The long an short of emerging market debt
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Comments by

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Paper aims and contributions

- Chile

- Interesting research, raises questions

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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

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Recently, government risk-aversion after 1982 debt crisis (15% drop in GDP, bailout estimated at 100%GDP) led to highly protected, incomplete financial markets. Entry barriers, no derivatives, or options.

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

Buying insurance at a high cost.

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Lack of competition

Not clear if empirical controls are used

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Valid comparison for mutual funds maybe, pension funds no.

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Instrument maturity measure: $W_{D,k,t} = \sum_{i} w_{i,t}^{k} I(d_{i,t} = D)$

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Market maturity measure: $W_{D} = \frac{1}{N} \sum_{k} \frac{1}{T} \sum_{k} \sum_{i} w_{i,t}^{k} I(d_{i,t} = D)$

but weights are endogenous (and confusing)

	Strategy	Average Maturity
1	Buy one 25-year bond each year and 25 one-year bonds	7.5

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2	Buy one 22-year bond each year and 22 two-year bonds	7.75

But, which one is more “long term”?