

LUMIA

8 Mythes sur la Globalisation des marchés de capitaux

LUMIA OCTOBRE 2020
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www.developingfinance.org

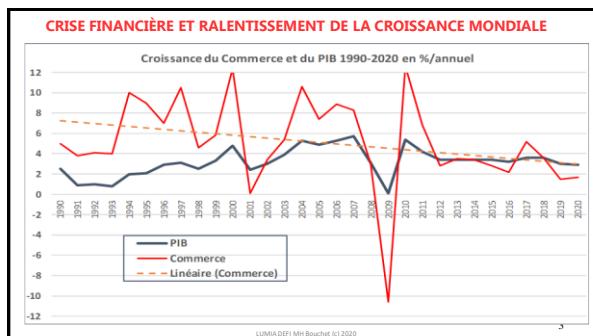
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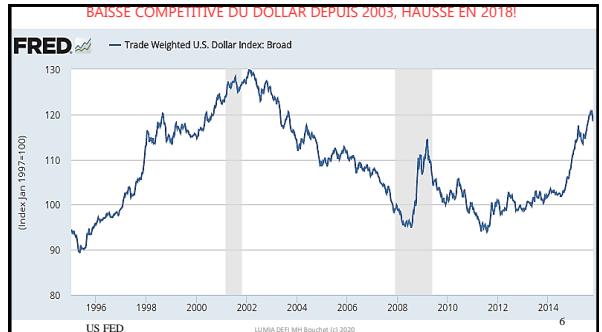
LES SIX LEÇONS DE LA CRISE FINANCIÈRE GLOBALE

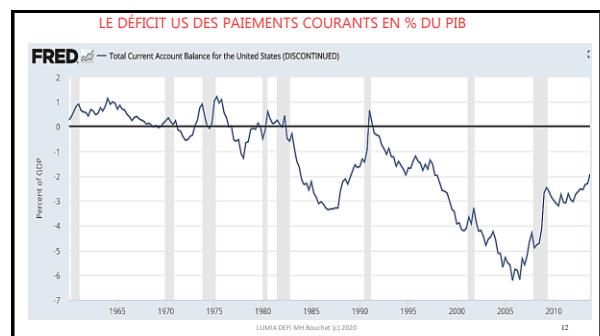
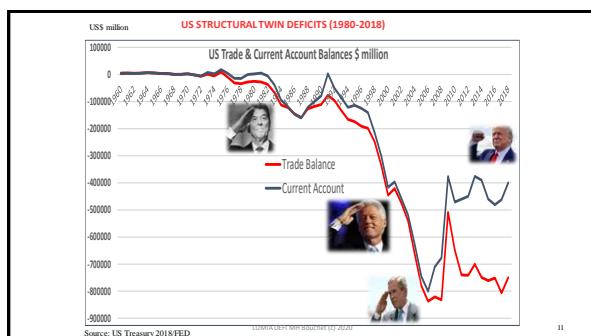
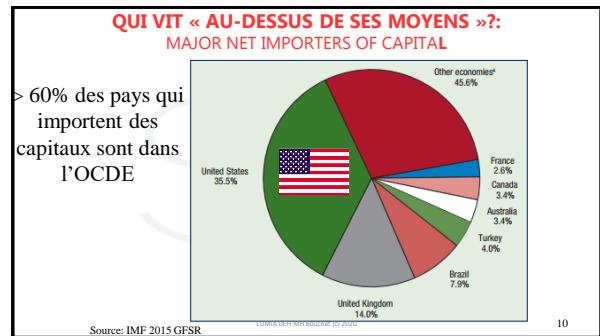
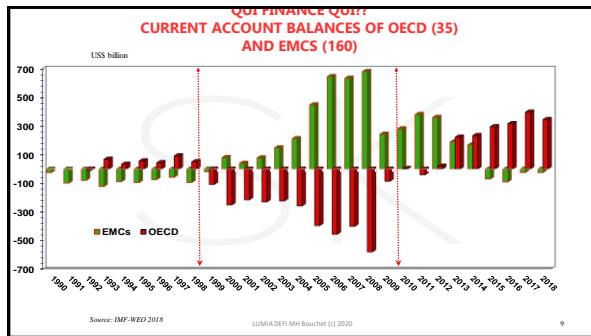
1. Les banques centrales et la politique monétaire « asymétrique »: rendements décroissants des injections de liquidités et des taux zéro
2. Les marchés: faible volatilité et rebond depuis 2009 propulsé par des liquidités abondantes et à taux bas: recherche de rendement sans évaluation objective des risques: forte volatilité et menace de bulle fin 2019?
3. Les pays émergents: dépendance des matières premières et crainte d'un *flight to quality* avec le resserrement monétaire du FED et BCE
4. Les pays « développés »: crainte de « trappe à liquidité » et de déflation prolongée: reprise globale anémique, asynchrone et incertaine (UE)
5. Les banques: recapitalisées avec de l'argent public, mais plus concentrées et plus indépendantes que jamais
6. Le FMI: une gouvernance obsolète et remise en question par les BRICS: pas de pilote dans l'avion?

