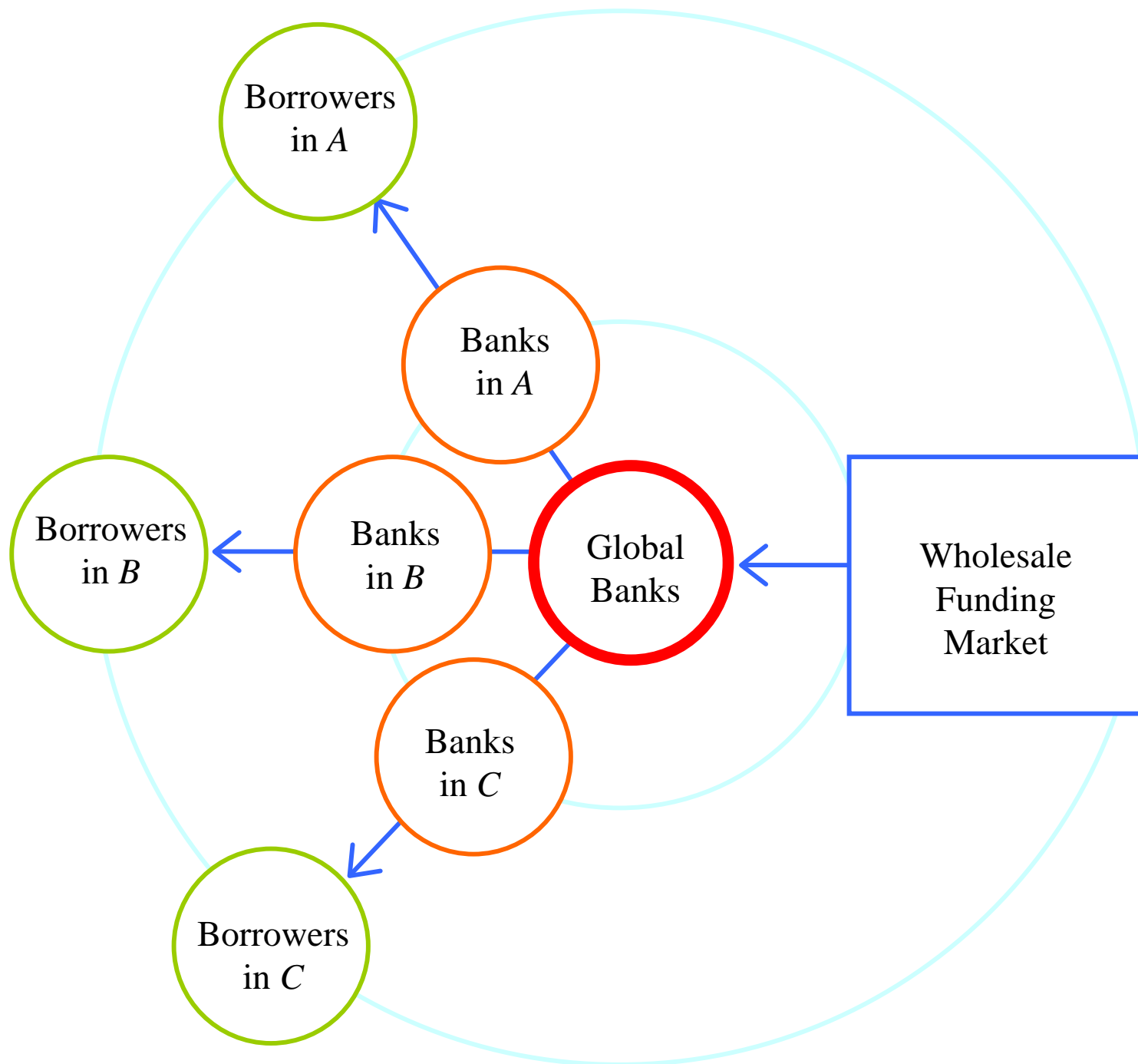
Topography of Global Banking

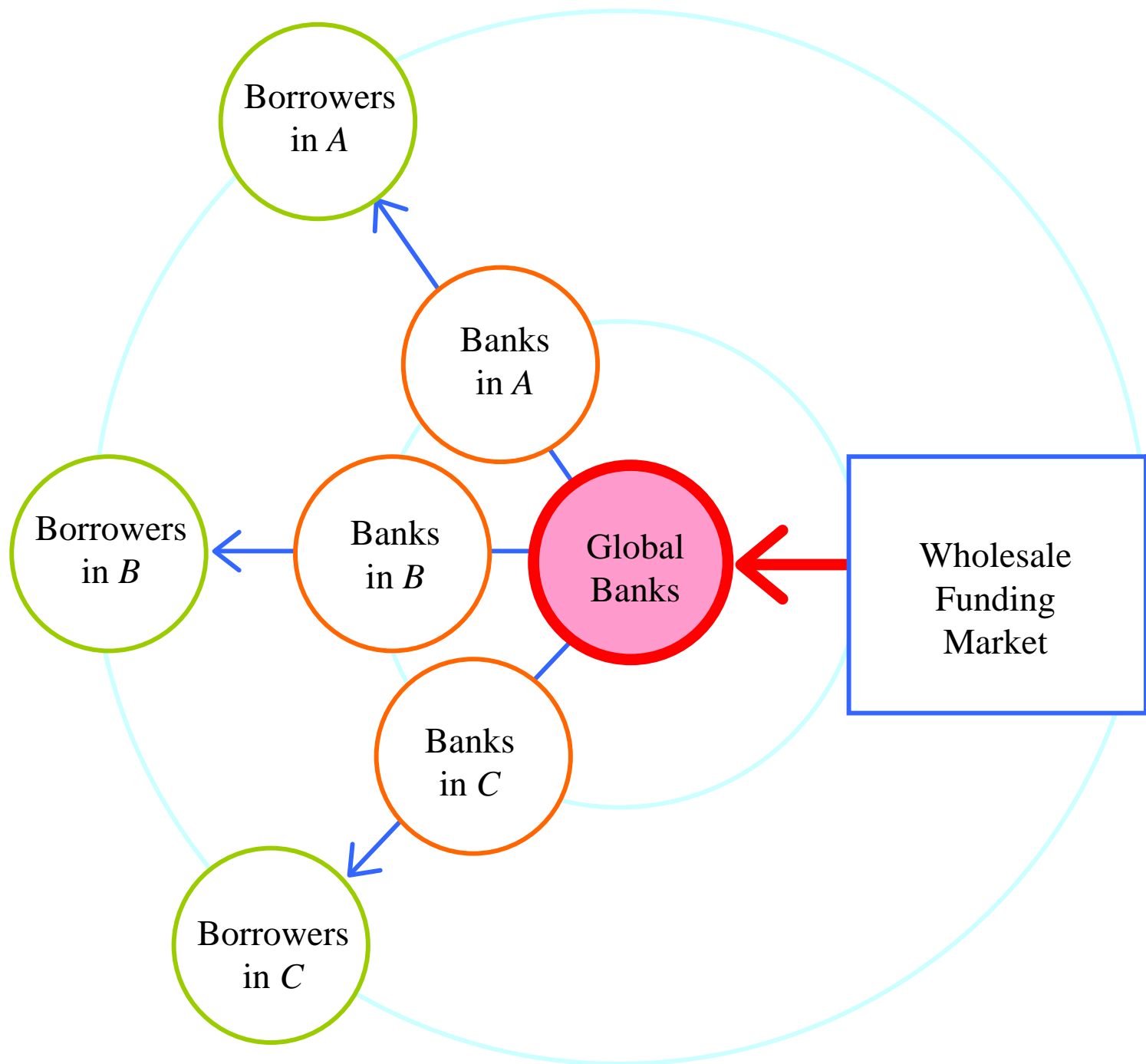
From Bruno and Shin (2011): “Mapping Global Liquidity”



