

# Capital flows -- past, present and future

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Securities Market Reforms in the Face of the Asian  
Financial Crisis

Is there light at the end of the tunnel?

OECD - ADBI Round Table

Tokyo, April 8 - 9, 1999



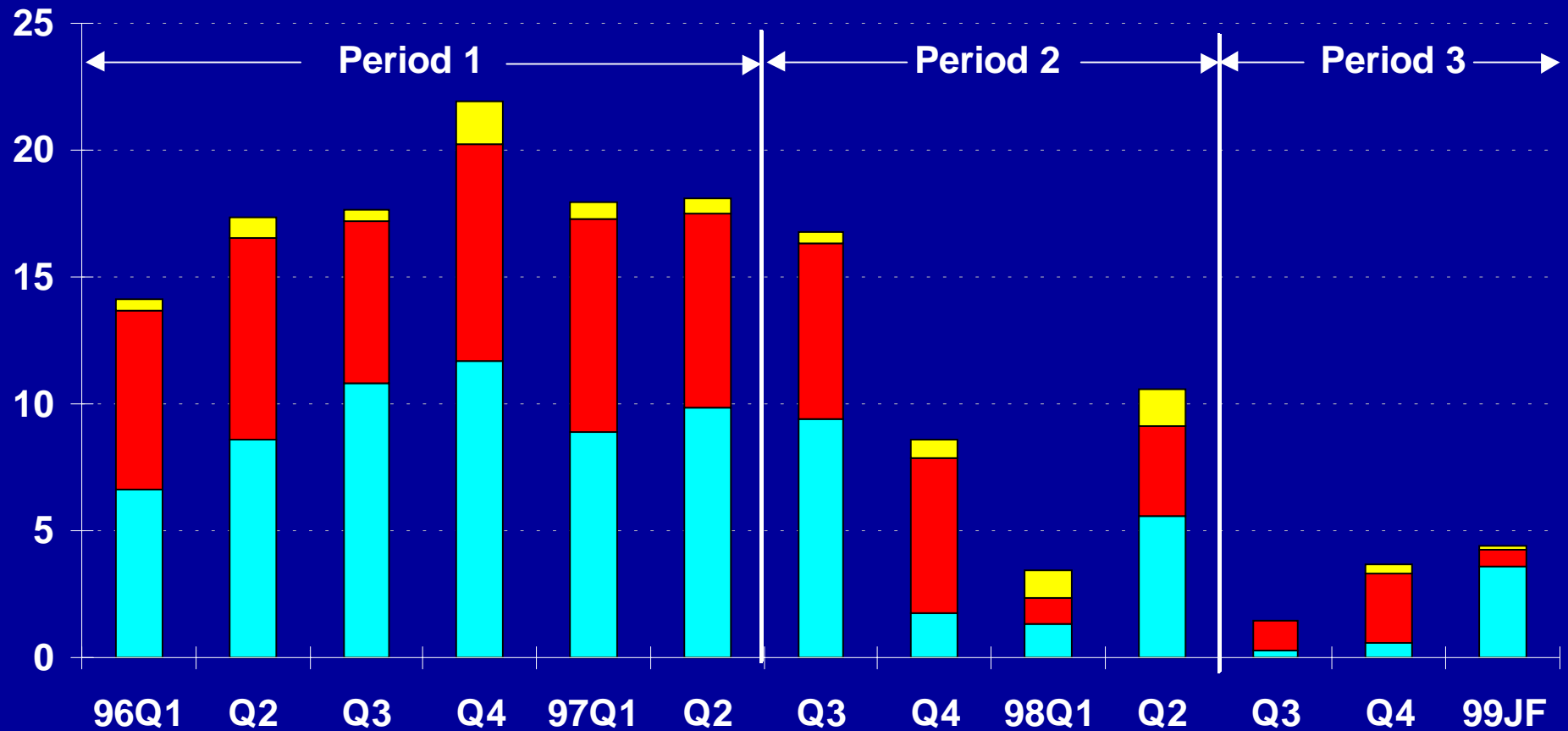
# Asia - private capital flows

(Billions of U.S. dollars)