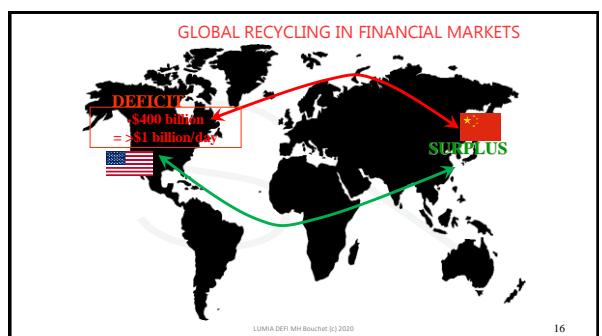
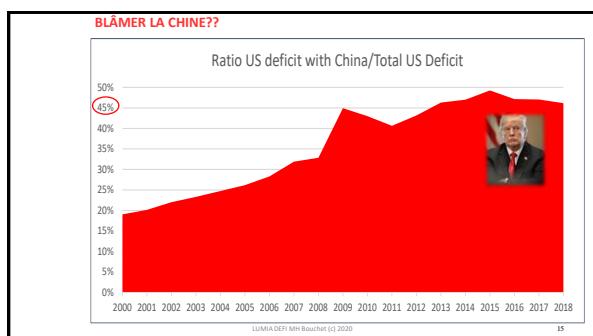
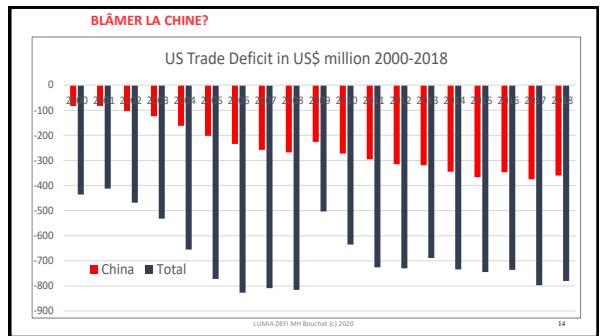
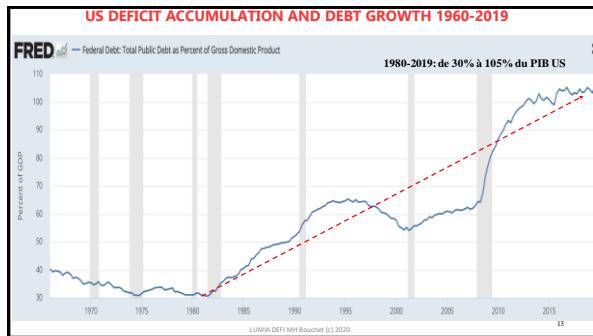
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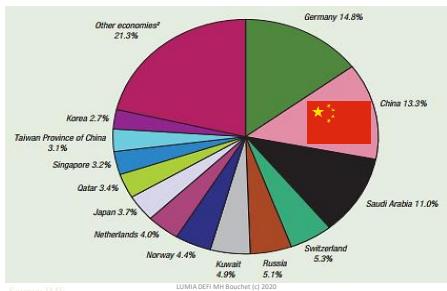




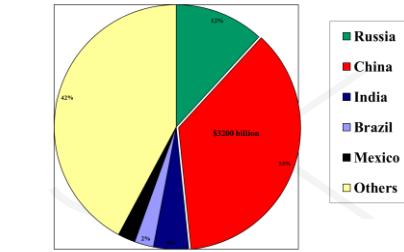




PAYS A EXCES D'EPARGNE = EXPORTATEURS NETS DE CAPITAL

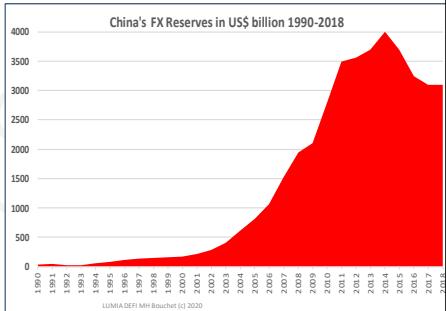


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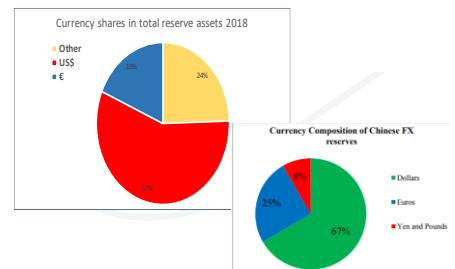
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HAUSSE ET DÉCLIN DES RÉSERVES OFFICIELLES DE LA CHINE 1990-2018



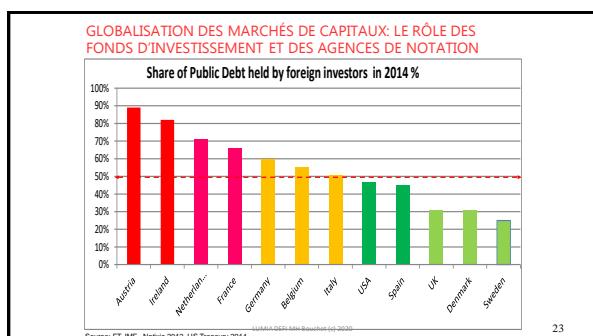
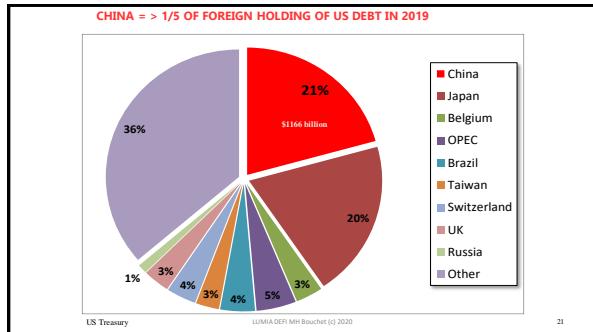
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THE SHRINKING SHARE OF DOLLAR HOLDINGS ?



