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DISCUSSION OF "BOND FLOWS AT RISK: GLOBAL, LOCAL, AND PIPE FACTORS"

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SUMMARY OF THE PAPER

- Estimates bond flows' densities and bond flows at risk for Brazil, Chile, Colombia, Mexico and Peru using quantile panel regressions
- The objective is to study the probability of occurrence of extreme capital flows events:
  - **Capital inflows** -> pressures on Real Exchange rate, unwarranted changes in relative prices, and unsustainable shifts in credit supply
  - **Capital outflows** -> financial disruptions, ↑ liquidity risk & lead to full-fledged crises
- Contributions:
  - Explore role of pipe factors in EMEs and its interaction with other factors,
  - Show if global factors follow a regime switch,
  - Event study using short-term windows around policy announcements.

SUMMARY OF THE PAPER

- Estimates bond flows' densities and bond flows at risk for Brazil, Chile, Colombia, Mexico and Peru using quantile panel regressions
- **Sample**: weekly **bond flows** data January 7 2004 – January 27 2021 from EPFR surveys
- Use (19) quantile panel regressions using as regressors:
  - **Push/Global**: exogenous & incentivize investors to seek opportunities abroad -> VIX index (implicit volatility in 1-month options on the S&P 500 index)
  - **Pull/local**: measure risk-return profile of the economy for global investors -> 10yr local term premium over US term premium
  - **Pipes**: infraestructure through which capital flows transit. Interact with other factors -> Δ foreign reserves, LC bonds by Non-residentes & EMEs bond trading vol.
- Use VIX to determine low/high volatility states for switching model:
  - Low volatility state, quantiles are less dependent on factors

MINOR COMMENTS

- It would be useful for the non-specialist to explain in the introduction what can they be used for. Give some examples of their use in practice.
- Local factors only relevant for central quantiles, while global for tails.
- Using a panel asumes similar distributions across countries, is this valid?
- How does an extreme event like the COVID-19 pandemic or the 2008 GFC affect the estimation of the tails of the distribution:
    - We estimate distributions to take into account the likelihood of tail events.
    - How much do these extreme events help to pin down the tails of the distributions?

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THANK YOU FOR YOUR ATTENTION

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