■ Bonds

■ Loans

■ Equities



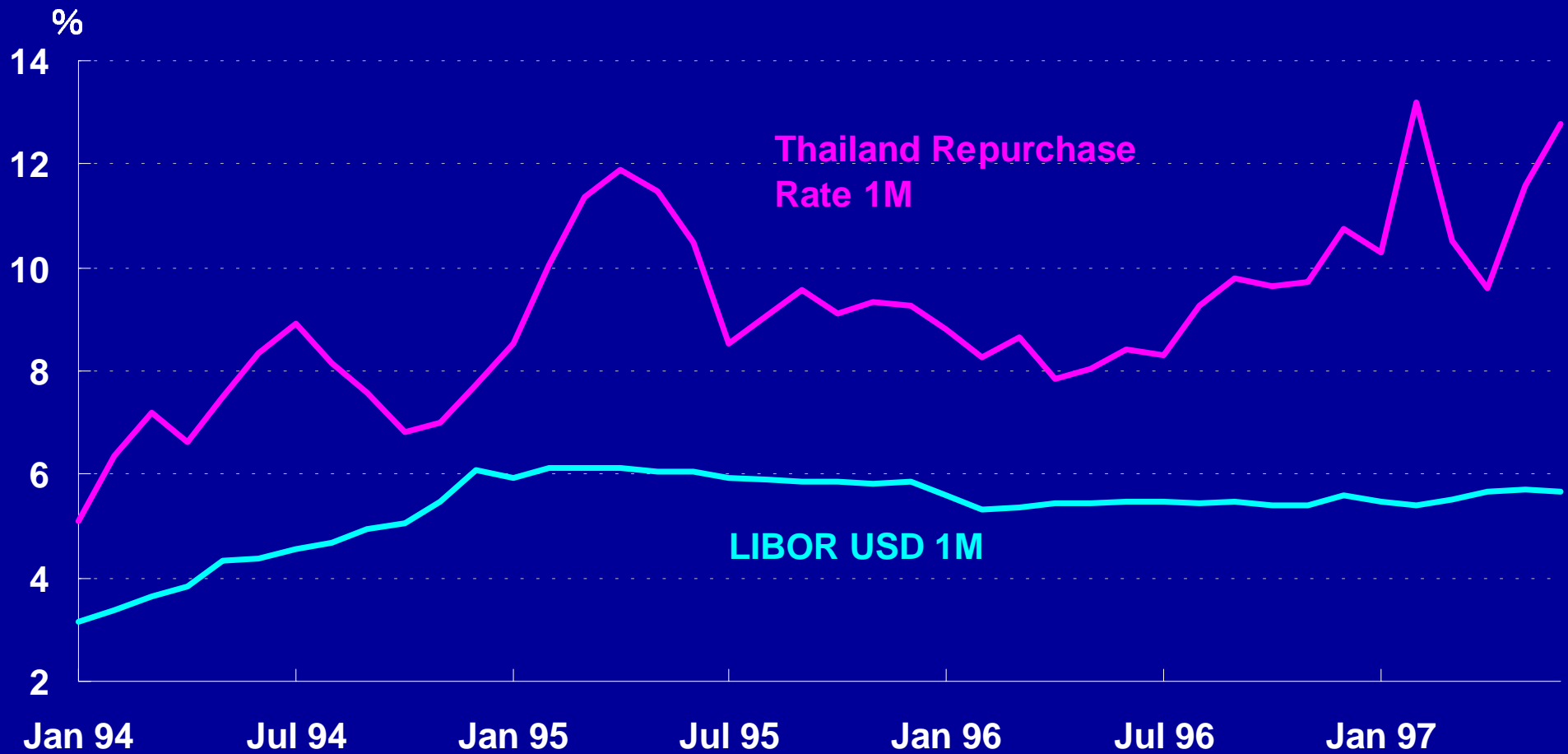
# Issues

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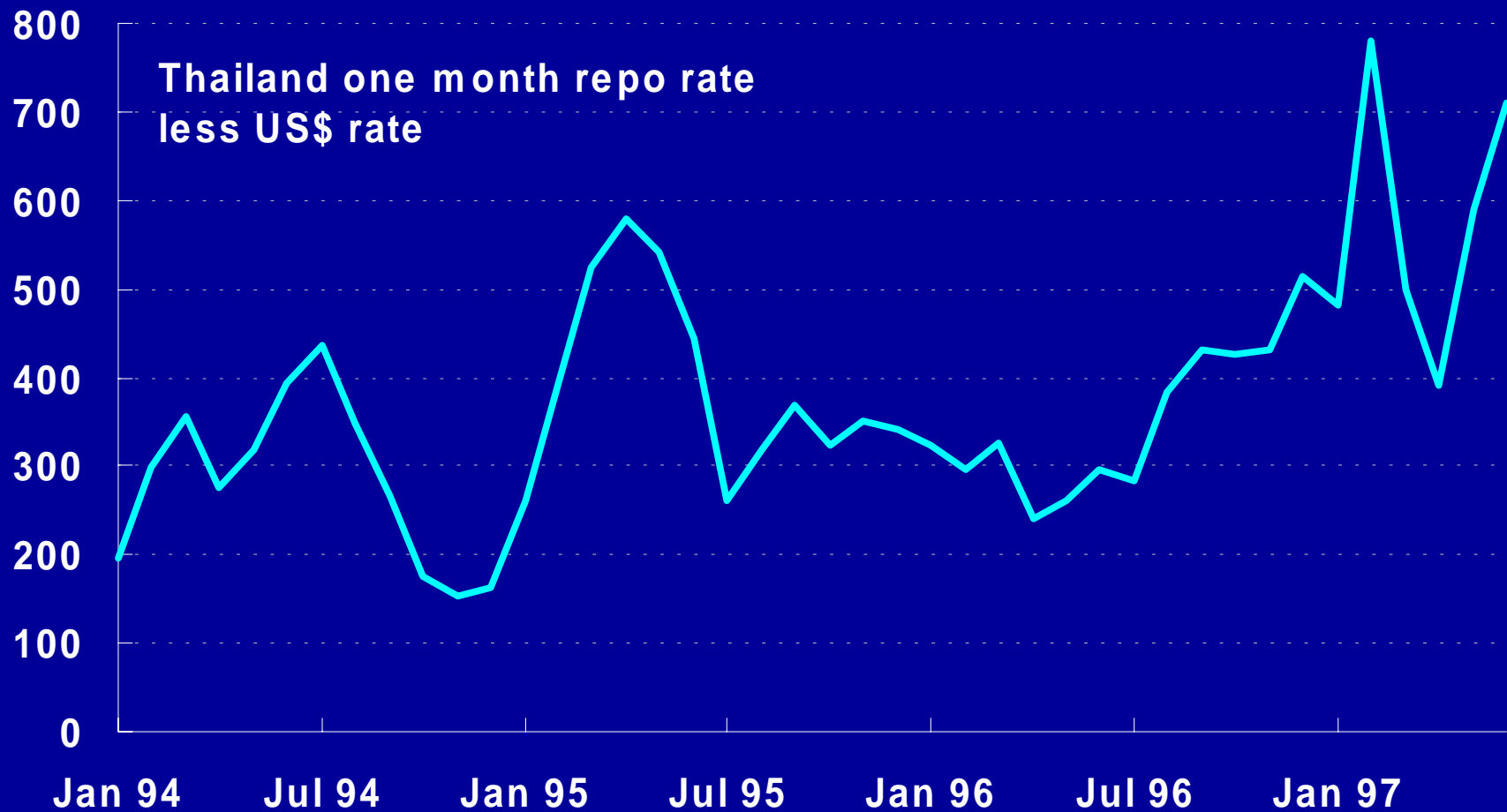
- ◆ Period 1 -- pre-crisis
- ◆ Period 2 -- Asia-crisis
- ◆ Period 3 -- emerging market/liquidity crisis
- ◆ Preventing and dealing with crises



