

**“Comments on
‘Capital Flows and
Domestic Financial Market Structure’
By Linda Goldberg, Signe Krogstrup”**

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Synopsis

Global Risk Response index

VIX, exchange market pressures

+ve, safe haven currency

VIX: Global risk indicator; Driver of capital flow

EMP: “Impacts” of capital flows; Weighted average

Determinants of GRR

Capital flows initiated by domestic residents

Components

SMPL period

1987-2015

non-overlapping 5-years window

Main results (so far)

Safe haven status – time varying

PA effect; positive

Other Bank Assets; negative (earlier version positive(?))

Other components; sensitive to specification

Comments and Suggestions

Interpretation

GRR – correlation (VIX, EMP)

Its determinants

Selected asset items from the IIP

Currency valuation effect

Re-investment (?)

Effects of liabilities

Capital flow initiated by overseas residents

Relative size, relative variability

Data

GFPA/GDP – scaled by the US variable

Should others (PA/TPFA) be scaled?

Reserves – excluded gold

GDP, monetary base data – annual

Capital controls – Inflows vs outflows

EU countries

Countries that joined the euro are not included
(time effects)

Countries in 1999 are not individually included

Panel Regression

LHS – GRR (5-years); RHS – lagged, annual

Dynamic panel?

Estimated time effects: annual data?

Other Comments

Sovereign wealth funds

International financial centers

Sources of Global Risk Perceptions

Official vs illicit flows

Globalization

Work in Progress

Typos, mis-labelling,...