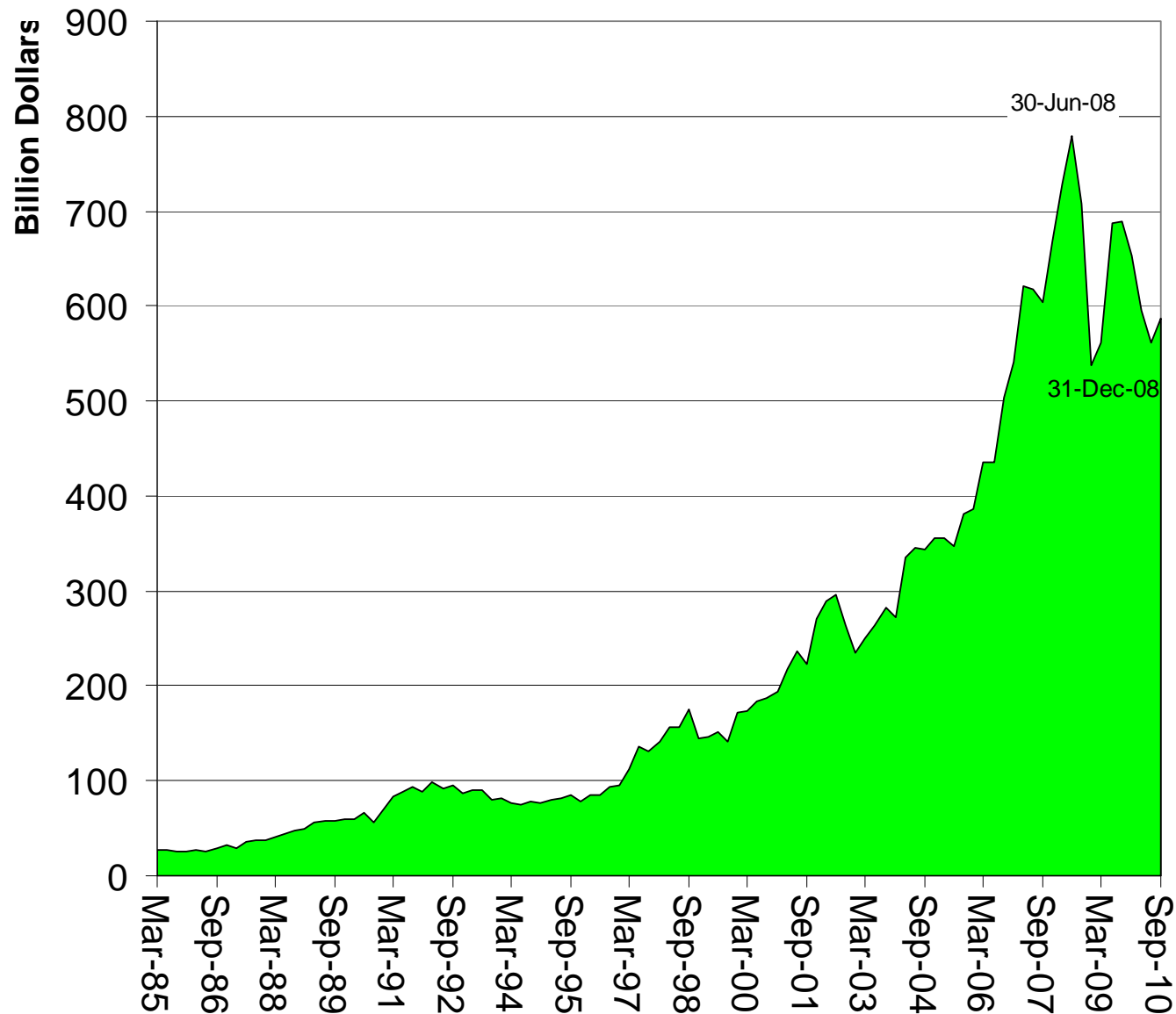




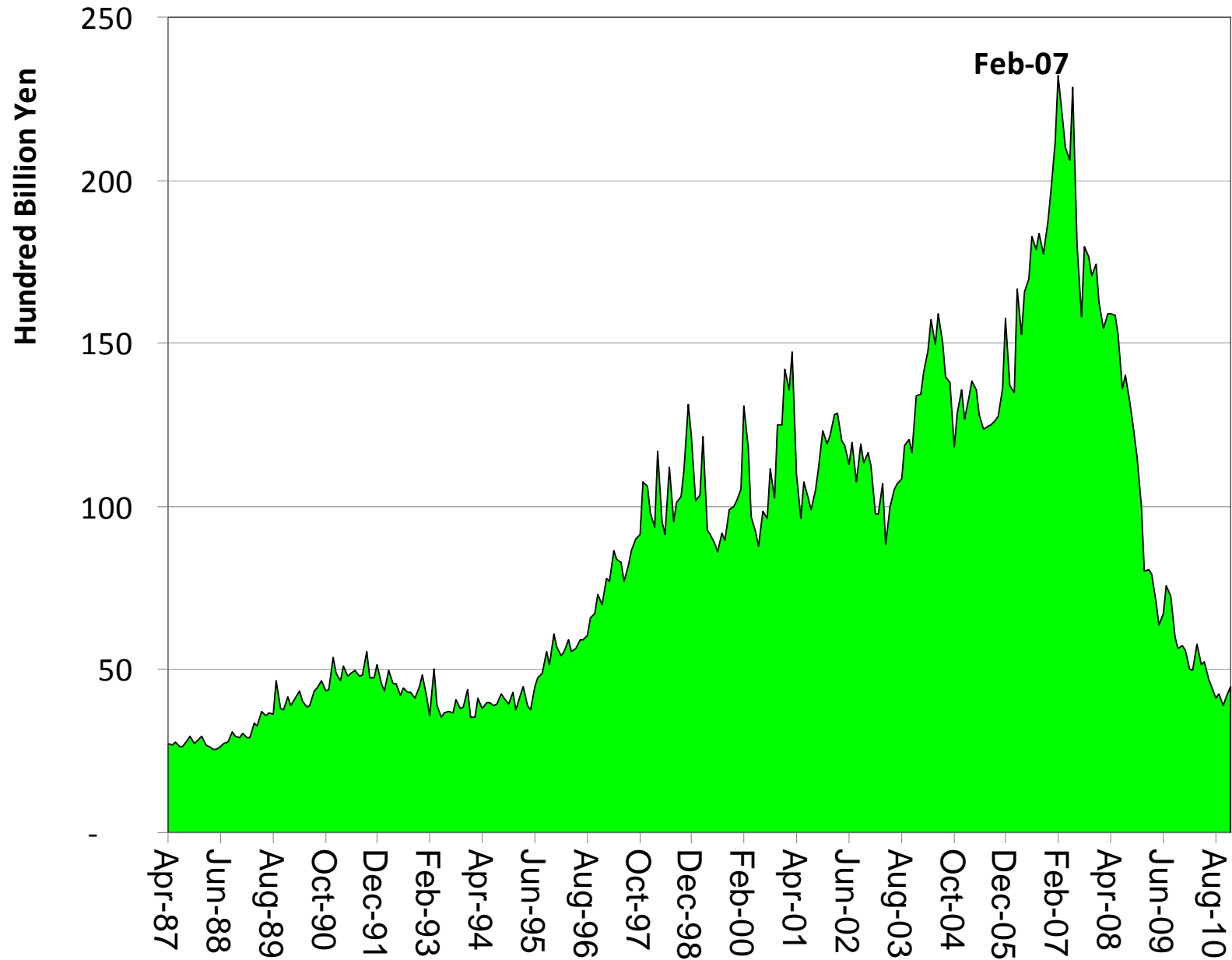




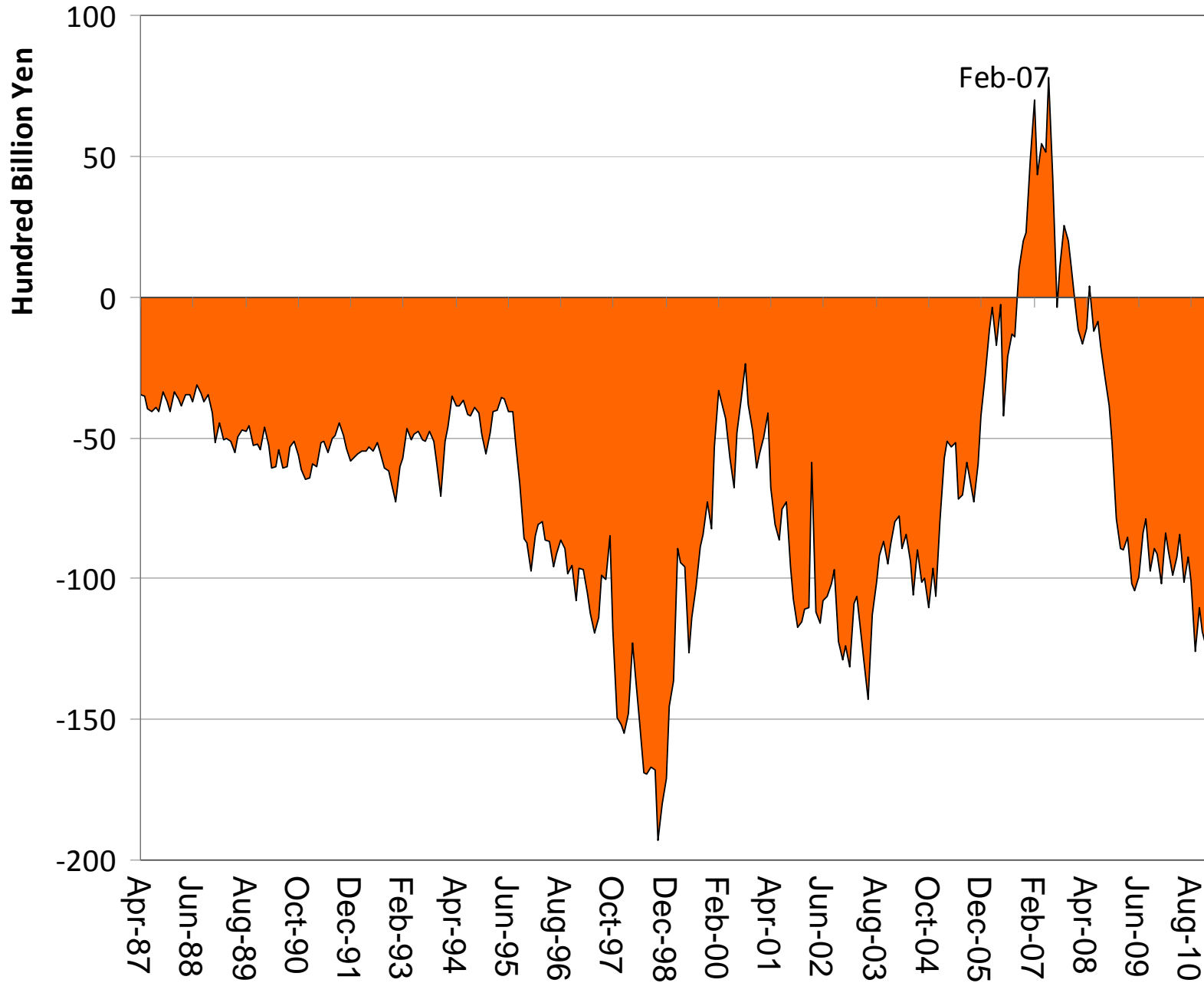
Interoffice Assets of Foreign Banks in the United States



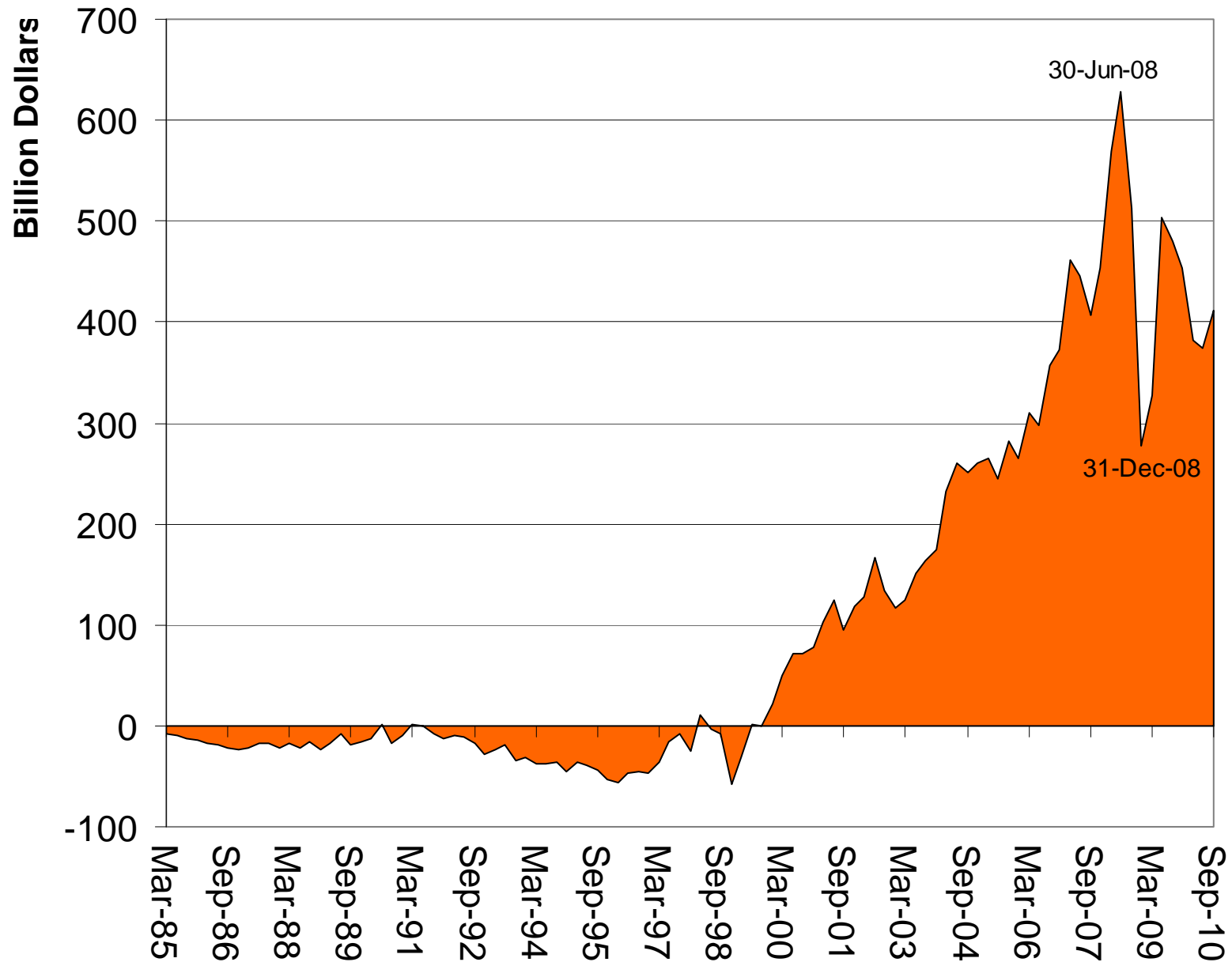
Interoffice Assets of Foreign Banks in Japan