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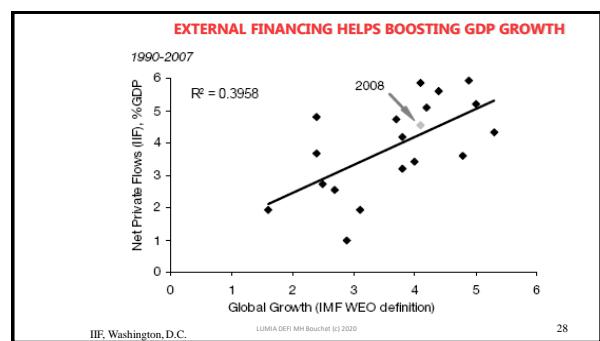
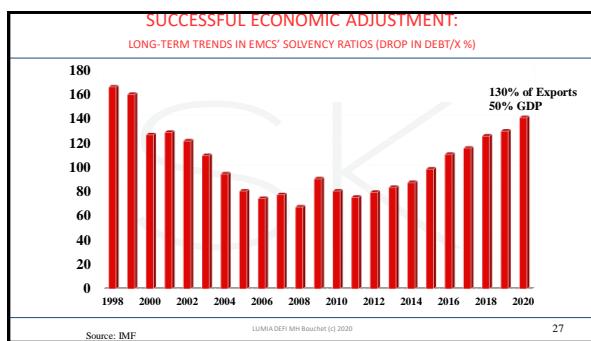
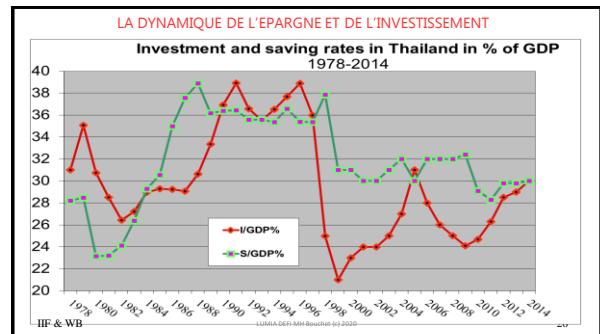
MYTHE 2. LES CRISES DE DETTE SONT LE PRODUIT D'UNE CROISSANCE VOLATILE DES PAYS ÉMERGENTS ?

► The push-pull forces of Global capital flows

Les flux de capitaux financent les pays développés de l'OCDE en déficit et non pas les pays en développement à forts besoins d'investissement de long-terme

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MYTH 3: LES CRISES DE DETTE SE DÉCLENCHENT LORSQUE LES RATIOS DE DETTE ATTEIGNENT UN SEUIL INSOUTENABLE (BOILING POINT!)



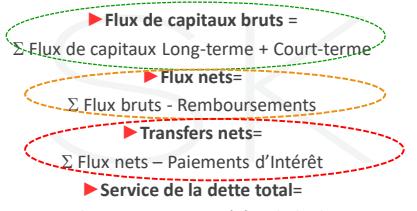
- ▶ **Facts:** Indebtedness is a key ingredient of socio-economic development process (in both developed and developing economies) to close the I/S gap
- ▶ The key issue is whether the indebtedness process generates mismatch between maturity profile of debt flows and of investment projects, as well as between interest rate and rate of return!
- ▶ Questionable: Reinhart and Rogoff (2009) have empirically established that a developed economy cannot manage public debt > 90 % of GDP; that ceiling is at 60 % for EMCs
- ▶ Role-clé de la structure de dette!

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LES DÉCLENCEURS D'UNE CRISE DE LIQUIDITÉ?

FLUX BRUTS ET FLUX NETS



▶ Flux de capitaux bruts =
 Σ Flux de capitaux Long-terme + Court-terme

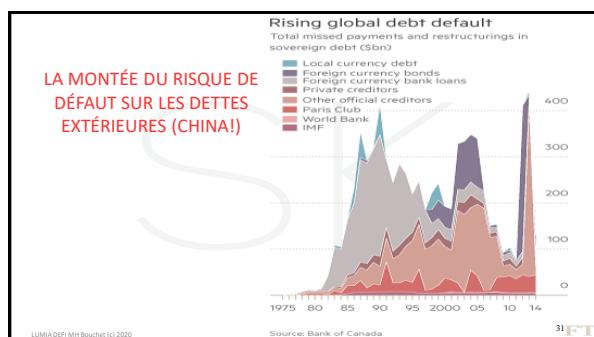
▶ Flux nets =
 Σ Flux bruts - Remboursements