Conceptual framework

Have to be developed

Further analyses

Aggregate, component effects

Control variables

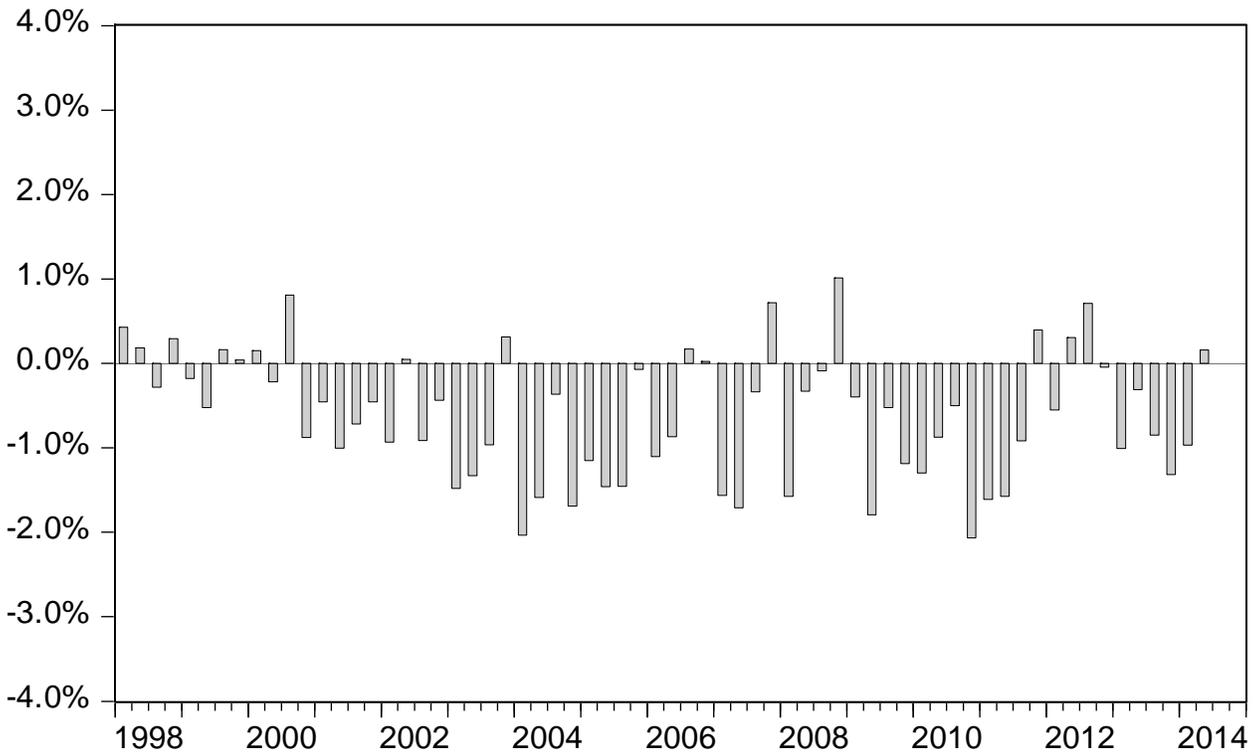
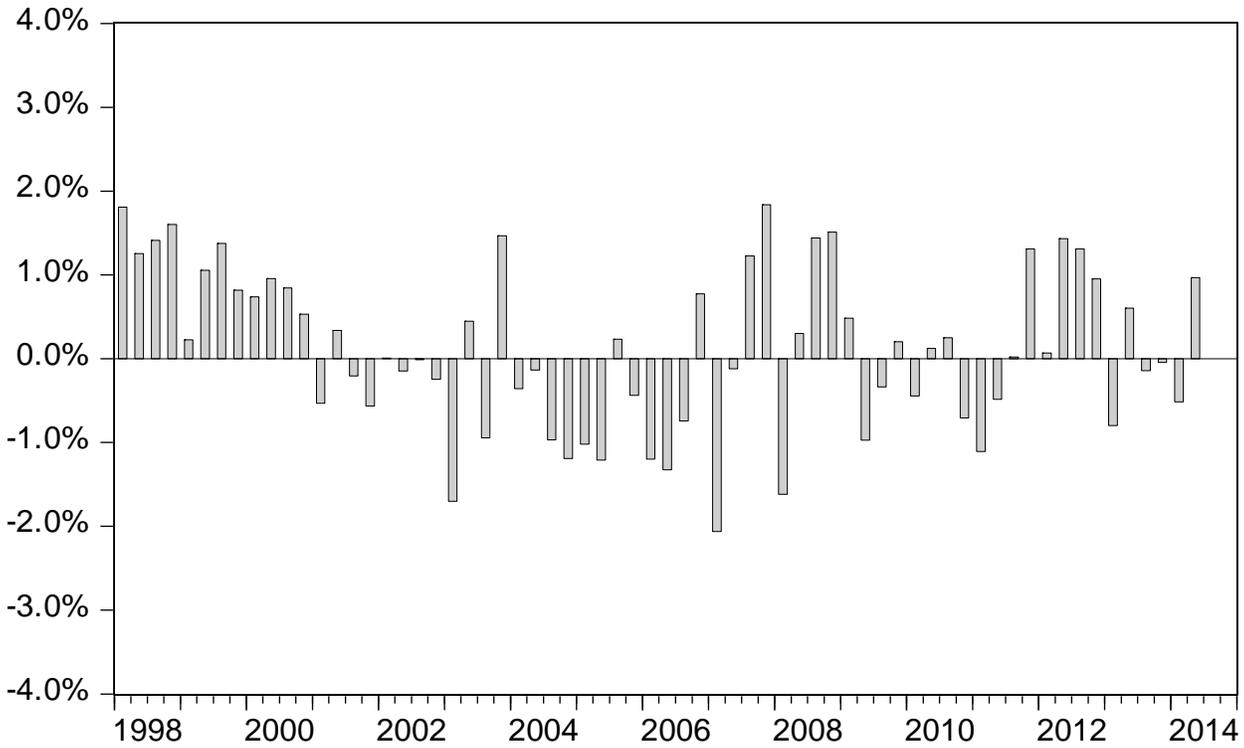
Overall