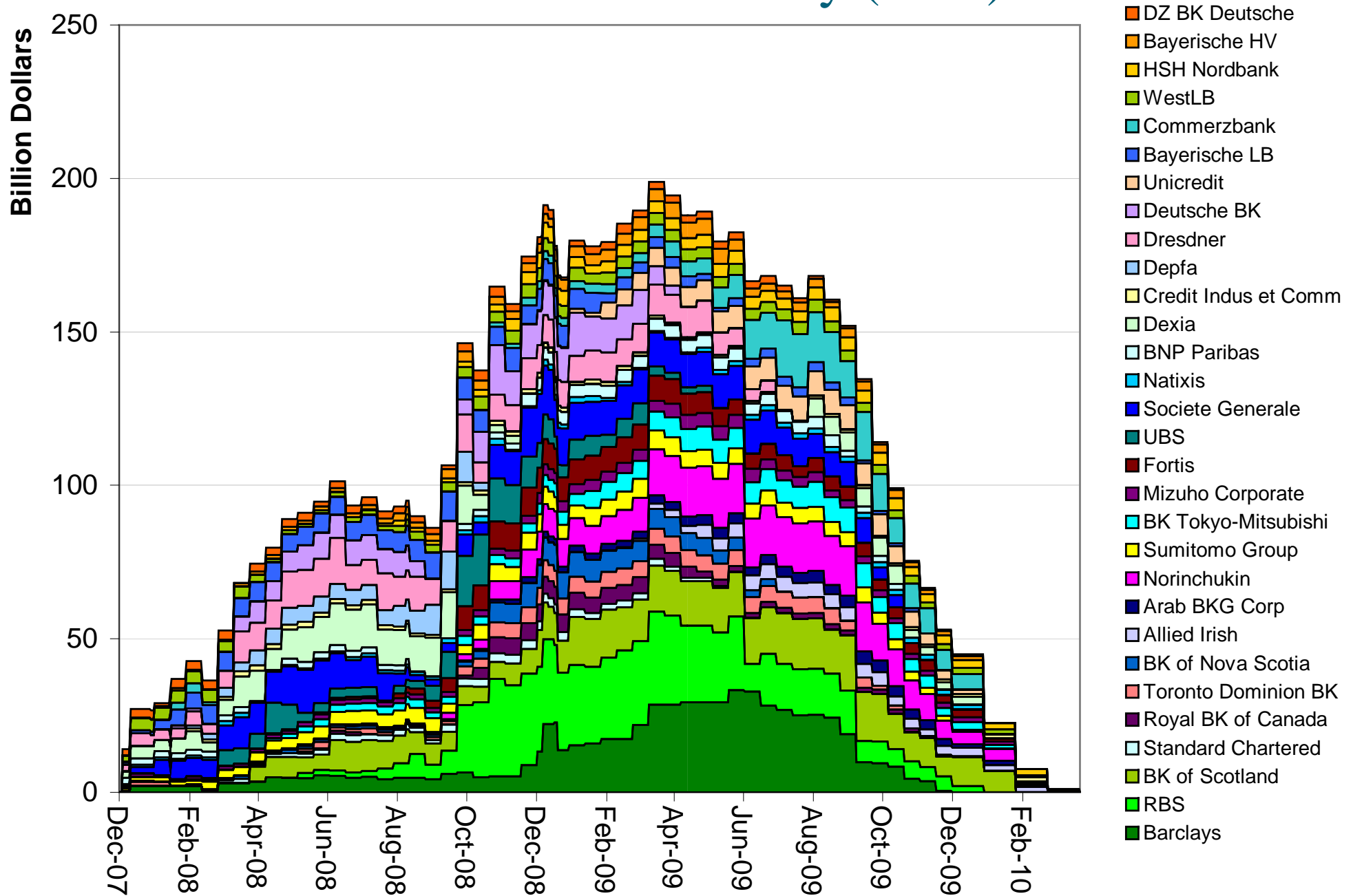
Net Interoffice Assets of Foreign Banks in Japan

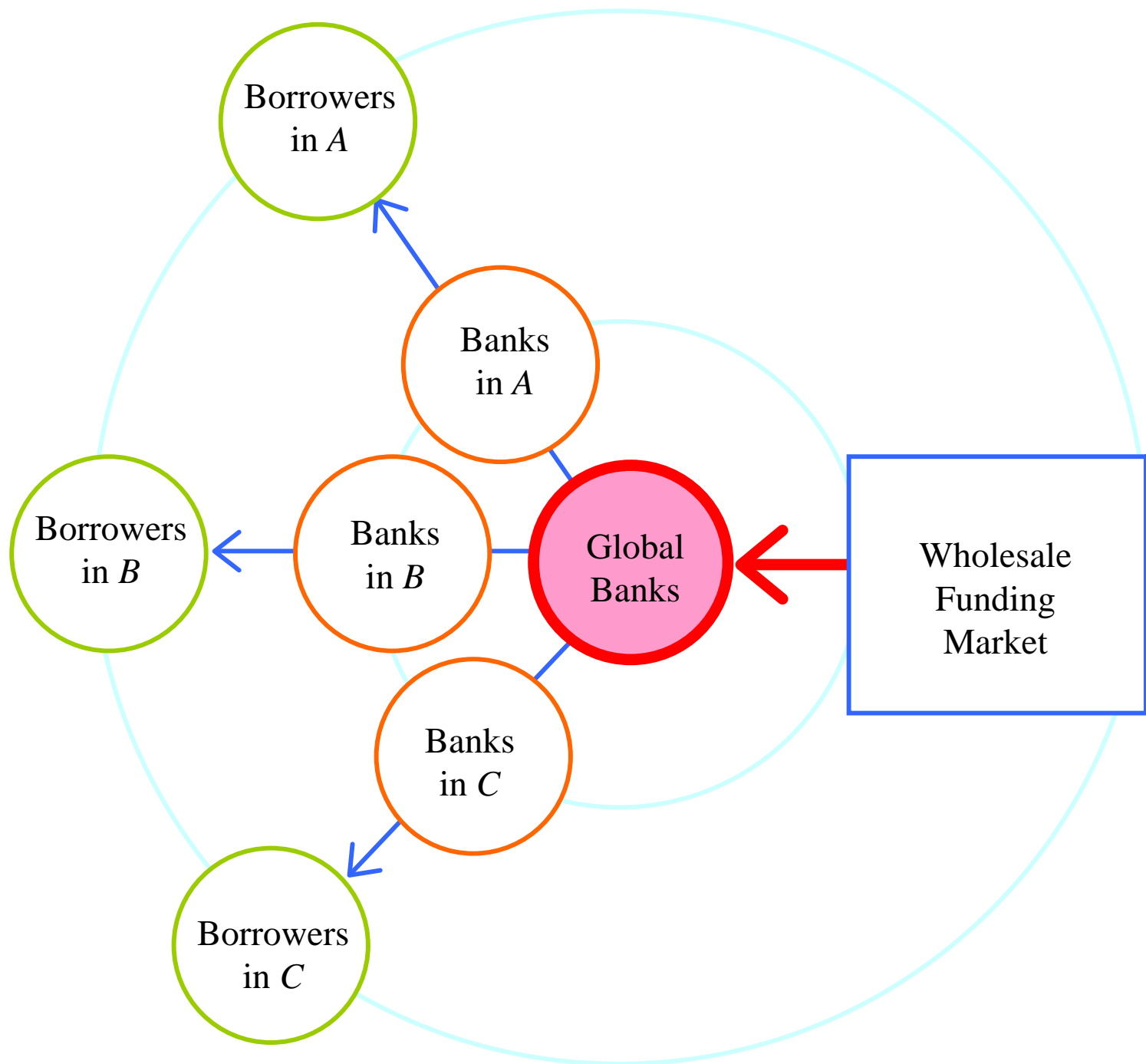


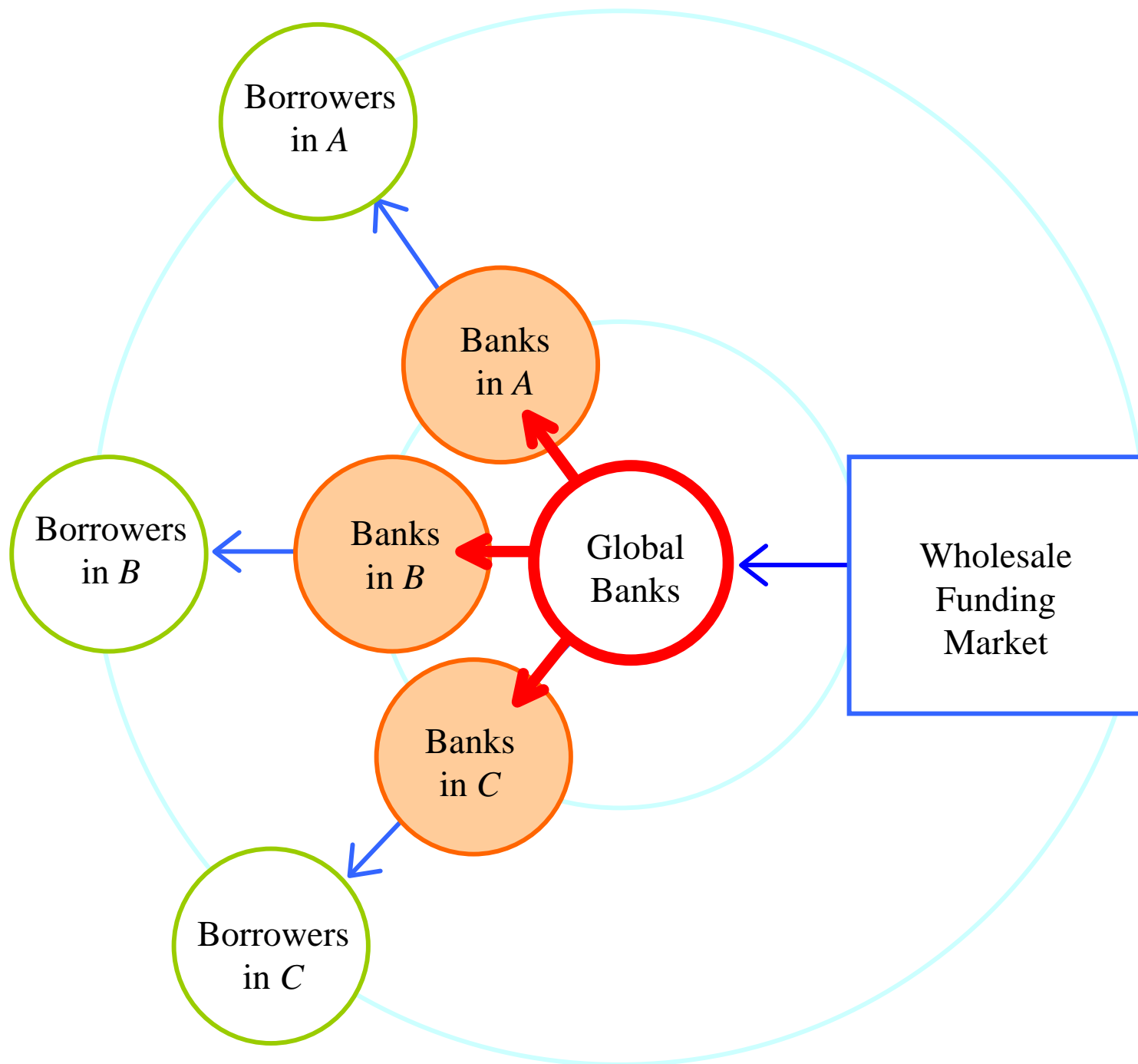
Net Interoffice Assets of Foreign Banks in the United States



Amounts Outstanding under Federal Reserve's Term Auction Facility (TAF)