▶ Transfers nets =
 Σ Flux nets - Paiements d'Intérêt

▶ Service de la dette total =
 Σ Remboursements + Intérêts de la dette

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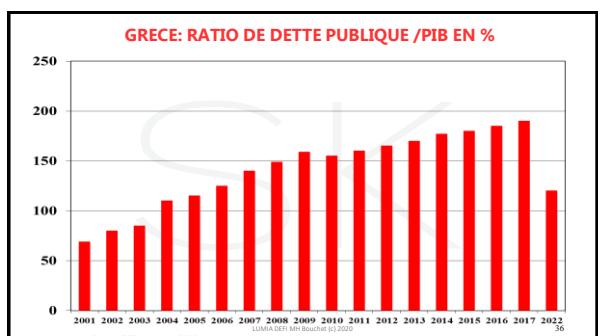
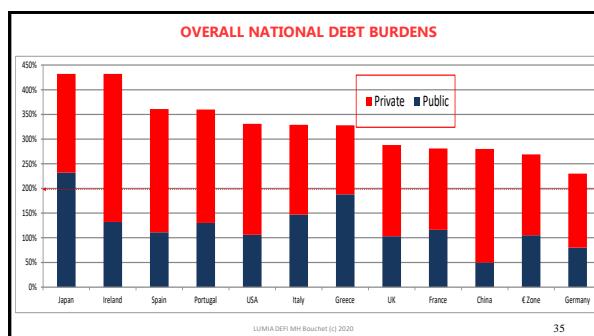
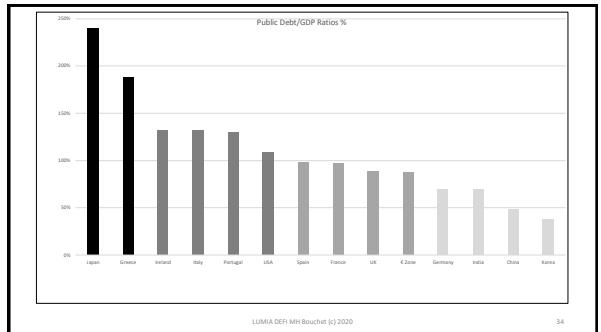
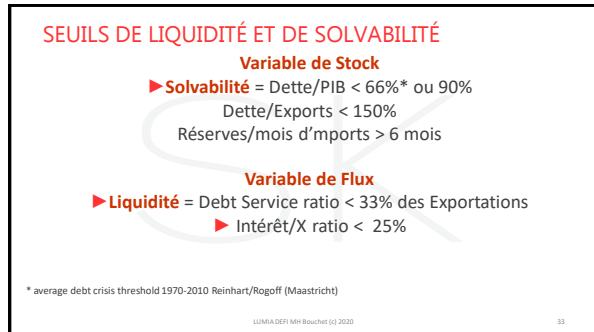


EXTERNAL DEBT ANALYSIS: THE DUAL FACE OF COUNTRY RISK

Risque de liquidité FLUX	Risque de solvabilité STOCKS
<ul style="list-style-type: none"> ▶ Debt Service Ratio: $(P+I)/X$ ▶ Interest Ratio (I/X) ▶ Current account/GDP ▶ Growth rate of exports/ Average external interest rate 	<ul style="list-style-type: none"> ▶ Debt/Export ratio ▶ Debt/GDP ratio ▶ Debt/Reserves ▶ ST Debt/Total Debt ▶ ST Debt/Reserves ▶ Reserve/Import ratio

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MYTHE 4: LES FLUX DE CAPITAUX VERS LES PAYS ÉMERGENTS SONT D'ORIGINE PUBLIQUE (IFI + CLUB DE PARIS) ?

► **Facts:** Official net capital flows to EMCs are close to zero (6% of total net flows). External financing comes from **private** creditors, mainly FDI and capital markets, i.e., bonds

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SOURCES DE FINANCEMENT EXTERNE

Officiel (bilatéral + multilatéral)

- Club de Paris (government to government credits)
- Export insurance credit (Coface)
- IFIs
- RDBs
- Debt cancellation

Prive

- FDI
- Portfolio Investment
- London Club (international bank loans)
- Working capital lines
- ST Trade credits
- Bonds & International debt securities
- Arrears and rescheduling

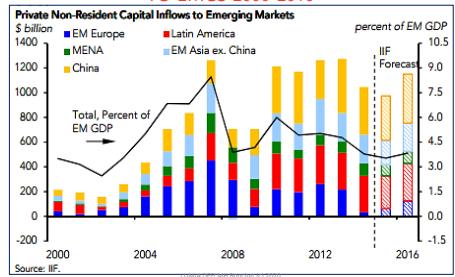
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Emerging Market Economies: Capital Flows \$ billion				
	2012	2013	2014	2015
Capital Inflows				
Total Inflows, Net	1269	1188	1079	1164
Private Inflows, Net				
Equity Investment, Net	1232	1156	1032	1112
Direct Investment, Net	668	626	657	675
Portfolio Investment, Net	545	548	540	560
Private Creditors, Net	124	78	117	114
Commercial Banks, Net	95	53	975	437
Nonbanks, Net	118	193	124	151
Official Inflows, Net	37	32	47	53
International Financial Institutions	5	-3	19	27
Bilateral Creditors	31	35	28	25
Memos:				
Net Errors and Omissions	-246	-65	0	0
Current Account Balance	276	236	269	174

