



MAS



BSP Conference: Session 1 (pm) Punzi & Chantapacdepong; Iman Badrudin

Discussant Comments:

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Comments do not reflect MAS' views

Paper 1: Spillover Effects of Uncertainty Shocks on Asia-Pacific Region

- Question - What is uncertainty? How do we capture and measure uncertainty and its impact on AP?
- Uncertainty is proxied by:
 - US policy uncertainty (PU) index
 - VIX
- Data: China, ASEAN-5, NIEs, India, Japan, Australia, New Zealand

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- Punzi - Policy uncertainty and market volatility lead to portfolio reallocation by international investors to Asia Pacific
 - Counter-intuitive?
 - Heightened uncertainty + “risk off” sentiments => market participants would reduce risk exposure, sell-offs in emerging markets?

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- Punzi - Capital inflows into AP lead to currency appreciation and asset price inflation
 - US monetary policy plays a dominant role in driving financial conditions...
 - ...regardless of exchange rates => Rey (2013)
 - Policy implications
 - Monetary policy, macro-prudential policy?
 - Capital flow management measures?
 - Partly addressed by Badrudin...

Paper 2: Role of Financial Market Development on Financial Contagion - evidence from selected Asian economies

- Question – what is role of financial sector development in cushioning Asian economies from external shocks?
- Financial contagion:
 - Increase in cross-market linkages after a shock, measured by degree of co-movement in...
 - ...domestic stock market, nominal exchange rate, sovereign yields
- Data coverage:
 - Thailand, Indonesia, Malaysia, Korea
 - January 2005 to July 2015 (spanning Lehman collapse, QE)

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- Badrudin –
 - Size of banking system (deposits as % of GDP) + financial openness (external debt as % of GDP) => reduce stock market contagion
 - Region has become more resilient since AFC
 - What else matters
 - Exchange rate regime and currency intervention?
 - “Quality” of financial sector development? Eichengreen (2015)
 - Quality of regulation and supervision?
 - Bond market liquidity, corporate leverage?
 - Concluding remarks



Thank you