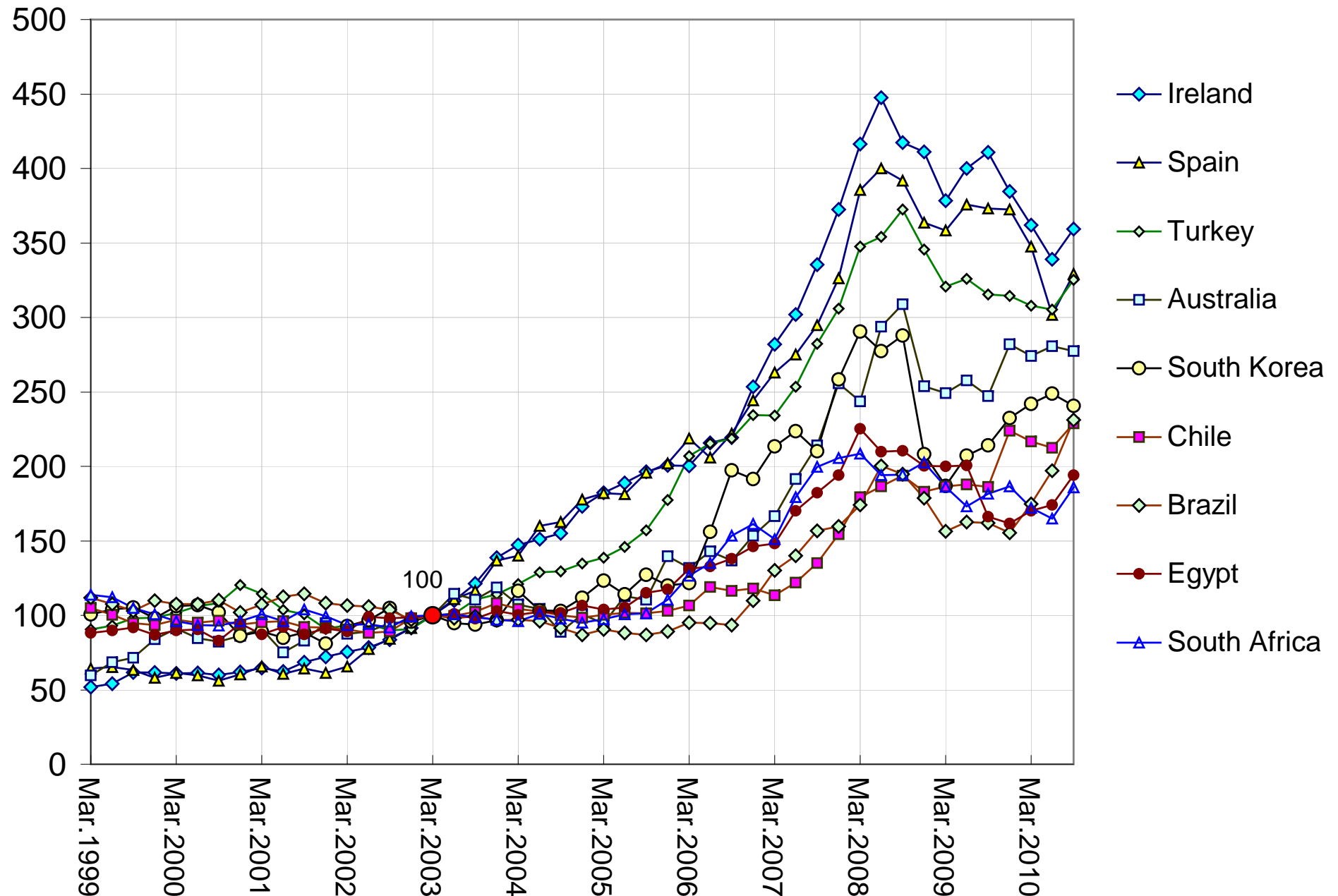






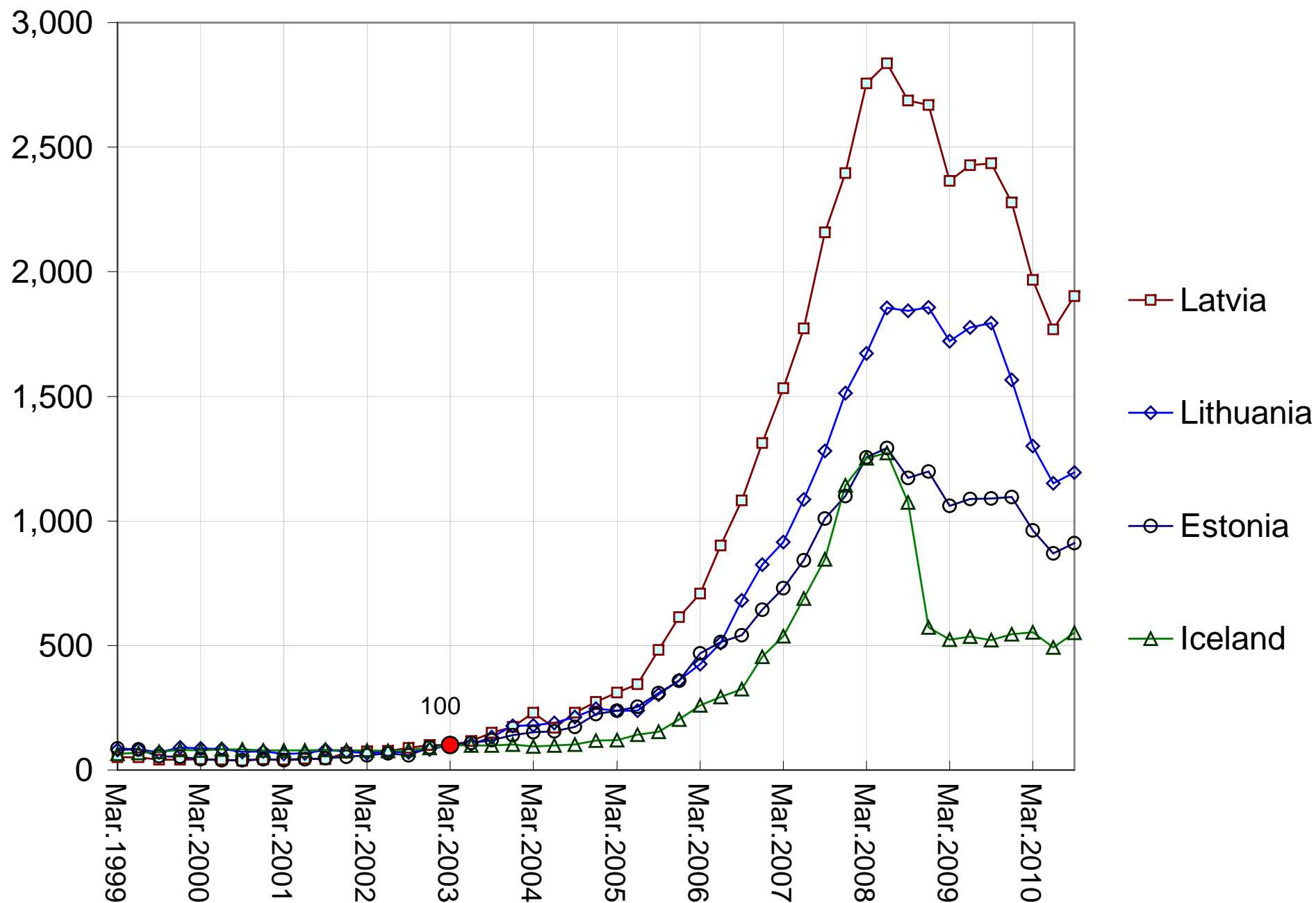
External Claims of BIS Reporting Country Banks

(March 2003 = 100)



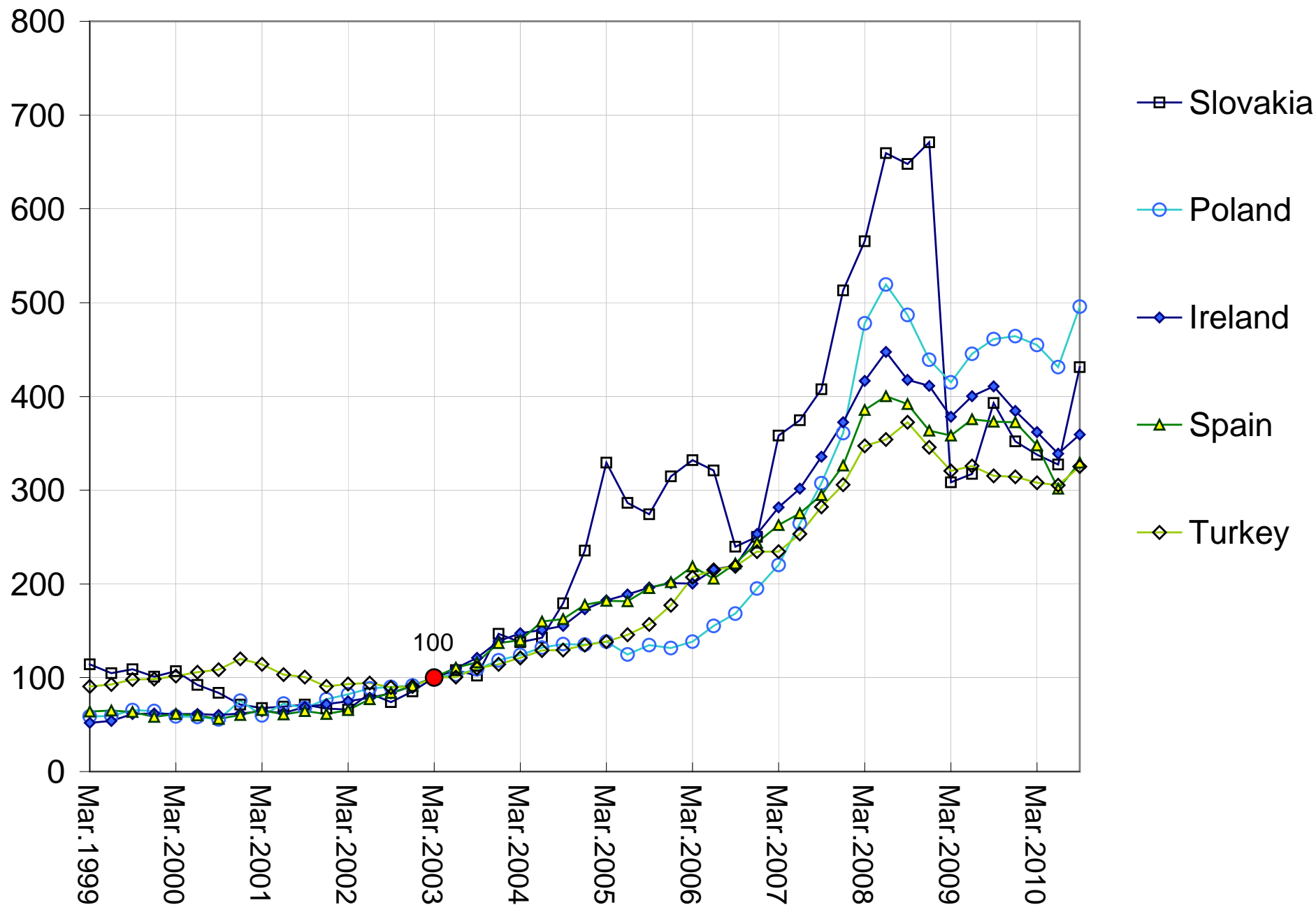
External Claims of BIS Reporting Country Banks

(March 2003 = 100)



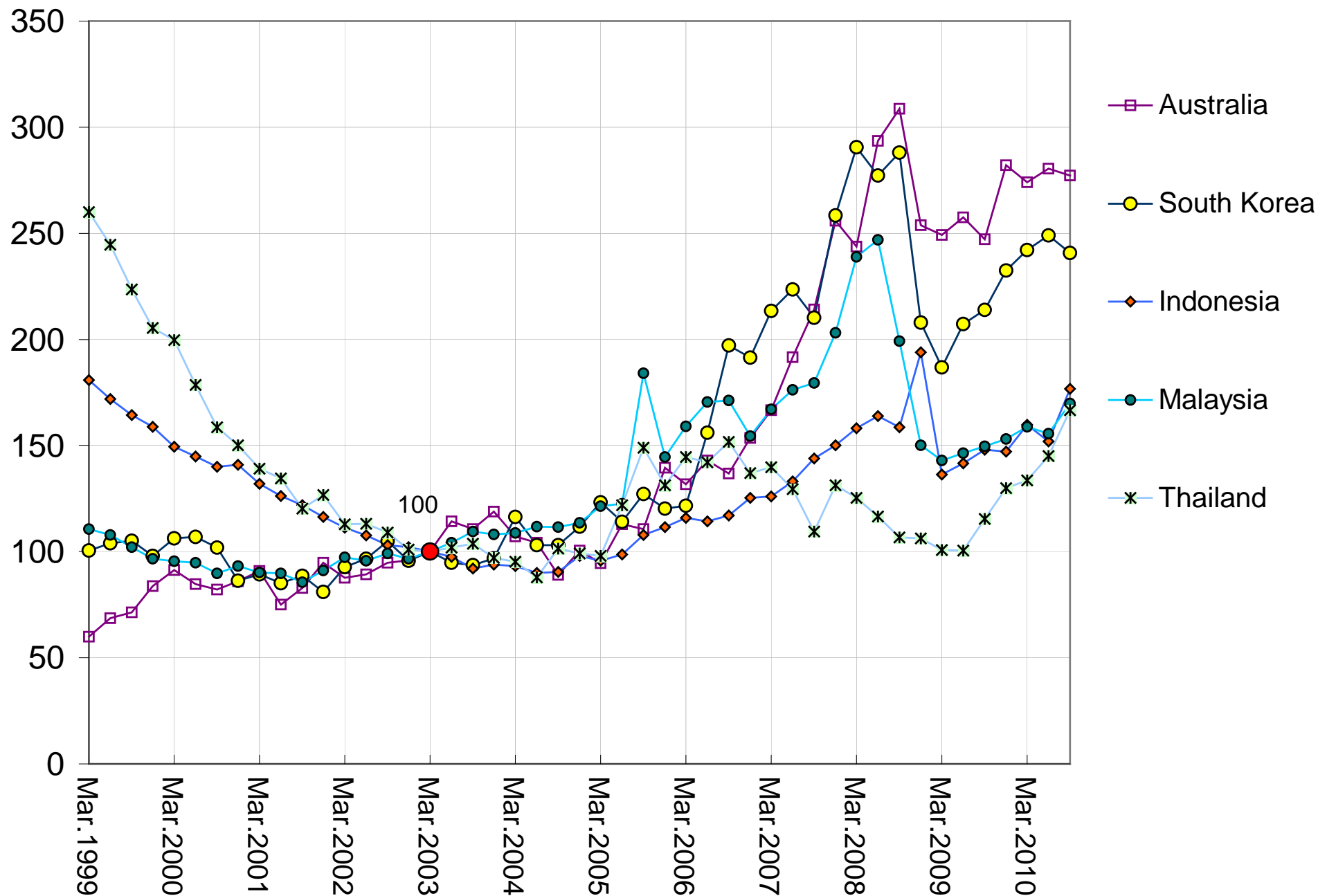
External Claims of BIS Reporting Country Banks