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THE RISE AND FALL OF PRIVATE CAPITAL FLOWS TO EMCs 2000-2016



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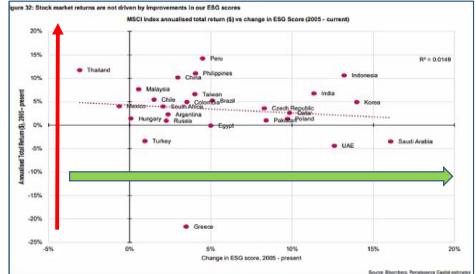
MYTHE 5: LES FLUX DE CAPITAUX SONT UNE SOURCE-CLÉ DE FINANCEMENT DES PAYS ÉMERGENTS ET SE DIRIGENT VERS LES PAYS À « BONNE GOUVERNANCE »

- ▶ **Fait:** bien que les pays émergents restent des investissements-cibles, la majorité des flux vont vers les 34 pays développés (>46%)
- ▶ Pas de corrélation entre Investissement socialement responsable et performance
- ▶ Pas de corrélation entre flux publics et bonne gouvernance dans les pays émergents!

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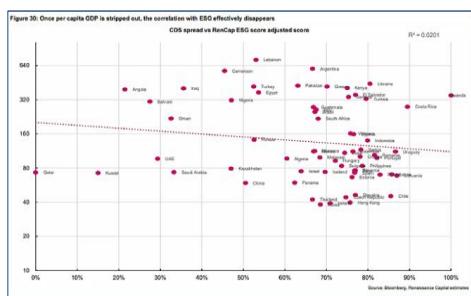
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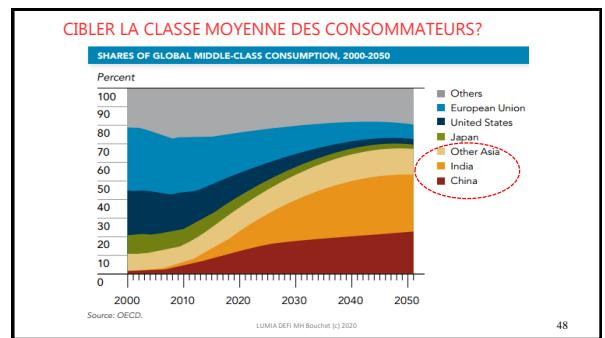
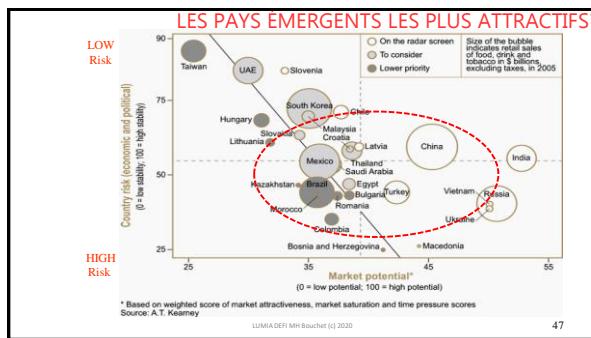
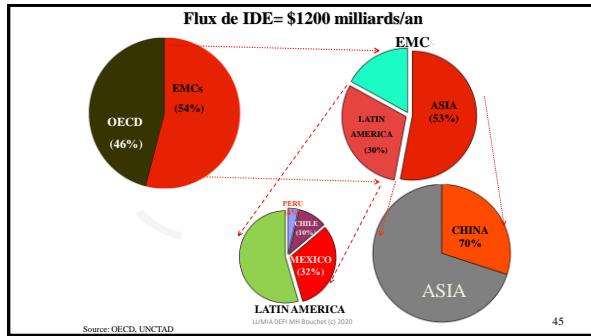
PAS DE CORRÉLATION ENTRE PERFORMANCE DU MARCHÉ BOURSIER ET CRITÈRES DE GOUVERNANCE



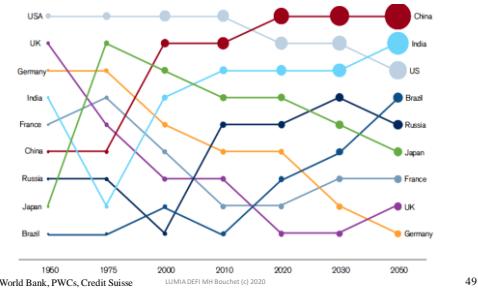
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PAS DE CORRÉLATION ENTRE CDS ET CRITÈRES DE BONNE GOUVERNANCE





LE TOP DU PIB 1950-2050



World Bank, PWCs, Credit Suisse LUMIA DEFI MH Bouchet (c) 2020 49

MYTHE 6: LES AGENCES DE NOTATION ÉVALUENT LE PRIX DU RISQUE ET SONT SOURCES D'IE ET D'INDICATEURS AVANCÉS DE VOLATILITÉ?

► **Facts:** Rating agencies such as S&Ps, Moody's and Fitch systematically missed the train. Short-sightedness added a model risk to market risk and country risk, hence no early warning signals!

► See: Bouchet, Clark & Grosjean: Wiley NY, 2005.
► <http://www.cfr.org/united-states/credit-rating-controversy/p22328>

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LE MONOPOLE DES 3 AGENCES DE NOTATION?