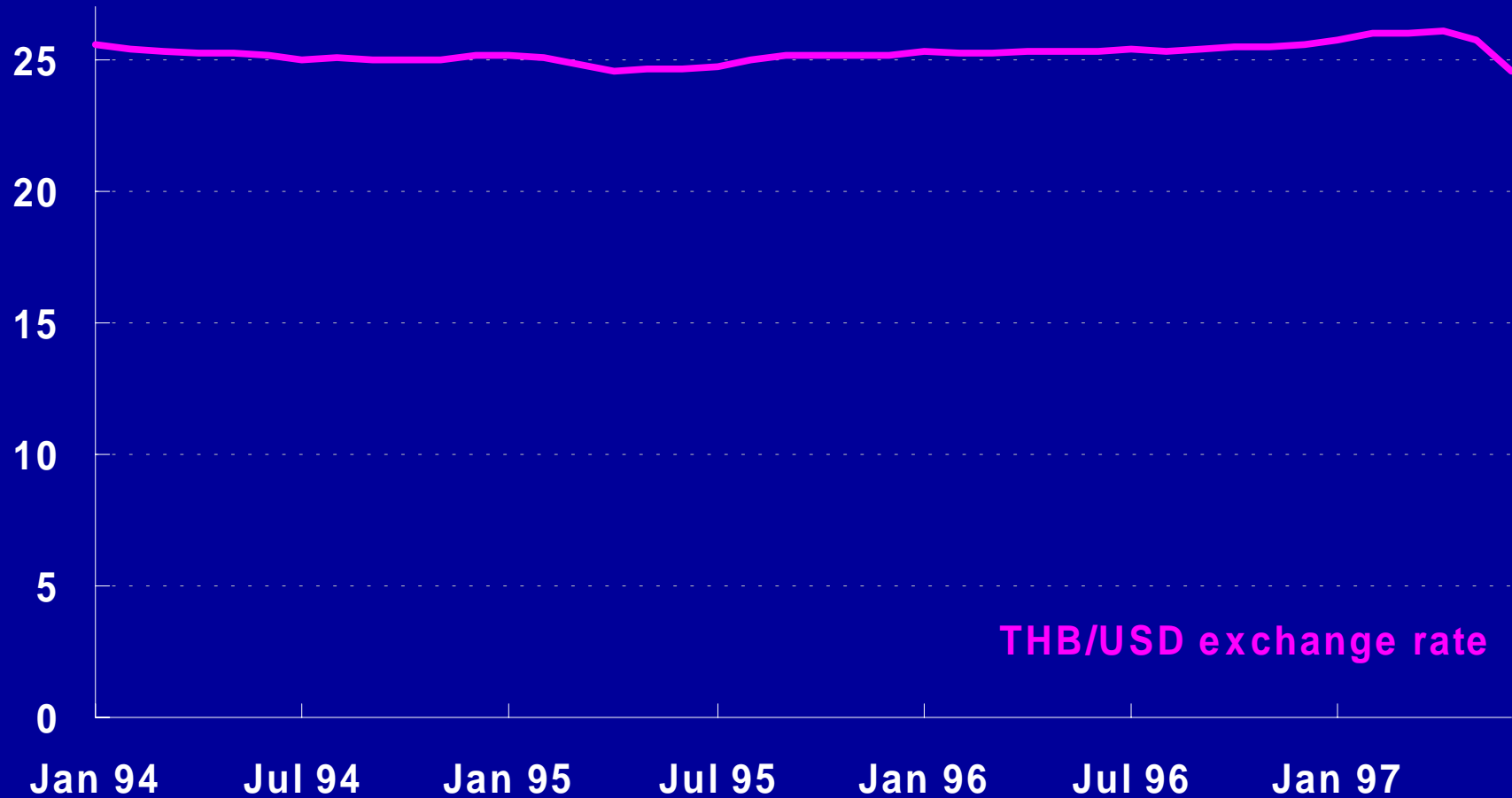
# Period 1 -- The pre-crisis carry trade