(March 2003 = 100)



External Claims of BIS Reporting Country Banks

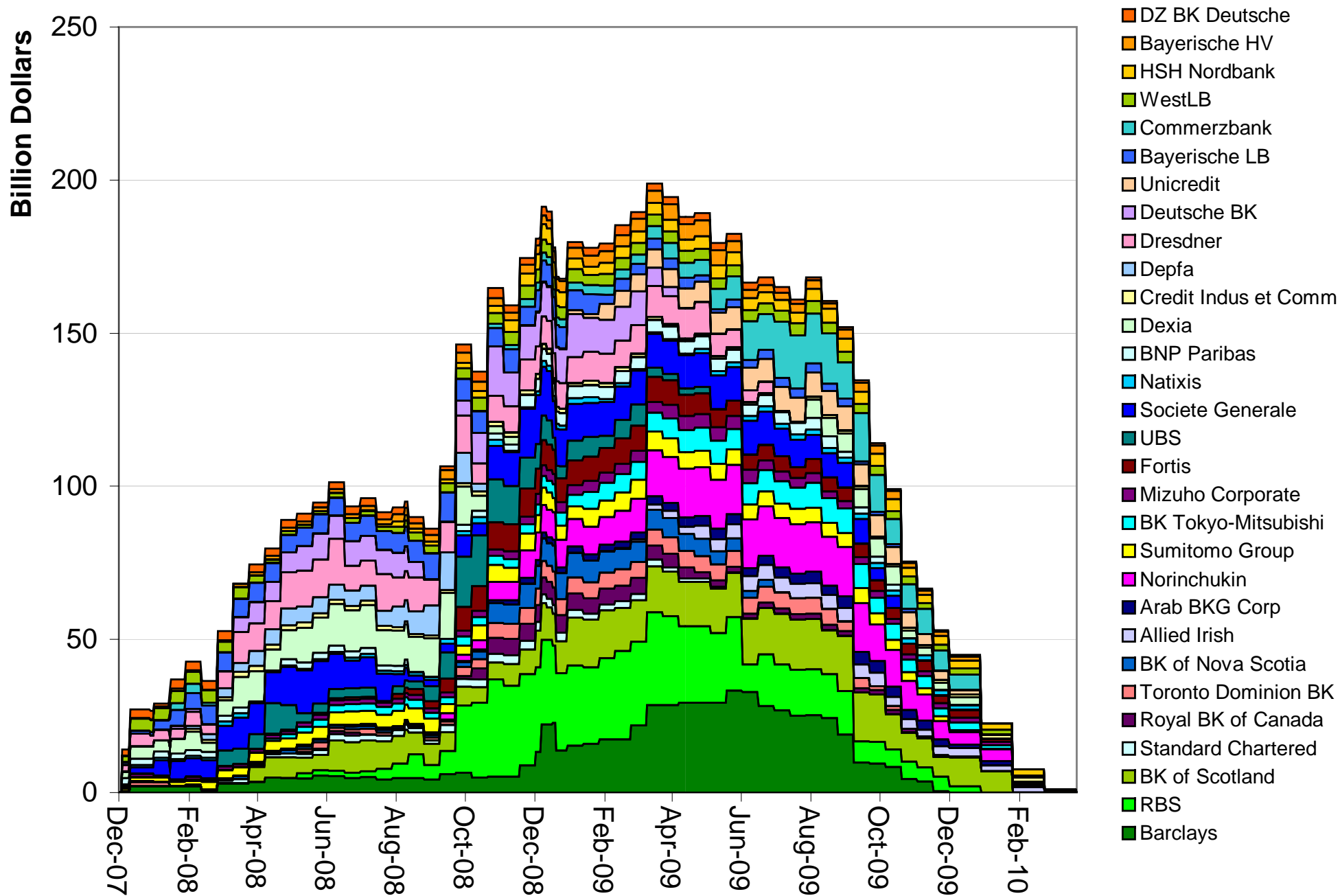
(March 2003 = 100)



Some Observations

- Baltics and emerging Europe stand out
 - Surge of banking sector FDI (not all FDI is benign...)
- Synchronization across the globe
 - Spain, Ireland, Turkey, Korea, Australia...
- But some diversity
 - Brazil and Chile come late to the banking credit boom
 - Thailand and Indonesia were deleveraging until mid-2000s

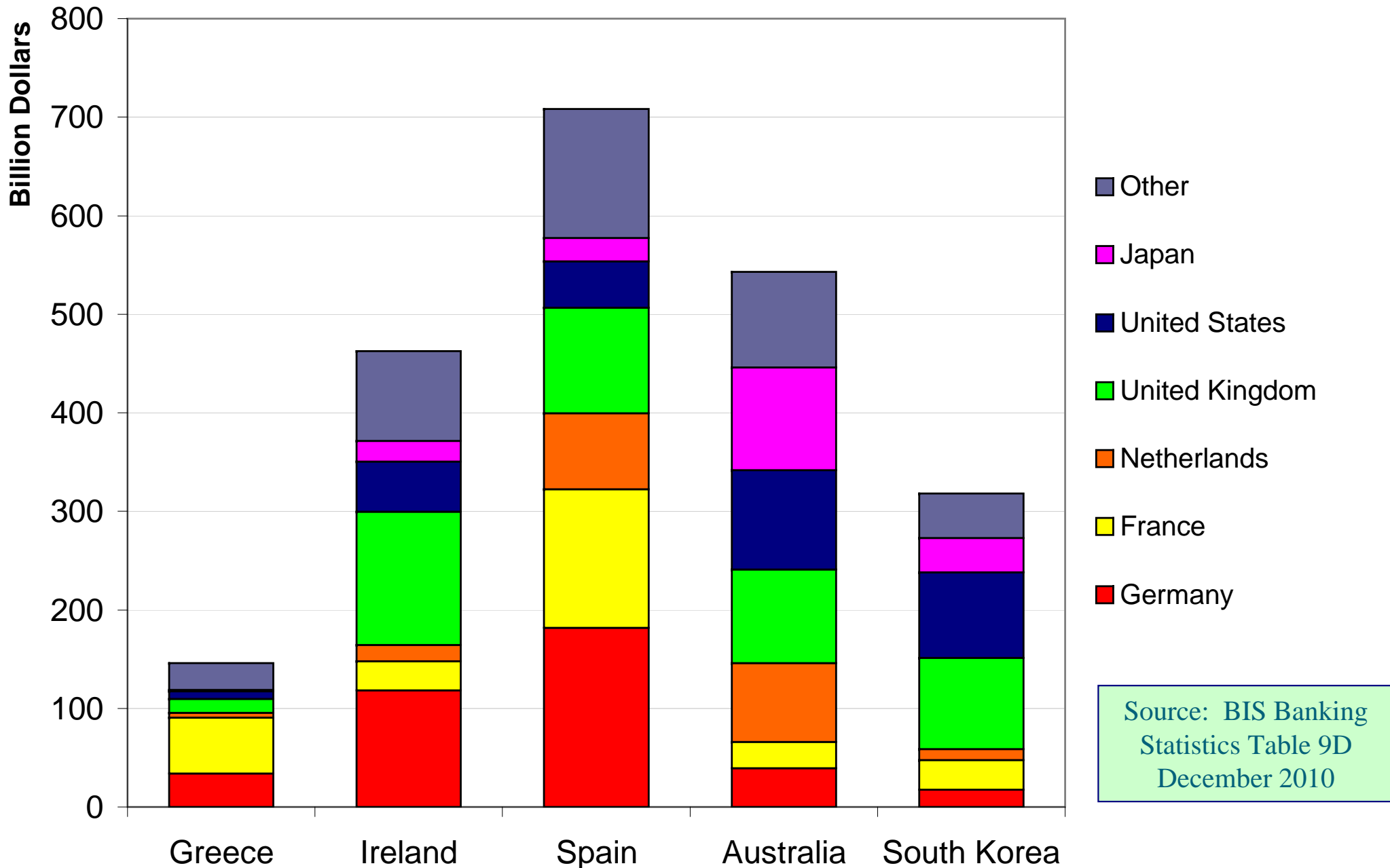
Clues from Term Auction Facility (TAF) Recipient Banks



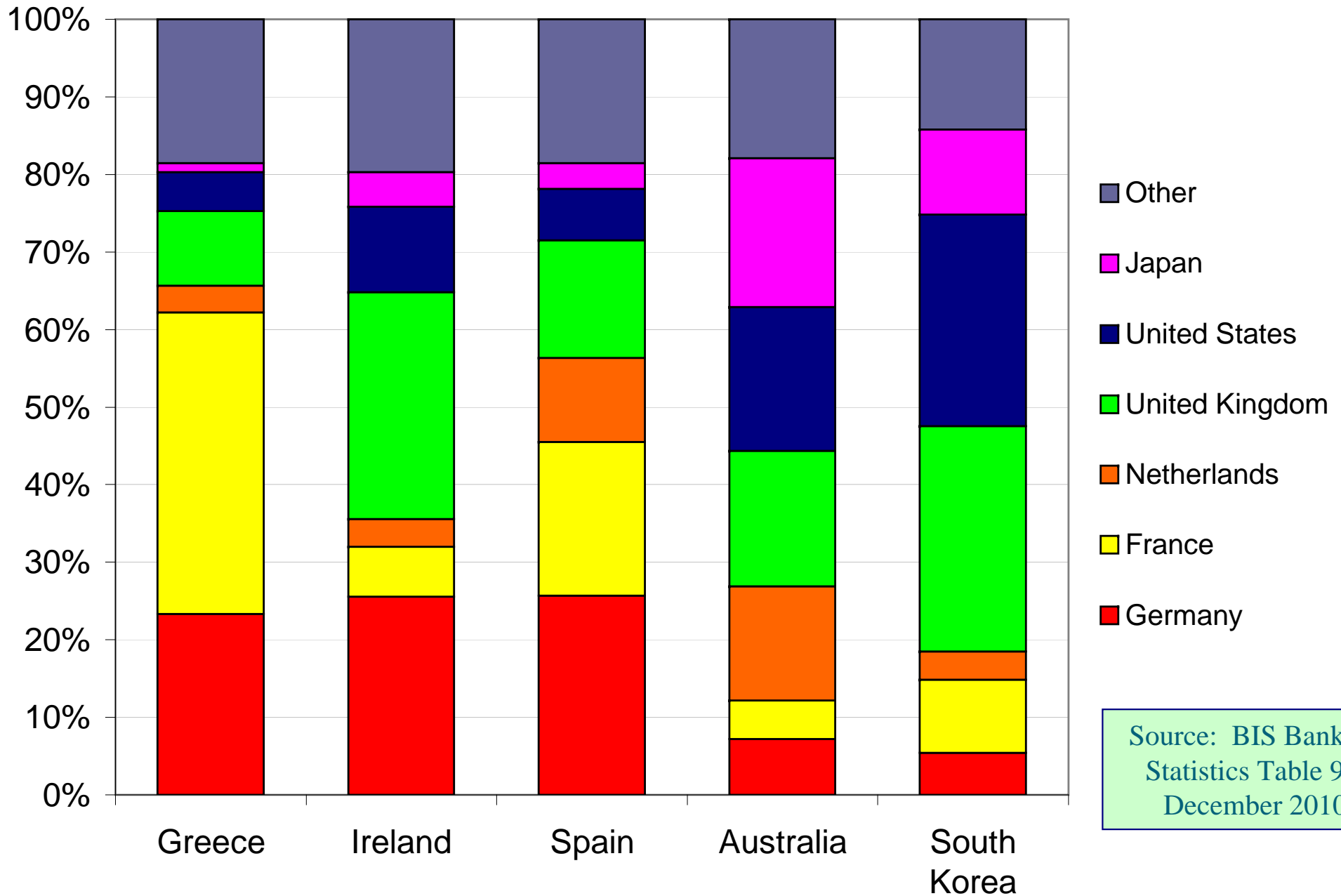
Three Groups of Global Banks

- **Centralized Portfolio Allocators**
 - Non-Spanish European Banks (UK, German, French, Dutch, Swiss...) plus some US banks
- **Decentralized (Autonomous) Subsidiaries**
 - Subsidiaries of Spanish and US banks in Latin America
- **Yield Chasers**
 - German public banks and Japanese savings banks (German Landesbanken, Norinchukin)