- S&Ps (1860)
- Moody's (1909) 40% market share
- Fitch IBCA (1913)
- COFACE (1946)
- Dagong Credit Rating Co (1994)
- Euler-Hermes
- INCRA?

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POURQUOI SE MÉFIER DES AGENCES DE NOTATION?

7 Critiques

1. Opacité des modèles de prévision
2. Conflit d'intérêt
3. Conformité et biais socioculturel
4. Pénalisation des firmes ou des pays sans rating
5. Biais pro cyclique
6. Peu d'anticipation
7. Effet de contagion!

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RATINGS = INDICATEURS AVANCÉS DE RISQUE?

- South Korea was rated as Italy and Sweden until as October of 1997! But has been downgraded abruptly to junk bond status during the 1998 crisis
- « *There were no early warnings about Korea from us or, to the best of our knowledge, from other market participants and our customers should expect a better job from us* »

FICHT IBCA January 14, 1998

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RATINGS AND THE US SUBPRIME MORTGAGE-BACKED SECURITIES MARKET

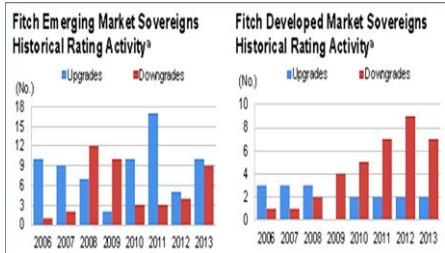
- Rating agencies kept a AAA rating for debts whose collateral was rapidly deteriorating!
- Ratings agencies failed to warn investors about the risk of complex financial instruments: In 2007, as housing prices began to tumble, Moody's **downgraded 83%** of the \$870 billion in mortgage securities it had rated at the AAA level in 2006.
- Summer 2013: the US SEC accused former Goldman Sachs trader Fabrice Tourre of misleading investors in a crisis-era deal that cost them \$1 billion

CHALLENGE: HOW MEASURING LIQUIDITY AND MARKET VALUE RISK?

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MYOPIE, CORRECTION, ET SUR-RÉACTION



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Les IDE en RUSSIA basés sur les ressources d'hydrocarbures .. et en dépit de notations médiocres et malgré la fuite des capitaux !

Economic Freedom	139 / 177	Heritage Foundation
HDI	67 / 177	UNDP
Ease of Doing Business	92 / 185	World Bank
Credit Rating	B	Coface
Credit Rating	BBB	Fitch
Country risk	158 / 209	OECD
Global Competitive Index	53 / 148	World Economic Forum
Opacity Index	46 / 59	PricewaterhouseCoopers
Corruption Index	127 / 174	Transparency International

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MYTHE 7: LE DÉCLIN IMMINENT DU DOLLAR DANS LE SMI?



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LES DEVISES GLOBALES?

- ▶ Devise globale: utilisée par non-résidents comme moyen de paiement, unité de compte et réserve de valeur

4 facteurs:

1. Importance du pays dans le PIB global (RU XIX* et USA XX*)
2. Stabilité macroéconomique
3. Développement du marché financier (liquidité)
4. Externalités: coûts de transaction

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PRINCIPALES FONCTIONS D'UNE DEVISE GLOBALE

Fonctions	Agents privés	Banques centrales
Unit of account	Invoicing international trade	Reference for other currency pegging
Means of payments	Payments of debts, liabilities and transactions	FX markets intervention
Store of value	Investment currency	Storing/Holding of official reserve assets

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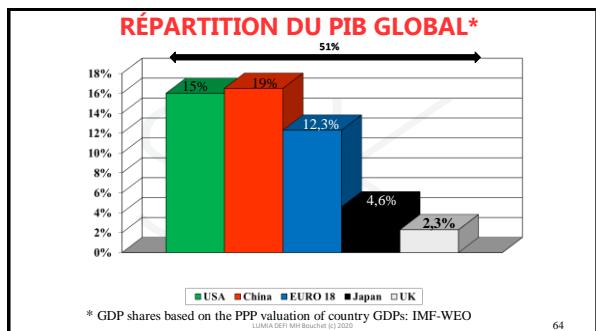
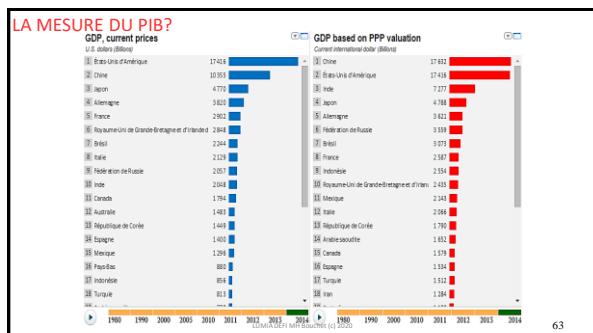
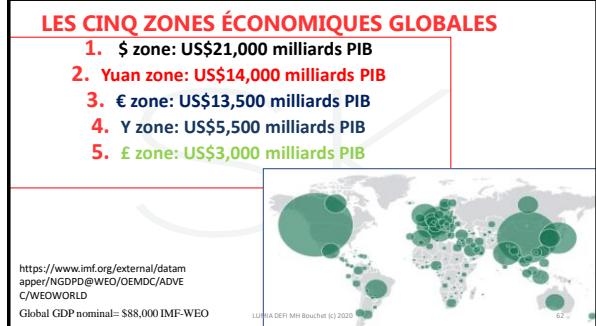
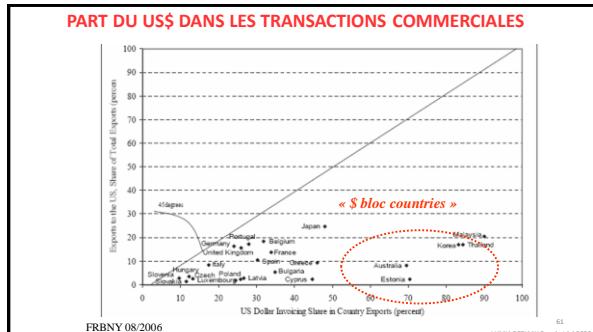
US\$: UNE MONNAIE DE TRANSACTION GLOBALE