A very promising paper

Alternative perspective on
capital flow and global risk aversion

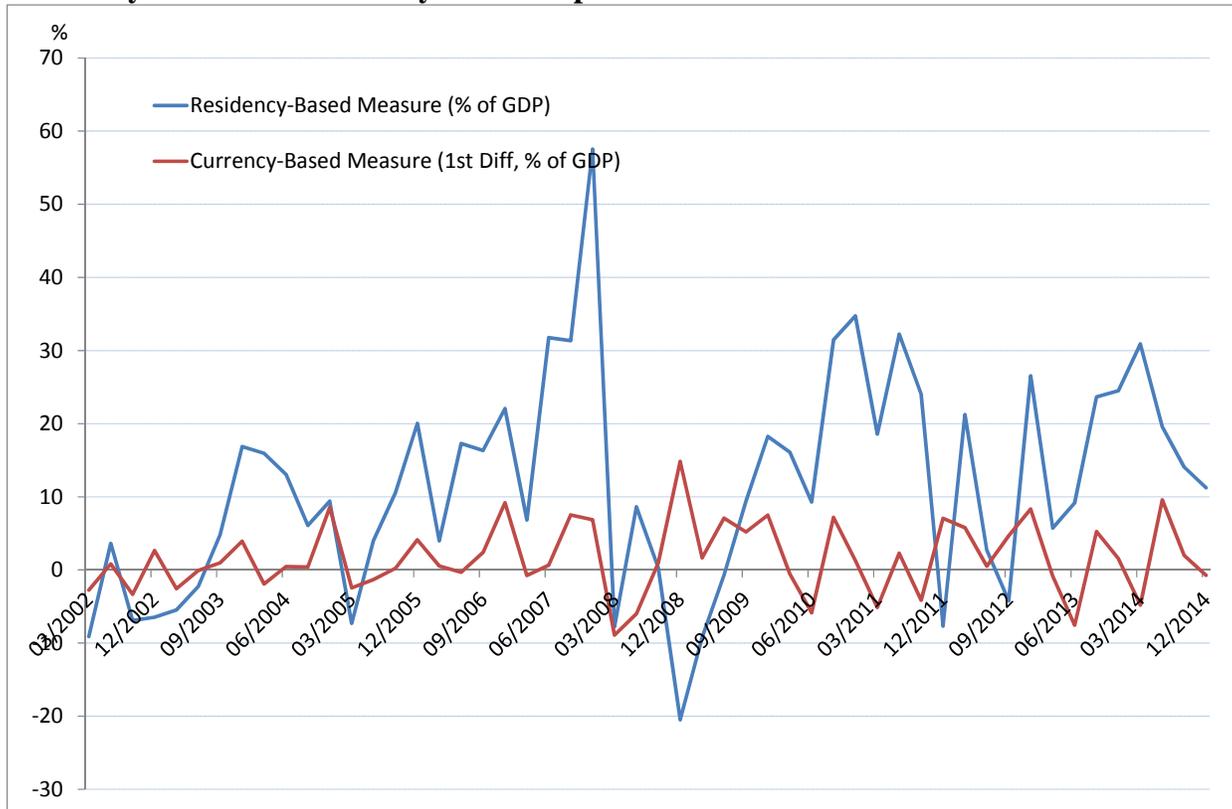
Looking forward to reading the full version of the paper