External Claims of BIS Reporting Banks by Nationality

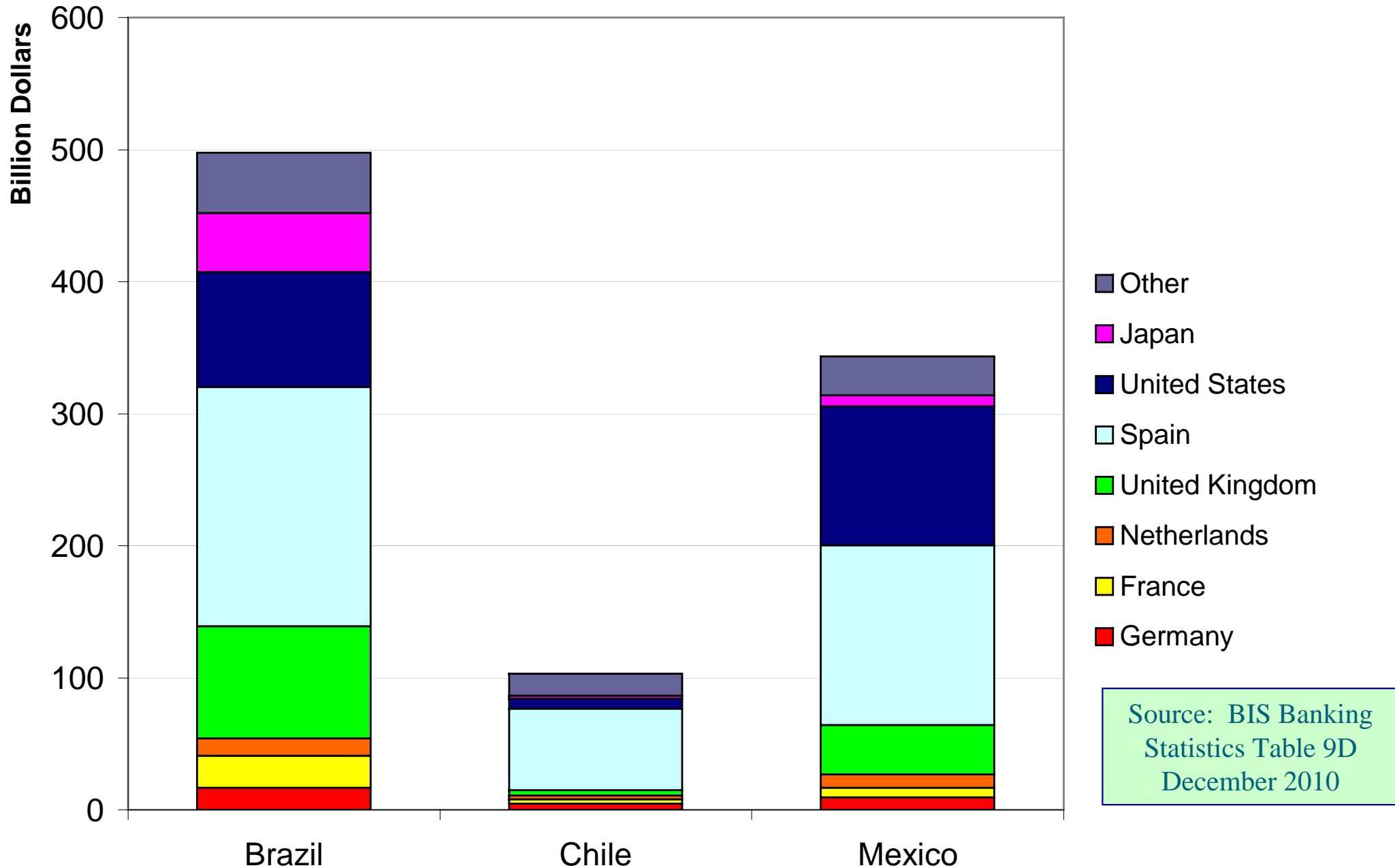


External Claims of BIS Reporting Banks by Nationality



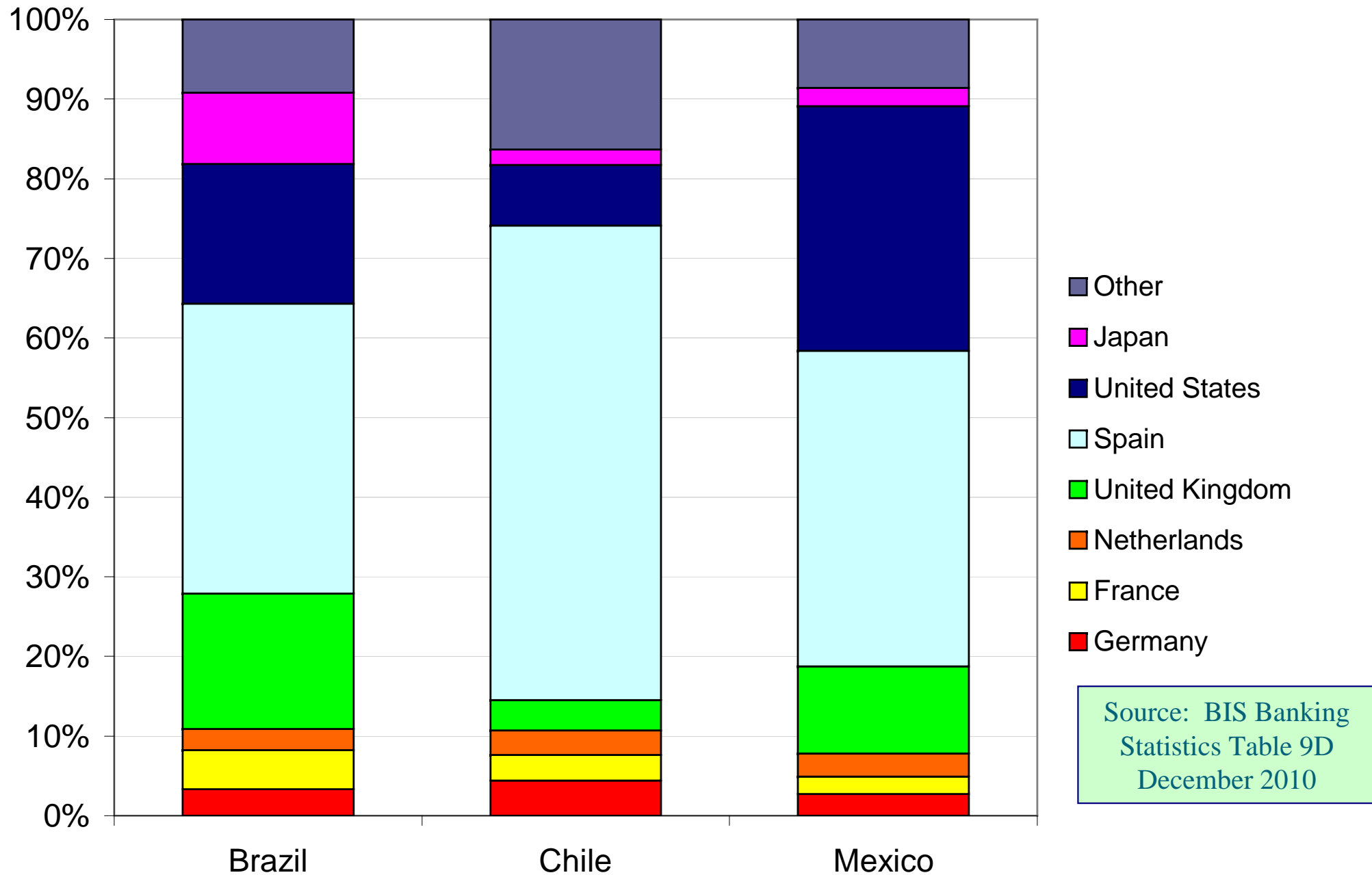
Source: BIS Banking
Statistics Table 9D
December 2010

External Claims of BIS Reporting Banks by Nationality



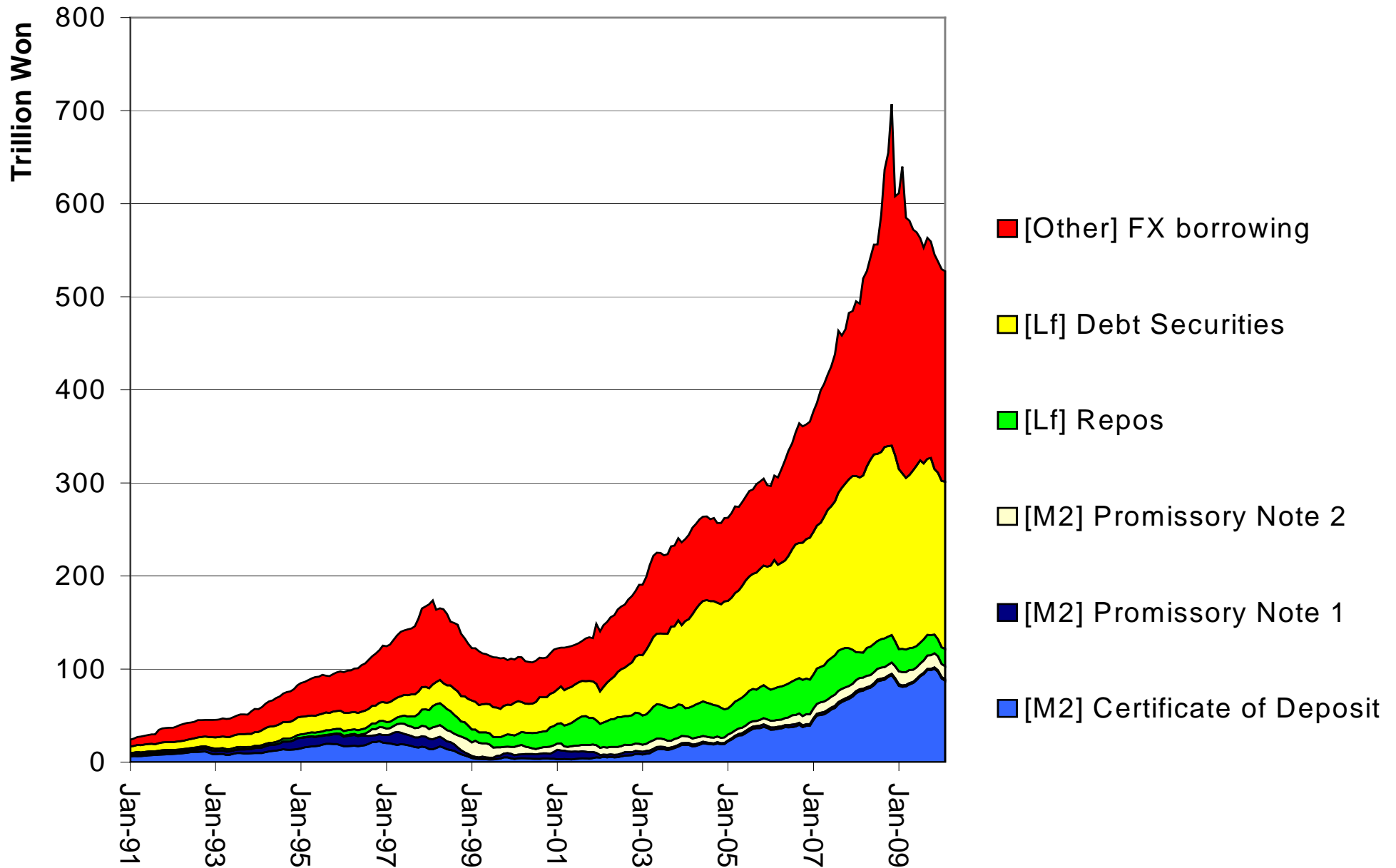
Source: BIS Banking
Statistics Table 9D
December 2010