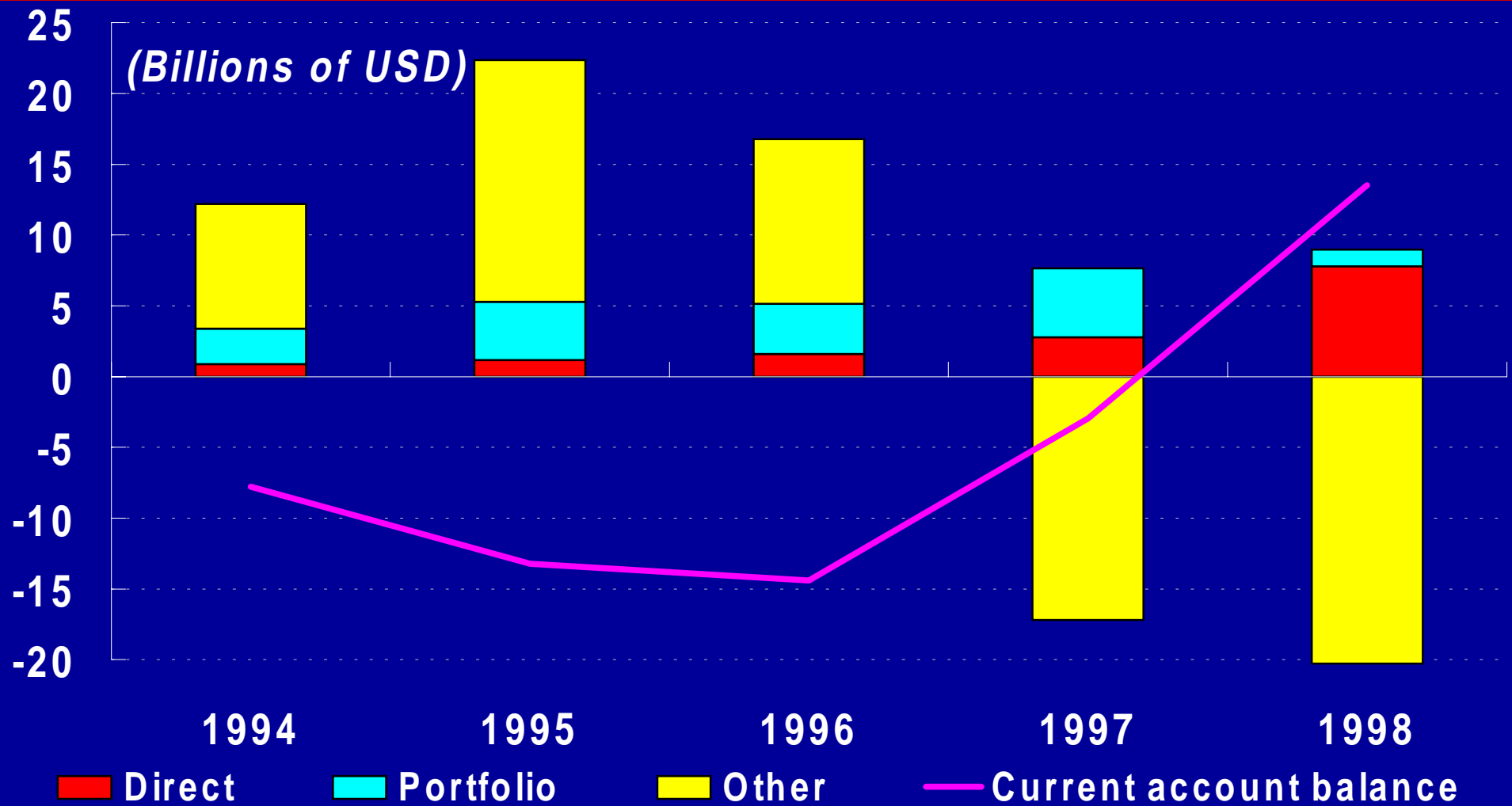
# Spread



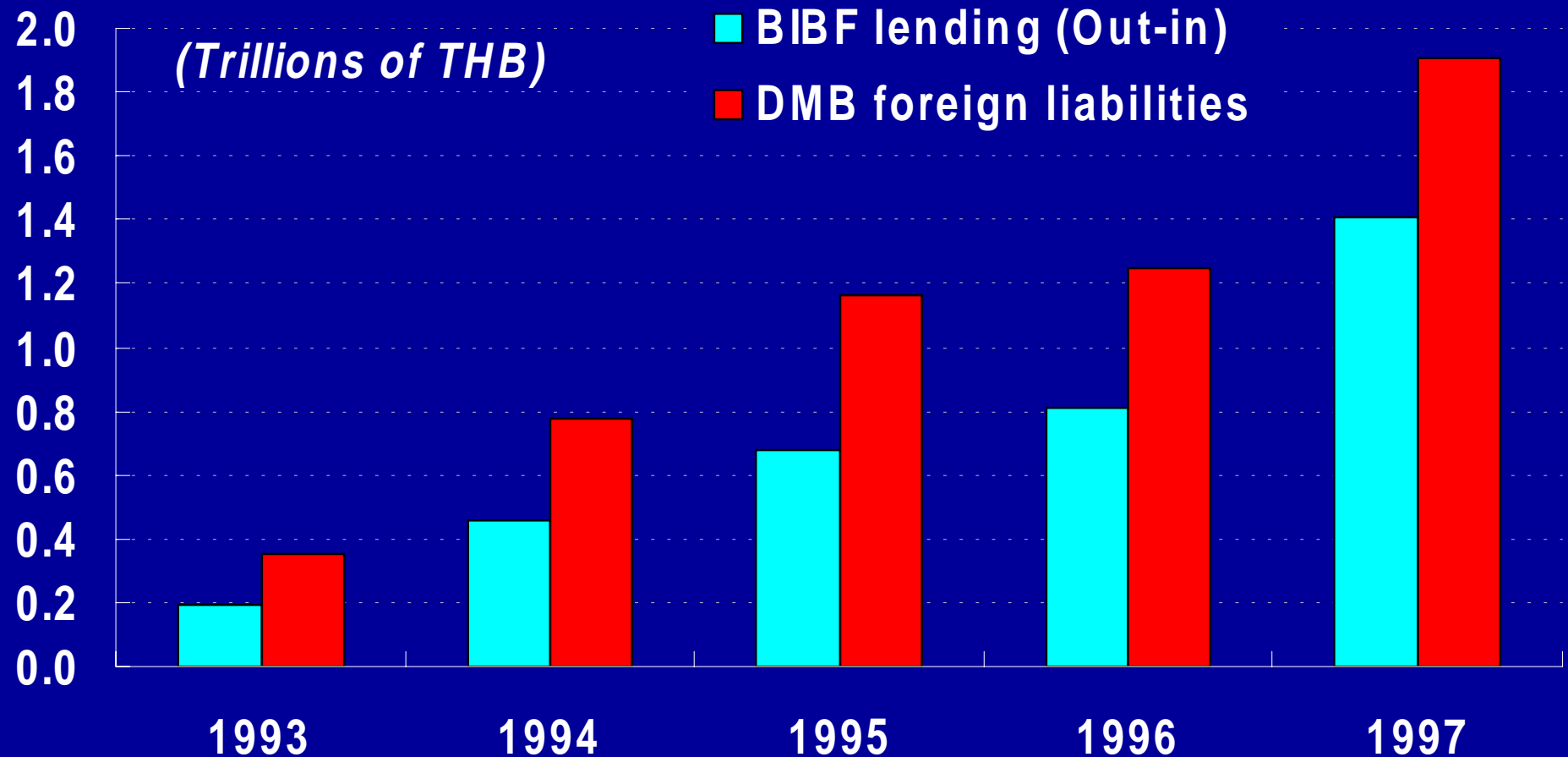
# One way bet



# Period 1 -- Thailand net private capital flows

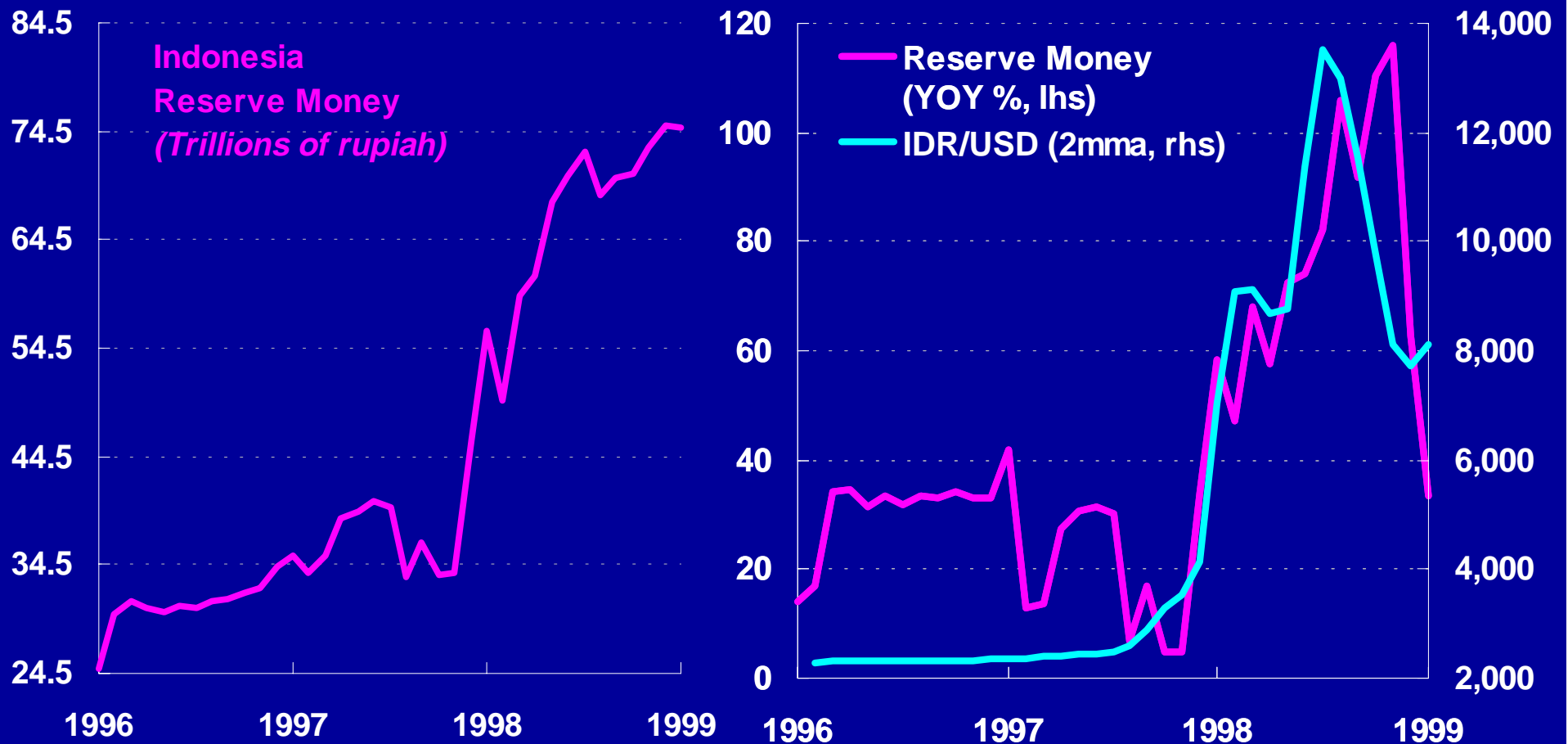


# Period 1 -- Thailand capital flows

