

Call for Papers – 5th SUERF/UniCredit & Universities Foundation Research Prize

Current and future topics in sovereign debt markets

Deadline for Submissions 15 October 2017

Motivation:

Sovereign debt markets have undergone fundamental changes since the financial, economic and Euro Area sovereign debt crises. Sovereign debt to GDP ratios have soared as a result of massive government spending in support of financial systems and the real economy, and so far in most countries no substantial return to lower ratios is visible. Sovereign bonds have lost their previous – alleged – status as risk-free assets. The bail-in of private holders of Greek debt marked a watershed. Contagion among sovereigns became very visible during the crisis. Default by several European sovereigns was averted only by massive involvement of the Eurosystem. Central banks worldwide have become dominant players on the demand side in the context of QE, affecting both the level and slope of risk-free sovereign yield curves as well as risk premiums. The composition of private holders of sovereign debt has as a result changed markedly. The effects from eventual tapering of central bank QE on sovereign yields are uncertain. Resulting risks to, and precautionary measures to ensure, sovereign debt sustainability in some countries are so far open issues. Will public debt to GDP ratios be eventually brought back to pre-crisis levels, and how? Will highly indebted governments be able/willing to pay back outstanding debt? Is debt repudiation unavoidable in some cases? Which form might it take? The preferential treatment of sovereign debt in bank and other regulatory frameworks is under discussion. In the Euro Area, alternative schemes to pool some parts of sovereign debt in one or the other way are being discussed. Ultra-low nominal yield and the risk of future valuation losses may have changed the role and assessment of sovereign issues in institutional investors' portfolios. Ageing and its consequences for state and individual finances may affect both the supply and the demand for sovereign debt.

Content of submissions:

This call for papers invites original research – theoretical, empirical or policy-oriented – on aspects relevant for the above topic. Some examples of fields of research include:

Sovereign debt dynamics, sustainability, and link with fiscal policy

- Drivers of sovereign debt dynamics, long-term projections/scenarios across countries
- Implications from secular trends such as ageing, eventual “normalization” of nominal/real interest rate levels, fiscal policies
- Role of non-securitized, non-traded public debt
- Role of sub-sovereigns, regions, municipalities, PPP and quasi-private subsidiaries in overall public debt
- Role of, and risks from, guarantees within the public sector and from the public to the private sector

Properties and functioning of sovereign debt markets

- New theoretical and empirical insights on sovereign debt markets since the onset of the crisis
- What drives the pricing of risk, what role for contagion among issuers
- Role of rating agencies and their models
- What drives the yield curve post-crisis
- Market linkages across countries (e.g. US-euro area) – are there changes since the crisis?
- Role and behaviour of sovereign debt derivatives, rise and fall of related derivatives products based on sovereign debt, sovereign debt repo markets
- Sovereign debt markets during times of negative yields

Sovereign debt demand, portfolio and risk management of sovereign debt portfolios/asset positions

- What will drive demand for sovereign debt in the medium and long term (forecasts, scenarios)
- New trends and techniques in sovereign debt portfolio risk management
- Links between sovereign and corporate bond yields, implications for portfolio management

Sovereign debt markets and monetary policy

- Changing role of central banks in sovereign debt markets (historical perspective, outlook, etc.)
- What should be central banks' role in sovereign debt markets?
- Does monetary policy QE correct market distortions or generate them?
- How should tapering be done? How will/should central bank's future holdings of sovereign debt evolve? Optimal strategies for QE tapering?
- What role might central banks play in providing safe assets?

Sovereign debt management post-crisis

- Factors driving sovereign debt issuing over the medium to long-term
- What has changed as a result of the crisis?
- Optimal issuing strategies at the current juncture (fixed vs. variable rate, long-term versus short-term, domestic versus foreign currency etc.)
- How to cope with tapering?
- What will be new normal for sovereign debt managers in several years?

Regulatory issues

- Capital adequacy treatment of sovereign debt
- Sovereign debt restructuring schemes
- Regulatory aspects of sovereign repo markets
- Regulatory aspects of sovereign derivatives markets

Proposals to pool/bundle parts of sovereign debt issues in the Euro Area

- Analysis of implications/ pros and cons of various schemes
- Alternative, new proposals to pool/bundle parts of euro area sovereign debt
- Perspectives of core versus periphery sovereigns
- Central bank, regulatory perspectives

This list is non-exhaustive, other contributions fitting into the overall topic of the call for papers are welcome.

Formal Requirements and Procedure for Submissions:

The SUERF/UniCredit & Universities Foundation Research Prize is open to authors and co-authors who are **citizens or residents/students in the EEA, Switzerland, and other countries in which UniCredit is present** (in addition to EEA countries, the latter also include Bosnia and Herzegovina, Russia, Serbia, Turkey) and **born after 30 September 1982**. Prizes of **EUR 2,500** gross will be awarded to up to two outstanding papers on topics related to this call for papers. The winning papers will be presented at a SUERF/UniCredit & Universities Foundation Workshop to be held at Vienna University of Economics and Business either in December 2017 (or January 2018; date to be confirmed). Subject to agreement by the authors, SUERF and the UniCredit & Universities Foundation, the papers may be published on the organisers' respective websites.

Applications should be submitted through the online submission form on the UniCredit & Universities Foundation website at www.unicreditanduniversities.eu in PDF format by **15 October 2017**, in **English**. Applications should be accompanied by brief **curriculum vitae** including the candidate's date of birth and a copy of current identity documents that confirm the author's/authors' date of birth(s) and eligibility. The prize is open to **papers that have been finalised within the last 12 months** prior to the deadline for submissions. Full terms and conditions of entry can be downloaded from the SUERF and UniCredit & Universities Foundation websites.