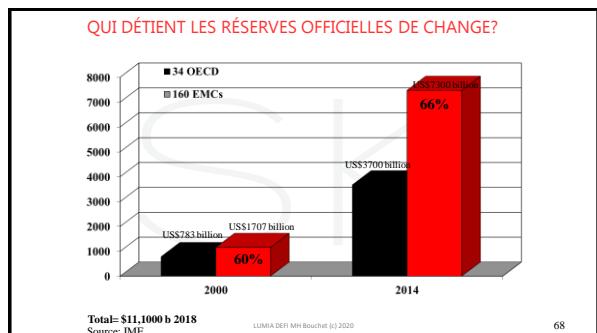
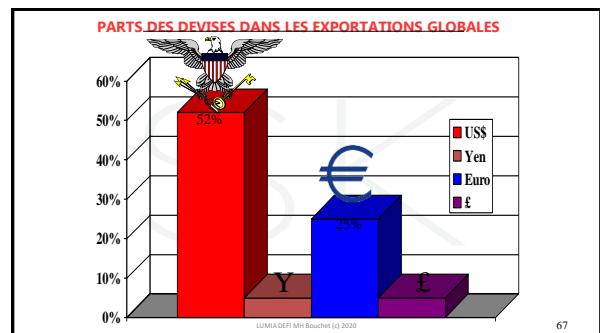
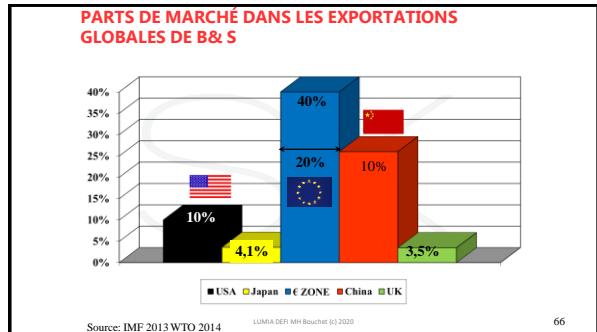
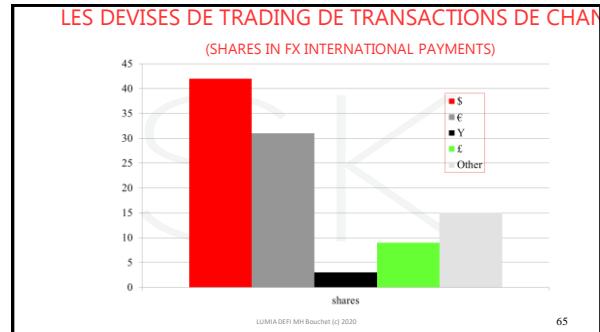
- ▶ Le dollar conserve un rôle clé du fait de :
1. Prépondérance macroéconomique des USA
 2. Rôle des « dollar bloc countries » en Asie
 3. Coûts bas de transaction et liquidité
 4. Importance du dollar comme monnaie de dénomination (pétrole, café, cuivre, or)
 5. Rôle des marchés d'eurodevises