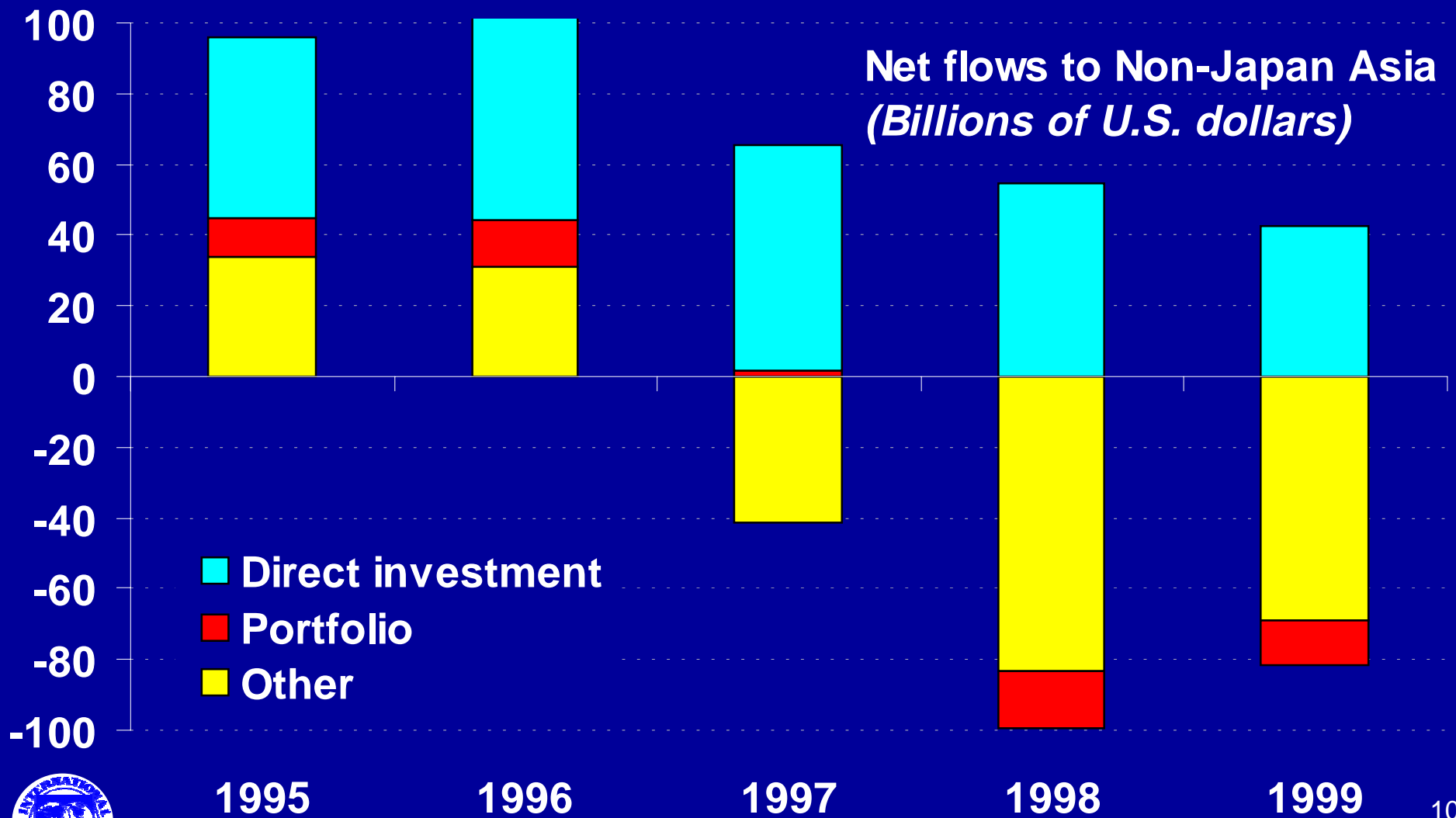




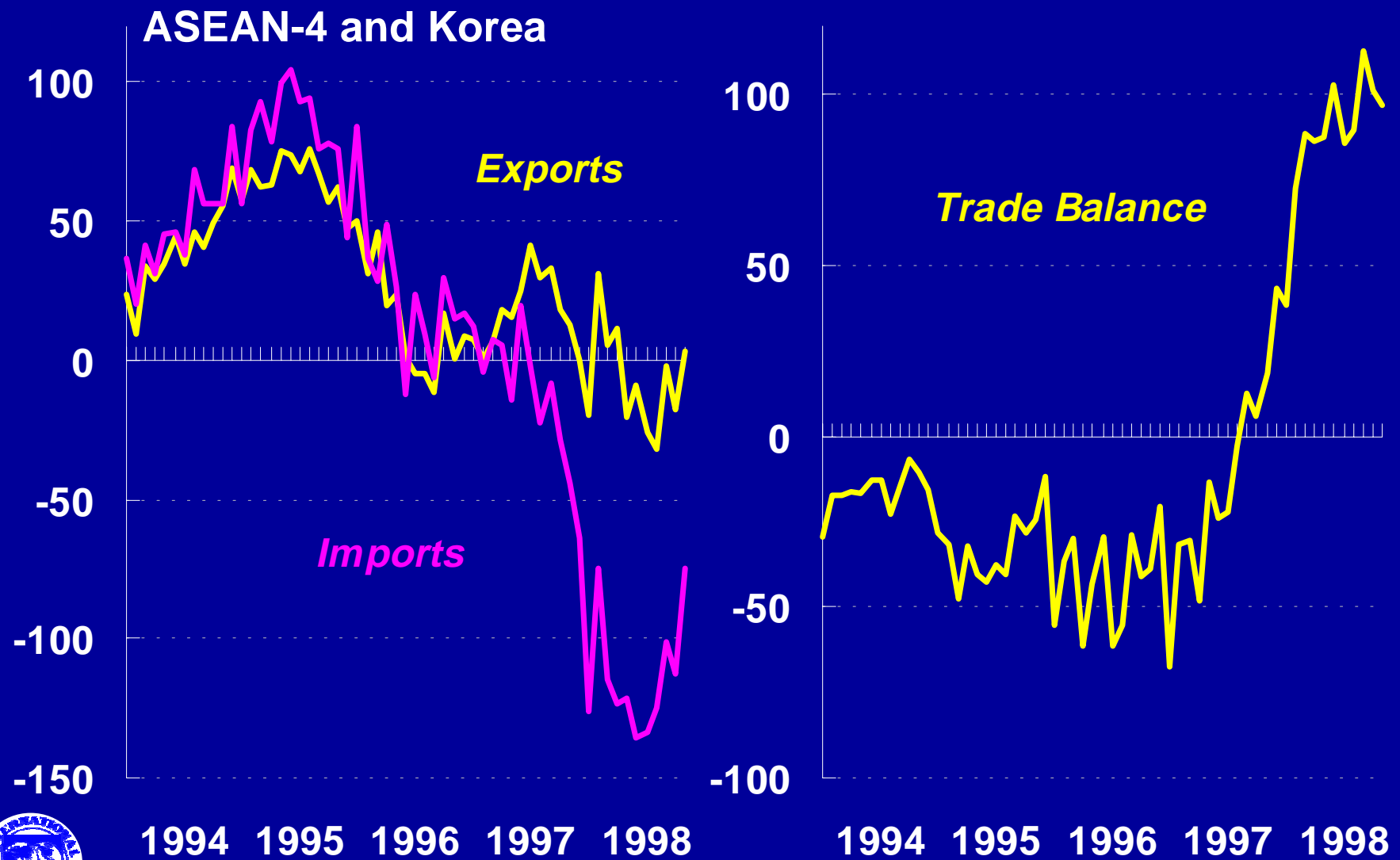
# Other macroeconomic triggers to capital flows



