The long an short of emerging market debt
L. Opazo, C. Raddatz, S. Schmukler

Comments by

Raimundo Soto
Universidad Católica de Chile
Paper aims and contributions

• Chile

• Interesting research, raises questions
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• “Excess” concentration on short-term debt by pension and mutual funds.
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• Interesting research, raises questions

• “Excess” concentration on short-term debt by pension and mutual funds.

• Study possible explanations
  ▪ Availability of long-term instruments
  ▪ Rebalancing or strategic behavior
  ▪ Risk
  ▪ Managerial incentives
Comments

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Pension funds highly regulated in portfolio structure, returns, even sales forces. Mutual funds also.

Buying insurance at a high cost.
Is the result market-driven or policy induced?
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Herd behavior in pension-funds management
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Herd behavior in pension-funds management

Lack of competition

Not clear if empirical controls are used
Is the benchmark valid?
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Valid comparison for mutual funds maybe, pension funds no.
The empirical approach

Lack of tables with results + reliance on “unreported results”
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Instrument maturity measure:

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Market maturity measure:

\[ W_D = \frac{1}{N} \sum_k \frac{1}{T} \sum_i \sum w_{i,t} I(d_{i,t} = D) \]

but weights are endogenous (and confusing)
<table>
<thead>
<tr>
<th></th>
<th>Strategy</th>
<th>Average Maturity</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Buy one 25-year bond each year and 25 one-year bonds</td>
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<td>1 Buy one 25-year bond each year and 25 one-year bonds</td>
<td>7.5</td>
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</tr>
<tr>
<td>2 Buy one 22-year bond each year and 22 two-year bonds</td>
<td>7.75</td>
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But, which one is more “long term”?