

Comments on “Ferrando, Popov and Udell (2015) Sovereign Stress, Unconventional Monetary Policy, and SME Access to Finance”

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15 June 2015 RIETI

Summary of the paper

- I enjoy reading this nice paper.
- The EU sovereign crisis is a natural experiment to examine the transmissions of the crisis as well as the subsequent nonconventional monetary policy OMT
- Negative effect of the crisis and positive effect of the OMT on SME Access to Finance
- Japan should learn lessons from the Greece experience
- It's very timing to figure out a new BIS regulation on sovereign bond holdings of banks: interest rate risk in addition to sovereign risk

Comment 1

Undoubtedly, yields on government bonds declined dramatically, in particular for debt issued by stressed countries. However, it seems difficult to isolate the immediate impact of the OMT program from long-run impacts of pre OMT “treatments”. The OMT program overlapped with the first bailout program by European Commission, Europe Central Bank and International Monetary Fund throughout May 2010 until June 2013 and the second bailout program until December 2014. None of the euro area economies had activated the OMT program and thus the OMT is like a kind of Verbal Intervention. Would the OMT have worked without the Troika bailouts for Greece pre OMT?

Comment 2

Detailed information on the degree of sovereign debt crisis: premiums of EU sovereign bonds, differences among stressed countries, real haircut rate of Greek sovereign bonds, e.g. yields on 10-year government bonds for the six countries (page 12) and include them to independent variable in probit regressions.

Comment 3

It would be more informative to provide haircut rates in stress tests, eligibility and haircut rates for ECB collateral, haircut rates of sovereign bond by country in interbank markets, premiums by country in interbank market (e.g. Japan premium in the late 1990s) and bank stock prices in addition to Table 3 and then to include Haircut \times Bank Insolvency in difference-in-differences estimates as an alternative of cost of lending to identify the channel of transmission of sovereign crisis and so on.

Comment 4

“Germany is a special case” vs. “Lack of financial stability impairs the transmission of unconventional monetary policy (e.g. Acharya, Imbierwicz, steffen and Techiman, 2015)”: Bank health x Post_OMT instead of Stressed x Post_OMT while controlling for the largest ECB refinancing operation in December 2011 and March 2012 (footnote 20). Or comparing German (control group) with Greece (treated group) may have some new findings.

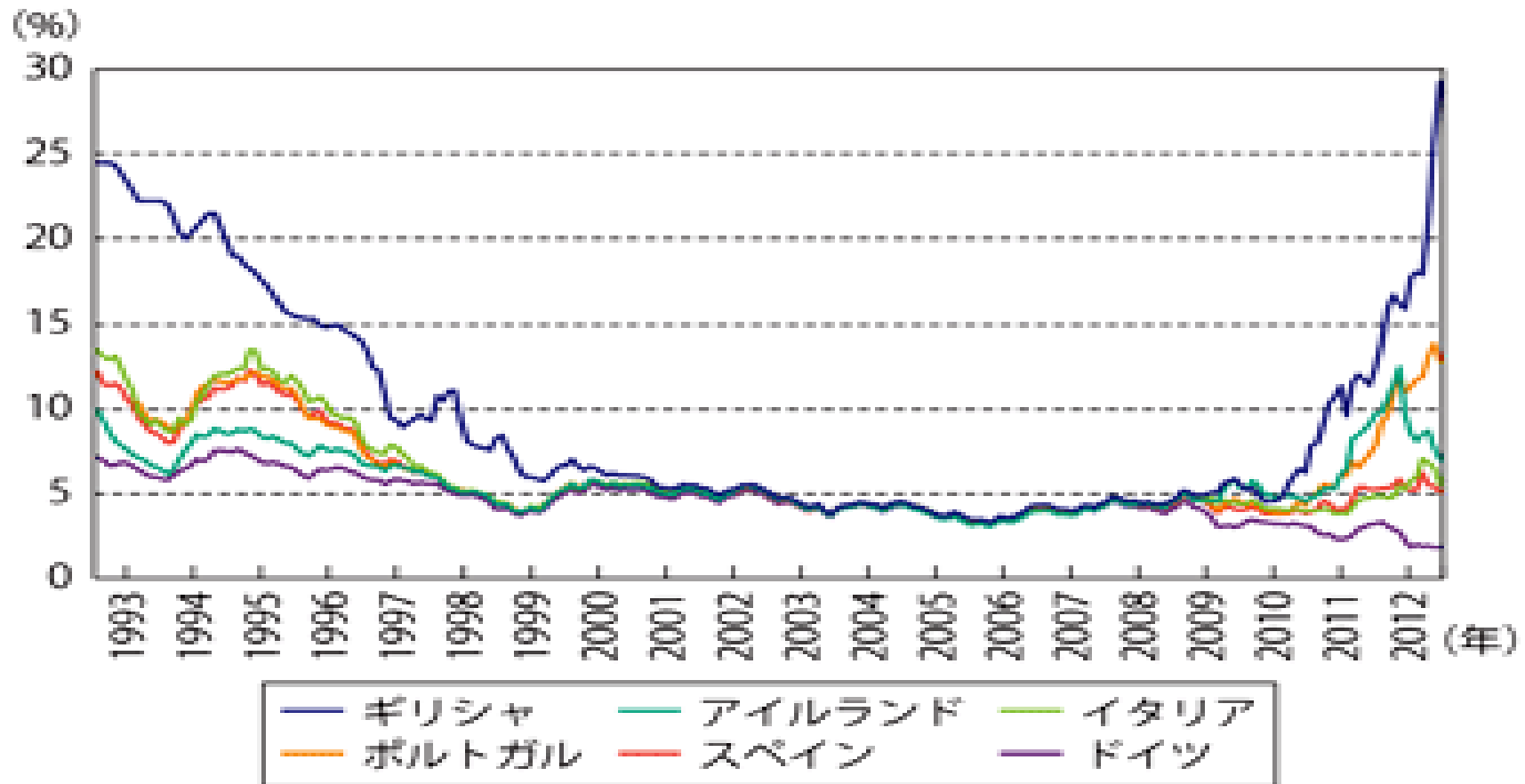
Comment 5

SME Access to Finance might depend on the presence of foreign bank branches in stressed countries and so on. The “flight home” effect is the result that foreign banks’ lending was more sensitive to private information after the sovereign crisis. It is also related to identification of supply shock (e.g. Peek and Rosengren, 1997). Check the validity of Stressed \times Post after controlling for aggregated share of foreign banks from non-stressed countries and so on.

Comment 6

Standard errors can cluster by country and cluster by time and use two way cluster regressions.

It's not a crisis in 1993. Why now?



備考：利回りの月間の平均値。
資料：ECB から作成。

Comment 7

Historically, the yield rates of Greece government bonds were as high as the real yield rates during the crisis in 1993. Neither bailout nor OMT but everything was going well in 1993. High yield rates in financial markets imposed constraints on public expenditures of Greece. But the yield rates had been distorted after the birth of euro. For the mispriced low yield rates on Greece government bonds, Greece was able to take advantage and bank capital in euro area economies was over valued. As results, banks in stressed countries over-expanded and the SMEs in stressed countries over-borrowed. The crisis is merely the correction. ECB is doing a great job temporally to prevent banks continuing zombie lending. But ECB needs to figure out how to let yield rates on Greece Government bonds to go up. The history tells us it normal for a 25% yield rate or higher.