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CORPORATE CAPITAL MARKETS AND FIRMS' VULNERABILITIES

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THIS PAPER

- ◆ investigates if firms that issue bonds are more vulnerable nowadays in comparison to the beginning of 2000s
- ◆ distinguishes between international and local markets
- ◆ relies on a big dataset covering 36 emerging countries during the period 2000 – 2013
- ◆ identifies a lot of potential problems that need to be taken into account when working with this kind of data
- ◆ uses descriptive and non-parametric analysis
- ◆ identifies tail risks

MAIN RESULTS

- ◆ “big picture” about the issuance of corporate bonds in emerging markets
- ◆ despite a significant increase in bond issuance, firms’ balance sheets are not more overstretched
- ◆ firms are less profitable, show high debt service capacity
- ◆ firms’ ability to tap the markets does not seem to be a result of improvement in their balance sheets
- ◆ there are tail risks => volume issued by more financially vulnerable firms has increased
- ◆ severe data gaps

COMMENTS

- ◆ the authors carefully built an impressive dataset
 - pay attention to many details to guarantee the quality of data
 - the dataset needs to be exploited more even to properly answer the current research question
- ◆ the analysis needs to go deeper and provide more details
 - regions/countries
 - industries

COMMENTS

- ◆ alternative ways to investigate the research question
 - panel regression analysis
 - need to control for other firm and country level characteristics
 - more complete story – why is it that the firms have/haven't more vulnerable balance sheets
- ◆ important policy implications

COMMENTS

- ◆ this is a paper about emerging markets but it is not mentioned too much in the paper
 - make it clear from the beginning
 - provide motivation
- ◆ bond markets growth also important issue in developed countries nowadays

COMMENTS

- ◆ large increase in bond issuance but the leverage is similar than in the past
 - is it possible to understand this result so that the firms do not rely so much on bank financing => important implications for the development of banking sector
 - data on bank financing
 - investigate determinants of firms' choices of financing

COMMENTS

- ◆ local vs. international markets
 - decisions of the firms
 - pricing
- ◆ bond issuance and legal/business environment
 - corruption

MINOR COMMENTS

- ◆ results on profitability

- profitability lower than before crisis but not lower than in the first half of 2000s which might be considered ‘normal’ level

- ◆ definition of crisis