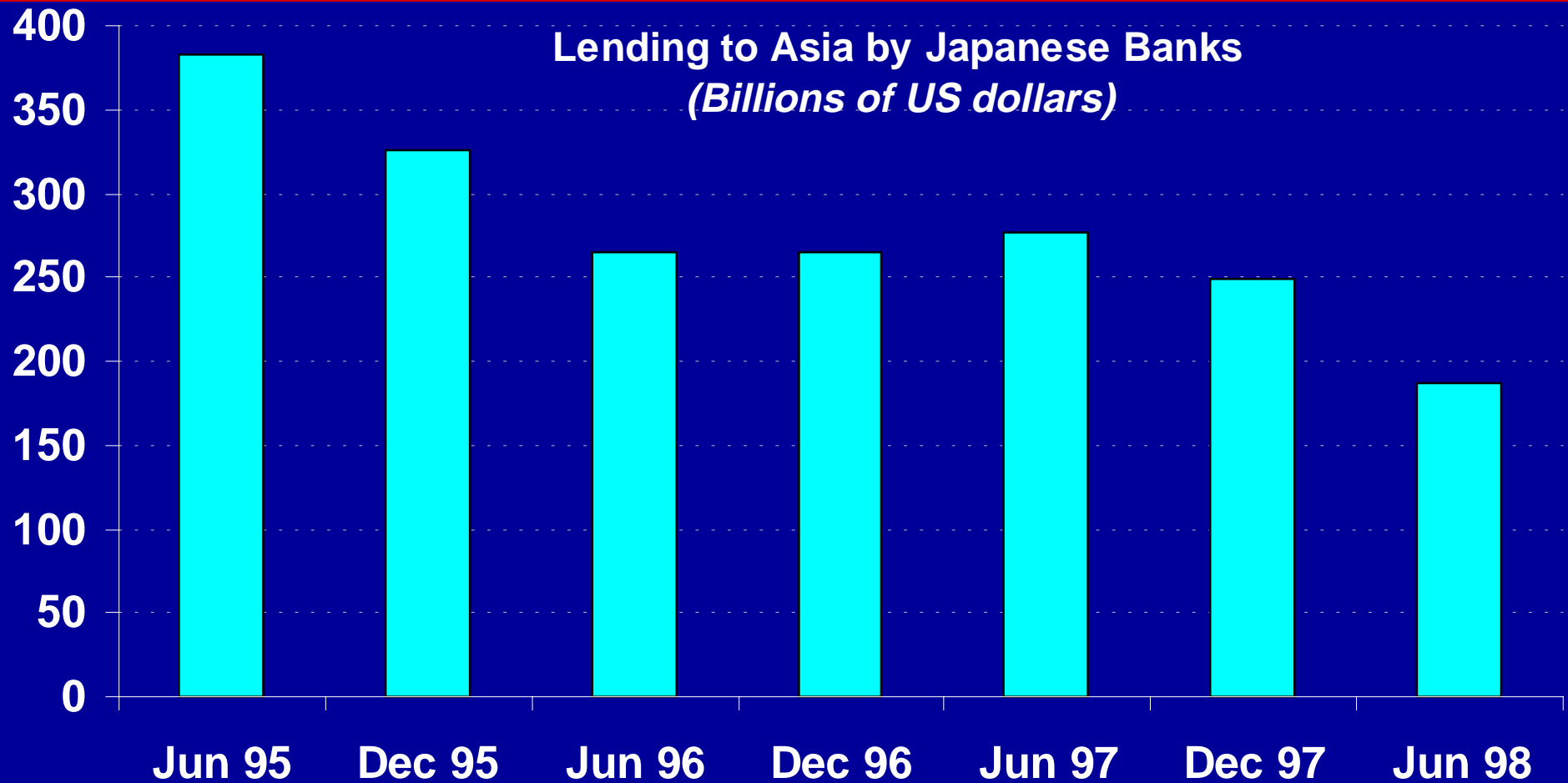
# Period 2 -- Asia crisis and de-leveraging



# Period 2 -- capital outflows — push factors



# Period 2 -- capital outflows — pull factors



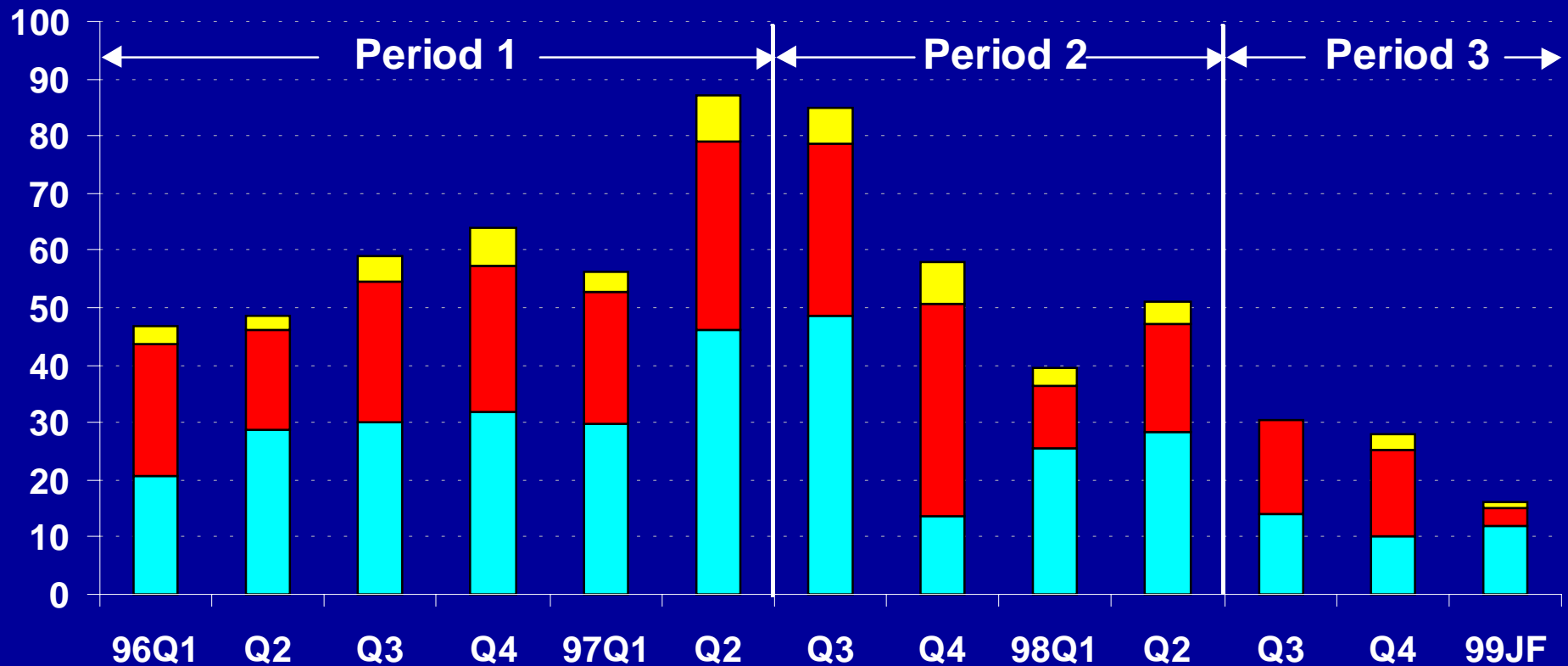
# Period 3 -- emerging market /liquidity crisis