External Claims of BIS Reporting Banks by Nationality



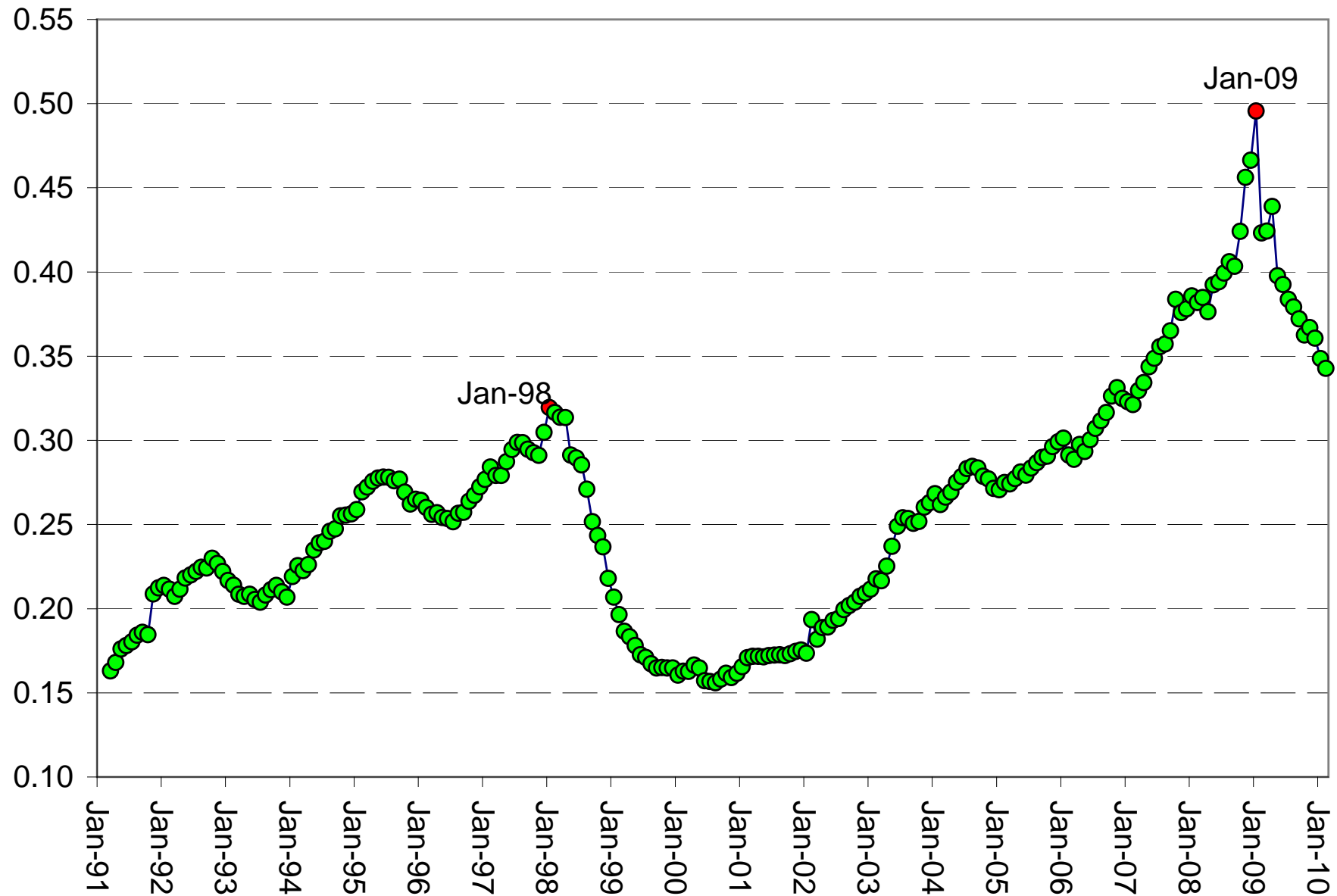
Korean Lessons

Non-Core Liabilities for Korea



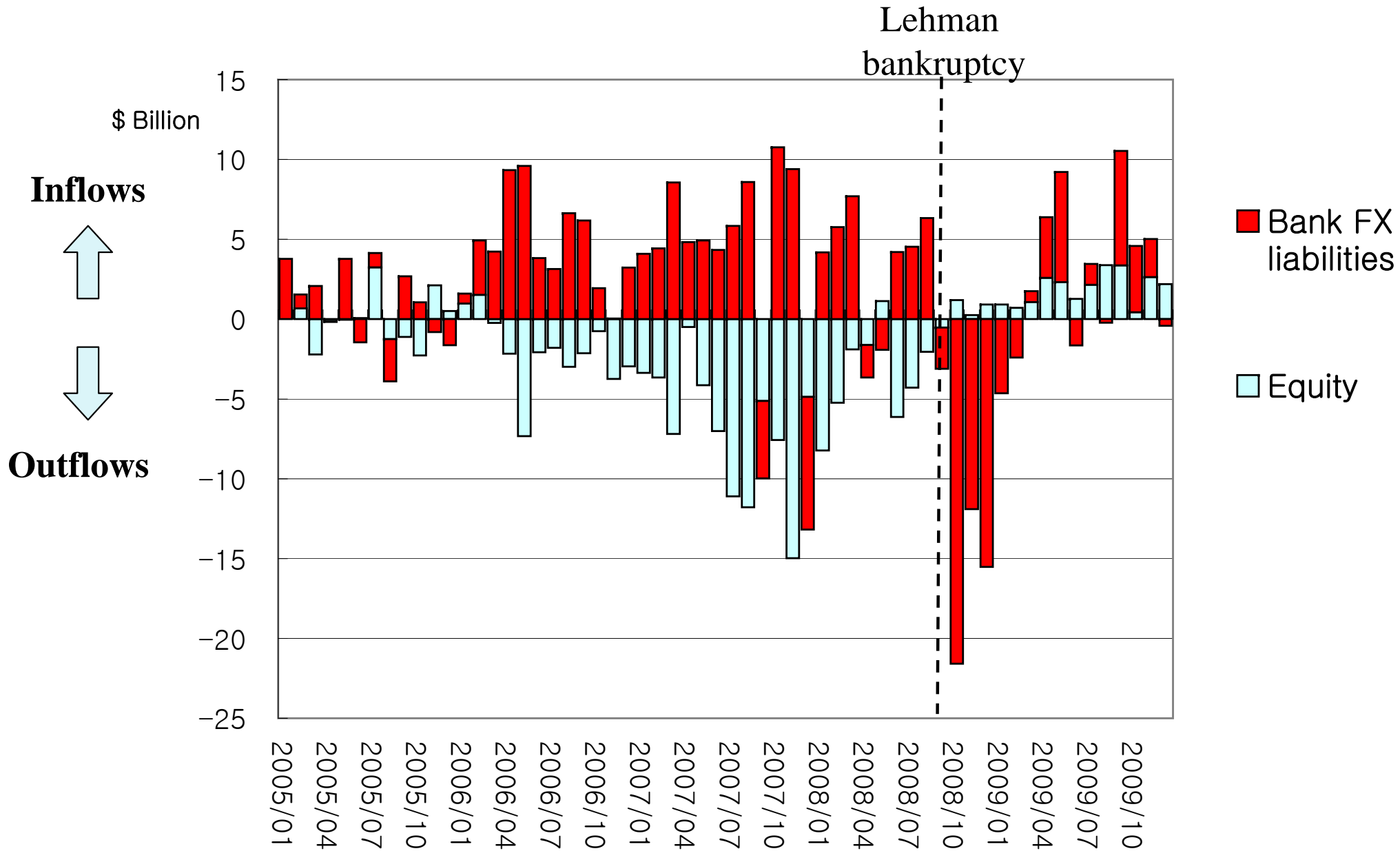
Source: Shin and Shin (2010)

Ratio of Non-Core Liabilities to M2 in Korea



Source: Shin and Shin (2010)

Equity and FX Bank Liability Flows (Korea)



Lesson from Korea: Beware Hedging Activity with FX Derivatives

Foreign Bank Branch in Korea

Korean
Export
firm

Long-dated \$
receivables



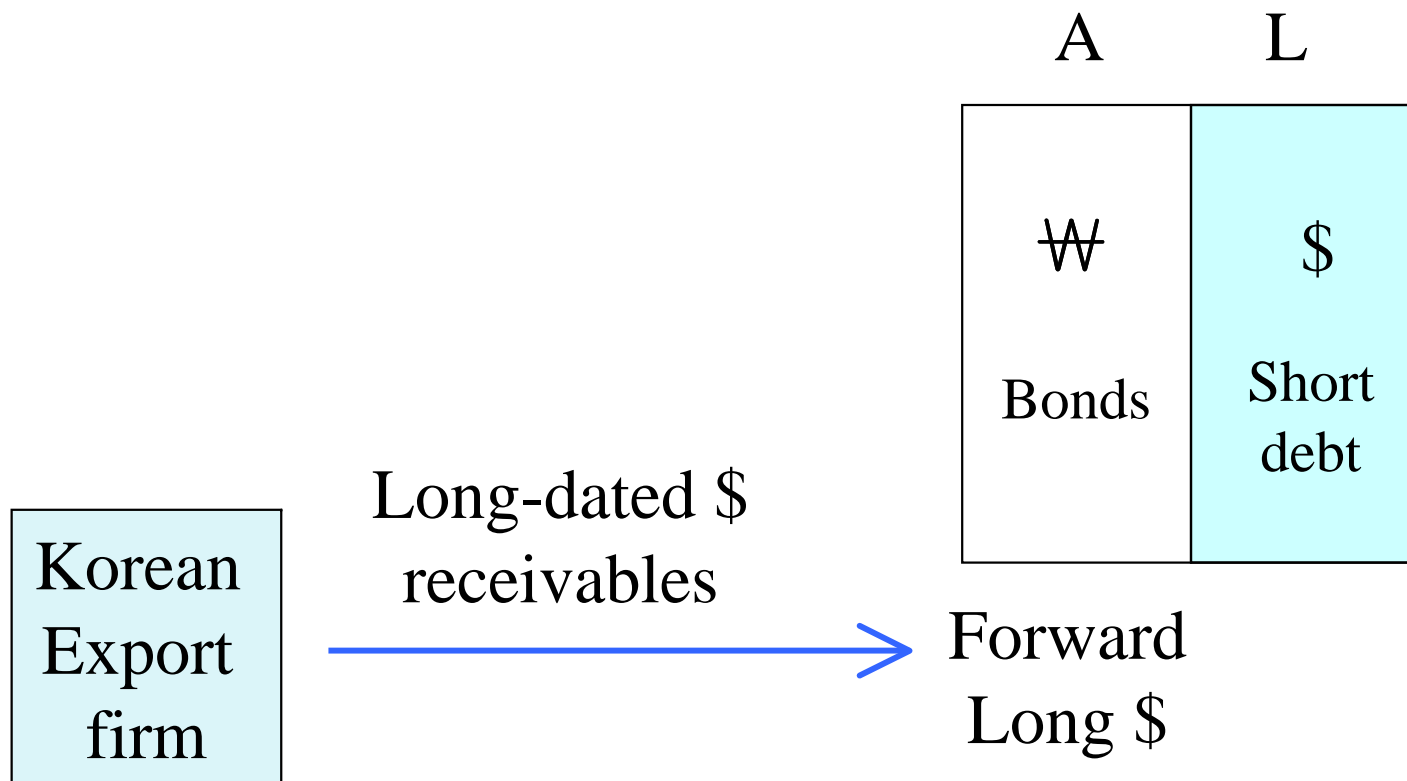
Forward
Long \$

A L

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Lesson from Korea: Beware Hedging Activity with FX Derivatives