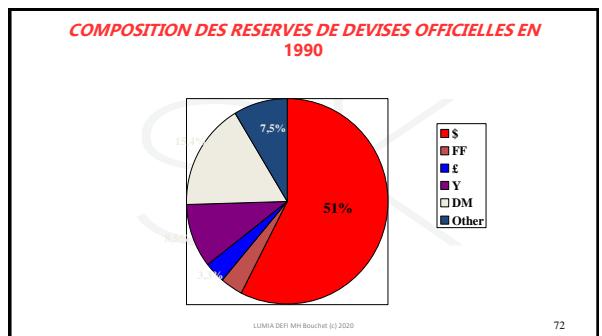
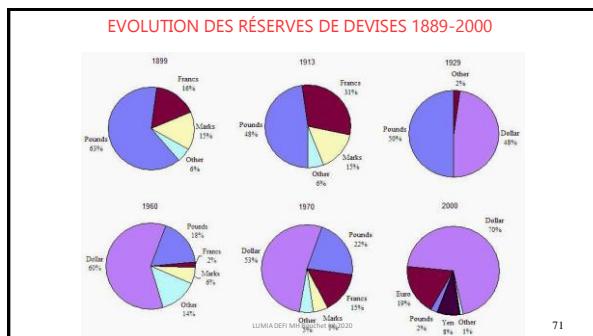
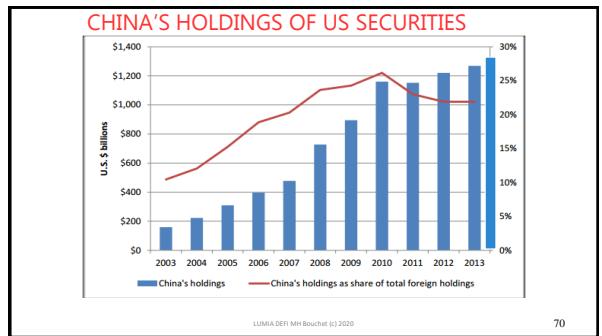
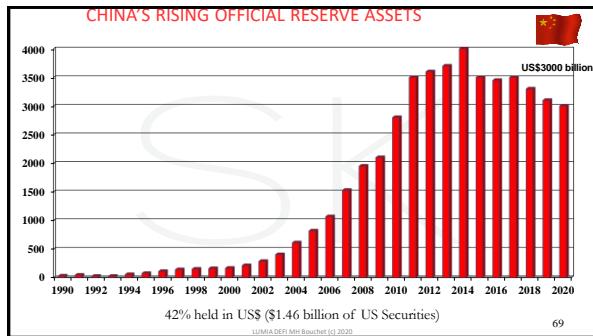
Source: FRBNY n° 255, 08/2006

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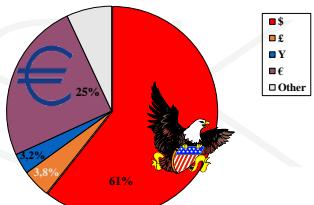
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COMPOSITION DES RESERVES DE DEVISE OFFICIELLES EN 2020



Source: IMF-

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MYTHE 8. UNE GOUVERNANCE GLOBALE ÉMERGE GRÂCE AUX INSTITUTIONS MULTILATÉRALES (ET À LA CRISE!)

- ▶ Political system is nation-based while the market economy is globalized!

Is the State doomed to death given the challenge of free-market forces and transnational flows?



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WESTPHALIE CONTRE LE MARCHÉ!



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LA REGULATION GLOBALE

- ▶ BIS (1933) & “Basel I-II-III”
- ▶ IFIs (1944): IMF/World Bank: 188 countries
- ▶ OECD (1961)
- ▶ IIF (1983): 500 financial institutions
- ▶ G10-G20 & G24
- ▶ WTO (1995): 160 countries
- ▶ IOSCO (International organization for securities)
- ▶ IAS (International accounting standards)
- ▶ Financial Action Task Force
- ▶ Systemic Risk Board (2010)

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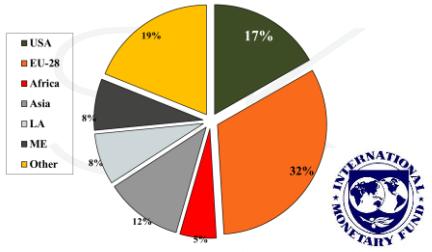
Un pilote dans l'avion???



THE IMF'S EXECUTIVE BOARD ROOM IN WASHINGTON

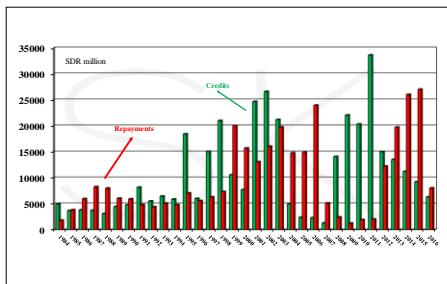
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LES DROITS DE VOTE DU FMI EN 2020



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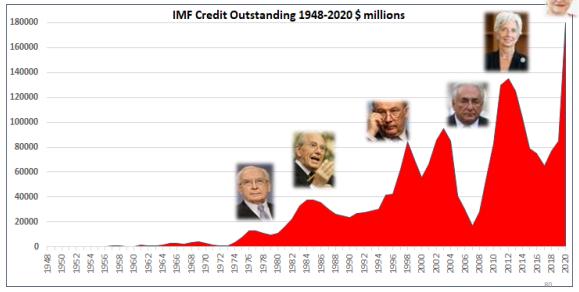
IMF DISBURSEMENTS & REPAYMENTS 1984-2017



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IMF'S FIRE-FIGHTING ROLE IN TIMES OF CRISIS



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CONCLUSION:

LA CRISE FINANCIÈRE GLOBALE ET LA PANDÉMIE N'ONT PAS « PURGÉ »
LES INCERTITUDES ET LES RISQUES DE VOLATILITÉ?

1. Incertitude sur la politique monétaire accommodante aux USA
2. Risque de déphasage des politiques monétaires Zone-€/ US et RU
3. Incertitude sur la reprise économique globale
4. Incertitude sur la croissance chinoise et le *shadow banking*
5. Incertitude sur la capitalisation bancaire
6. Incertitude sur les pays émergents et leur taux de change
7. Incertitude sur l'impact inflationniste du QE
8. Incertitude sur le risque de crise d'endettement des pays développés quand les taux vont remonter!