Capital Flight and Official Flows: China

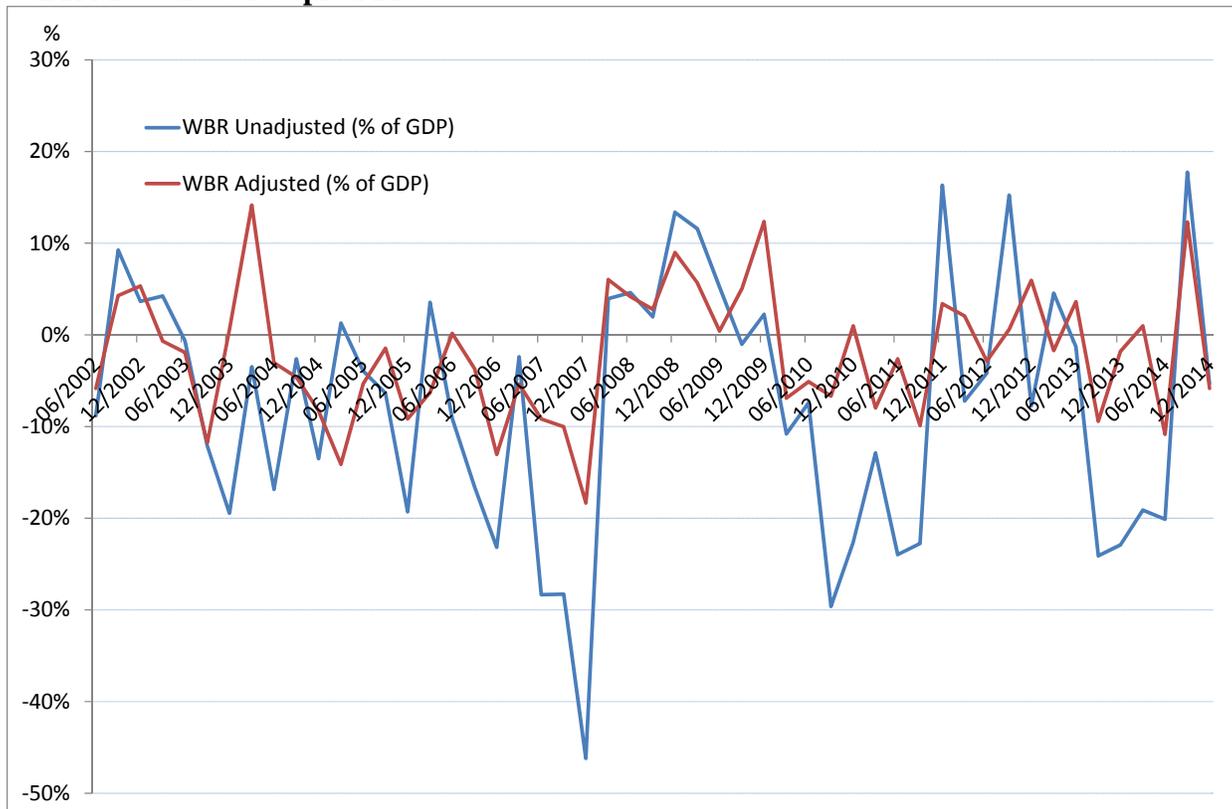


Official and Illicit Flows: Hong Kong

Residency-Based and Currency-Based Capital Flows



WBR Measures of Capital Flow



Selected NIIP/GDP

(https://en.wikipedia.org/wiki/Net_international_investment_position#cite_note-23)

Country	Date	NIIP in % GDP
<u>Hong Kong</u>	2014	284
<u>Singapore</u>	2014	182
<u>Norway</u>	2014	170.9
<u>Taiwan</u>	2010	153.3
<u>Switzerland</u>	2014	119.6
<u>Saudi Arabia</u>	2014	106.6
<u>Japan</u>	2014	74.8
<u>Netherlands</u>	2014	64.3
<u>Belgium</u>	2014	49.7
<u>Malta</u>	2014	44.5
<u>Luxembourg</u>	2014	42
<u>Denmark</u>	2013	38.5
<u>Germany</u>	2014	36.4
<u>Venezuela</u>	2014	30.5
<u>Israel</u>	2014	21.3
<u>People's Republic of China</u>	2014	17.1
<u>Russia</u>	2014	16.7
<u>Argentina</u>	2014	14.2
<u>Nigeria</u>	2014	10.6
<u>South Korea</u>	2015	9.5
<u>Canada</u>	2014	6.9
<u>Austria</u>	2014	2.6
<u>Finland</u>	2014	0.4