Foreign Bank Branch in Korea



Lesson from Korea: Beware Hedging Activity with FX Derivatives

No currency mismatch
but maturity mismatch,
vulnerable to
deleveraging

Foreign Bank Branch in Korea

A	L
₩ Bonds	\$ Short debt

Korean
Export
firm

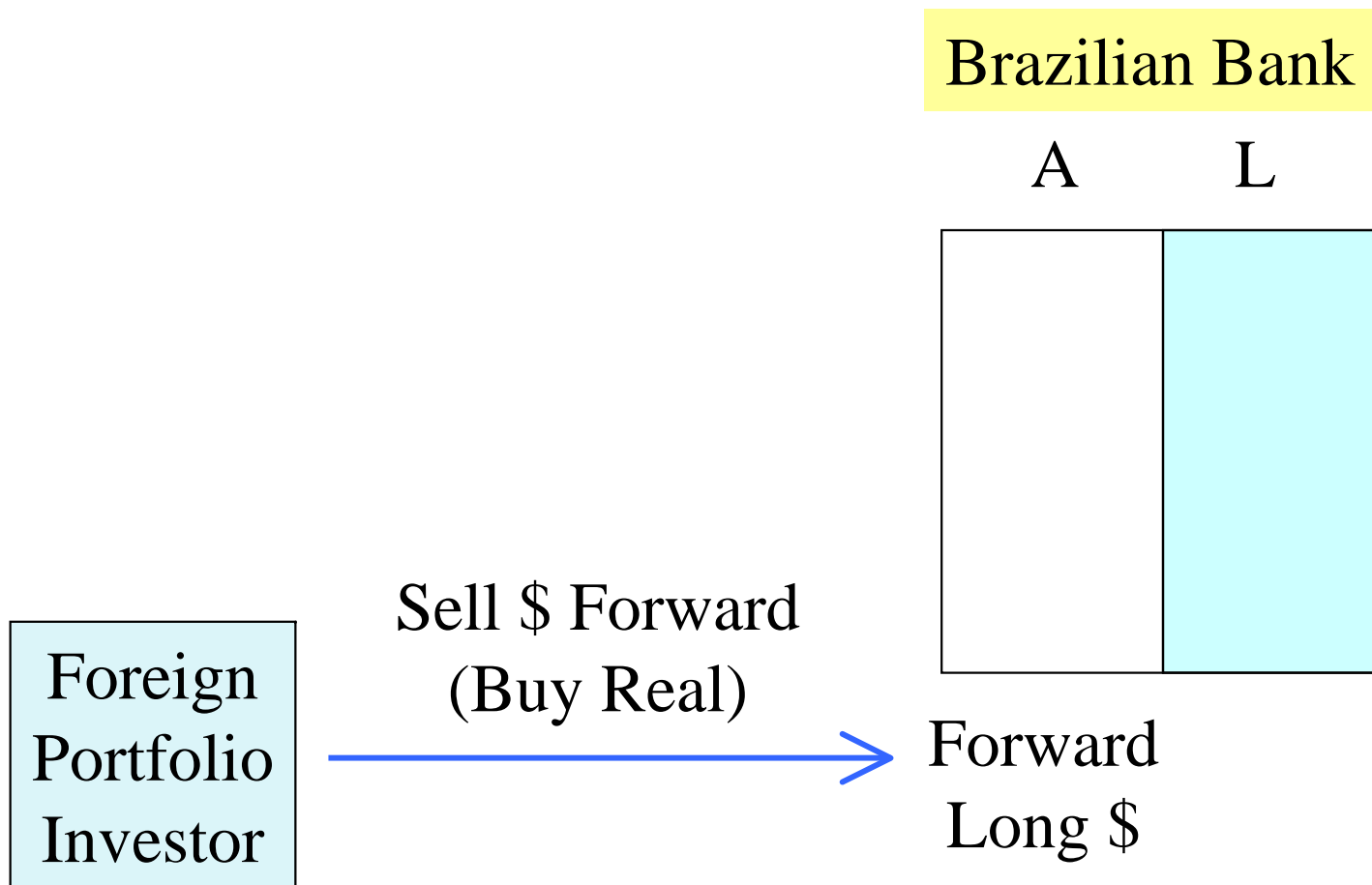
Long-dated \$
receivables



Forward
Long \$

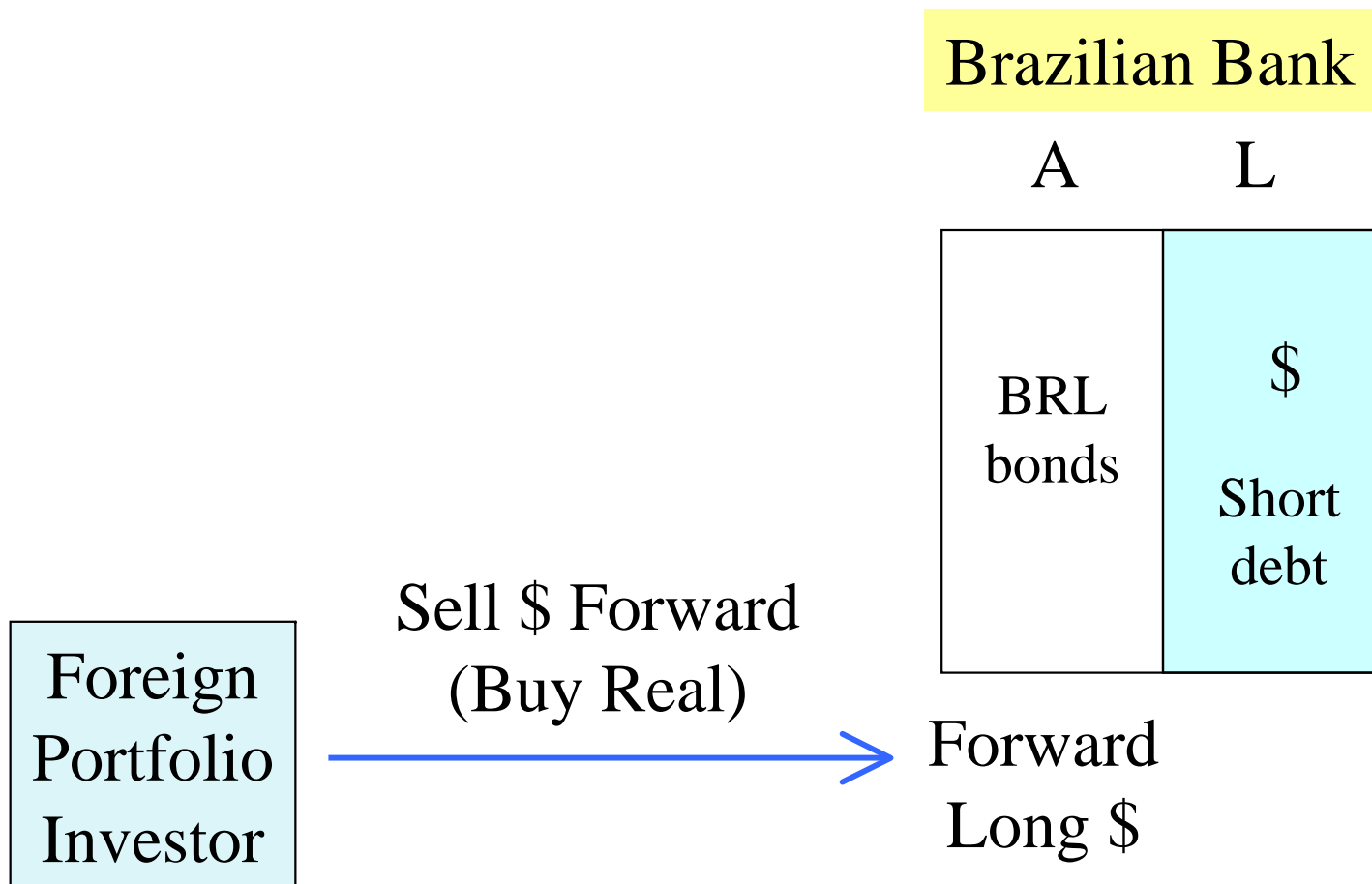
Case of Brazil:

Hedging the Circumvention of Tax on Transactions (IOF)



Case of Brazil:

Hedging the Circumvention of Tax on Transactions (IOF)



Case of Brazil:

Hedging the Circumvention of Tax on Transactions (IOF)

No currency mismatch
but maturity mismatch,
vulnerable to
deleveraging

Brazilian Bank

A L

BRL bonds	\$ Short debt
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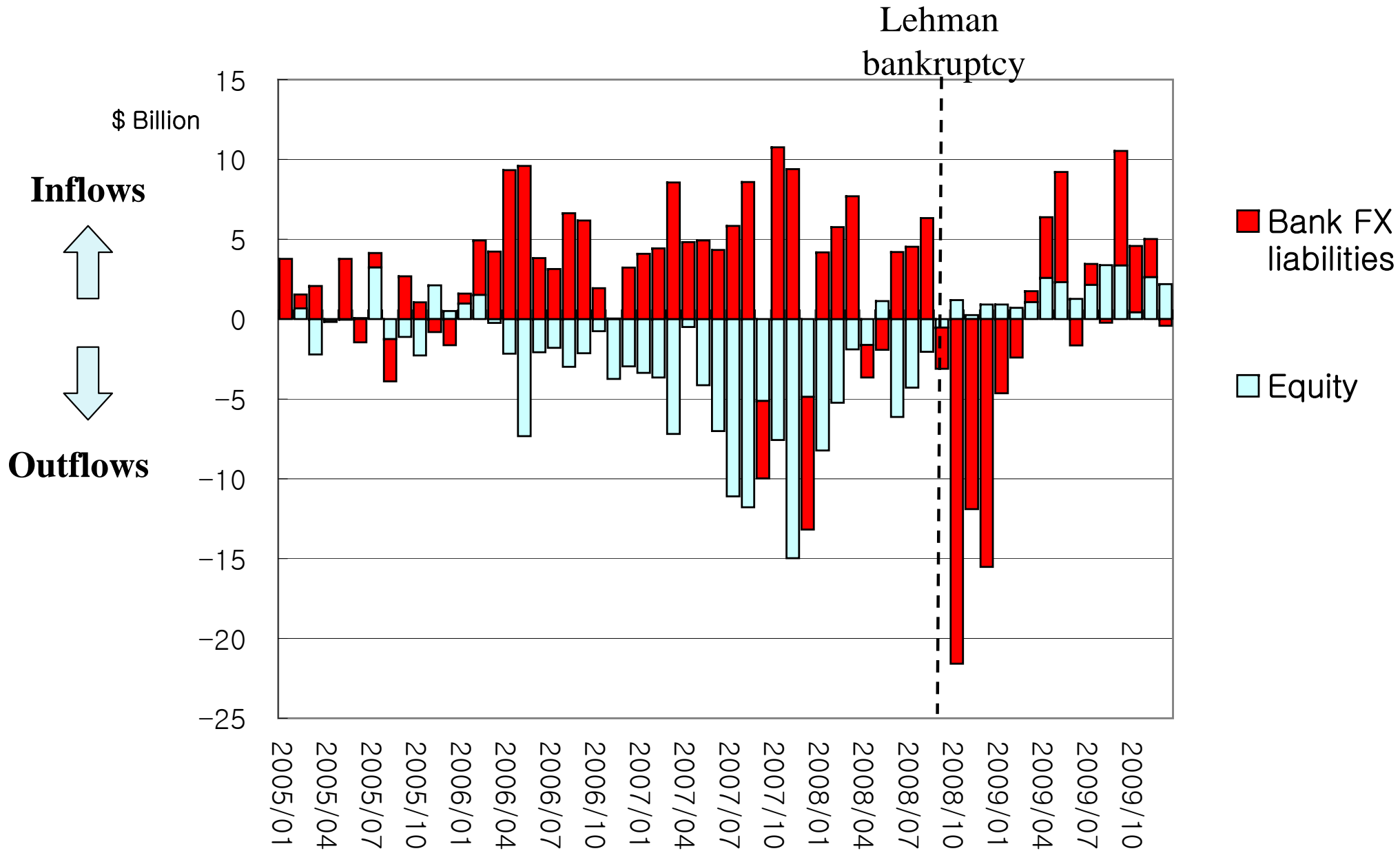
Foreign
Portfolio
Investor

Sell \$ Forward
(Buy Real)



Forward
Long \$

Equity and FX Bank Liability Flows (Korea)



What's Next?

2012 = 1994?

