



Some Comments on U.S. Holdings of Emerging
Market Equities: A Security-Level Analysis

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1. Describe the data

- ◆ The security-level data are an important resource, but they may never wind up in the public domain
 - Provide sufficient summary statistics not results only specific to the maintained hypothesis
- ◆ Tell us what's missing
 - Both from the perspective of the U.S. investor and the emerging market

2. Are there one or two observations per security?

- ◆ The choice of 1997 to sample was an accident of fate
 - That may distort changes
- ◆ Emphasize the panel dimension

3. Home bias is about holding, not investing

◆ The IFC investable index may be more about investing, as it screens on

- Market size
- Liquidity

◆ Holdings may be more general,

- FDI
- Local mutual funds
- Domestic firms with EME exposure

4. May want to control using “political science” variables as well (Reinhart and Rogoff, a)

- ◆ Rule of law
- ◆ Frequency of conflict
- ◆ Debt levels
- ◆ Average level of inflation as a measure of distortion

5. Is it just the current level of controls that matter?

- ◆ Capital market reforms are the prototypical case of time inconsistency
- ◆ Argentina reformed but now discriminated
 - What happens going forward?
- ◆ This raises the issue of the endogeneity of controls

6. Could some market prices be used as instruments as well?

- ◆ Dual exchange rate premia (Reinhart and Rogoff, b)?
- ◆ Debt spreads?