(Billions of USD)

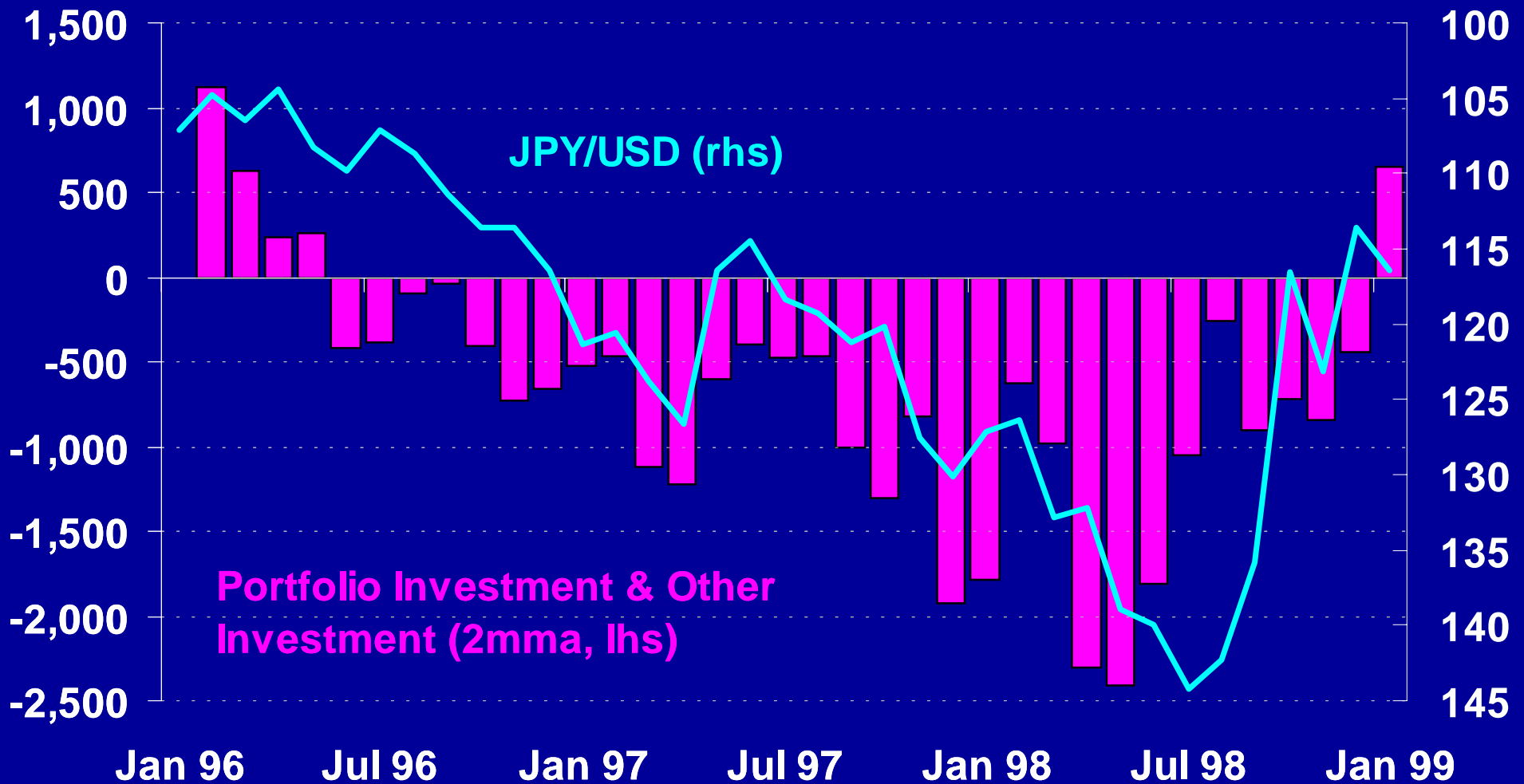
■ Bond issues

■ Loan commitments

■ Equity issues



# Period 3 -- reversal of yen carry trade



# Preventing crises

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- ◆ Macroeconomic policy and exchange rate regime
- ◆ Liberalization
  - financial system
  - sequencing
- ◆ Regulatory / disclosure framework - HLI's



# Dealing with crises

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- ◆ Bond clauses
- ◆ Involving the private sector
  - Lending into arrears
  - Standstills and controls





# Capital flows - past, present and future

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- ◆ **Past** . . . combination of macro policy mix, micro vulnerabilities, investor risk assessment, and incentives facing investors.
- ◆ **Present** . . . a fragile stability.
- ◆ **Future** . . . how well the problems of the past are addressed and developing capital markets.

