

Economics Seminar, Indian Statistical Institute, New Delhi.

SPEAKERS: Tarun Ramadorai (University of Oxford)

TITLE: Asset Fire Sales and Purchases and the International Transmission of Funding Shocks

TIME: 11:30-1:00

DAY & DATE: Friday, 30th September

PLACE: Seminar Room 2

Abstract:

We uncover a new channel through which shocks are transmitted across international markets. Investor flows to funds domiciled in developed markets force significant changes in their portfolio allocations to emerging markets. These forced trades affect equity prices, correlations between emerging markets, and the developed-market betas of emerging markets. These funding-driven fire sale effects are related to, but distinct from those arising purely from high fund holdings or high overlapping ownership of emerging markets in fund portfolios. A simple model and calibration exercise highlight the importance to these findings of 'push' effects from funds' domicile countries, and 'co-ownership spillover' between markets with overlapping fund ownership.

<http://www.isid.ac.in/~pu/seminar.html>