

The International Banking Library (IBL)

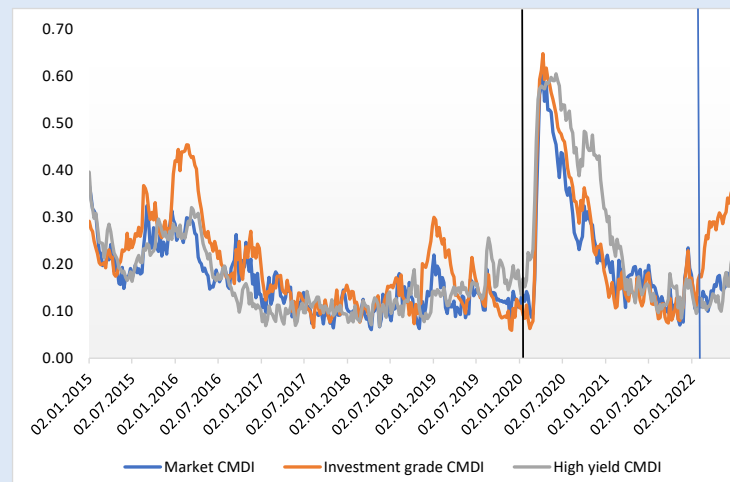
is a web-based platform for the exchange of research on cross-border banking. The IBL-Newsletter addresses researchers working on topics related to international banking, and provides the latest updates on new research and conferences in the field. The third issue of 2022 focuses on data related to Corporate Bond Market Distress, new research on state ownership and corporate leverage, and recent topics like reserve currencies and the future of a digitalized monetary system.

Corporate Bond Market Distress Index (CMDI)

The Federal Reserve Bank of New York provides the Corporate Bond Market Distress Index (CMDI), which is an aggregate index that evaluates the distress level in both the primary and secondary corporate bond markets in the United States. The index is available on a weekly basis for the overall market and for the investment grade and high yield bond markets. The graph on the right plots the time series of the CMDI, showing that the different time series move together, identifying periods of dislocation such as the COVID-19 related market stress. The overall market-level CMDI was lower than its historical median in June 2022, while the investment-grade section of the market was more strained.

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Corporate Bond Market Distress Index



Source: Federal Reserve Bank of New York, Corporate Bond Market Distress Index <https://www.newyorkfed.org/research/policy/cmdci>; authors' calculations.

Notes: The vertical black line indicates the beginning of the COVID-19 pandemic (January 2020); the blue line shows the invasion of Russian forces in Ukraine (24.02.2022).

At the Research Frontier

What's new in international banking?

- **Cyberattacks and Financial Stability: Evidence from a Natural Experiment**

Antonis Kotidis, Stacey L. Schreft
Finance and Economics Discussion Series (FEDS)

- **Money Markets and Bank Lending: Evidence from the Tiering Adoption**

Carlo Altavilla, Miguel Boucinha, Lorenzo Burlon, Mariassunta Giannetti, Julian Schumacher
CEPR Discussion Paper 17337

- **Internationalizing Like China**

Christopher Clayton, Amanda Dos Santos, Matteo Maggiori and Jesse Schreger
SSRN Working Paper, July 2022

State Ownership and Corporate Leverage Around the World

Ralph De Haas, Sergei Guriev, Alexander Stepanov | CEPR Discussion Paper 17300

- **Research Question:** What is the relationship between state ownership and corporate leverage?
- **Data:** Firm-level data (Bureau van Dijk's Orbis database), industry-level data (Rajan and Zingales (1998) and Duygan-Bump et al. (2015)), and country-level data (World Bank)
- **Main Findings:** The study reveals that state ownership is negatively related to leverage (or total debt to total asset ratios) with very large firms being the exception to this general finding and thus most likely to benefit from state guarantees. In countries with a stronger rule of law and more corruption control, the negative relationship is weakened. Interestingly, the structure of the banking system can impose disciplining effects: the study finds that in countries with a high share of foreign banks, (smaller) state-owned firms are less levered compared to privately owned corporate firms.

Articles and Posts

Latest Updates

- **Collective moral hazard and the interbank market**

This VoxEU column investigates the interconnected structure of the financial system as a source of systemic instability. The authors find that interconnectedness of banks in the interbank market and excessive risk-taking reinforce each other, which increases systemic risk. Macroprudential regulation lowering interconnectedness can be a useful tool.

- **Dollar Dominance and the Rise of Nontraditional Reserve Currencies**

The share of US dollar reserves held by central banks fell below 59 percent in the fourth quarter of 2021. The shift towards nontraditional reserve currencies is discussed in this IMF Blog article. A potential explanation for the transition to nontraditional reserve currencies is that they are issued by countries with open capital accounts and a history of solid and stable policymaking as well as new technology easing the trading of currencies.

- **The future monetary system**

The BIS Annual Economic Report discusses the relevance of monetary system digital innovation. The report identifies the pitfalls of crypto currencies and emphasizes the importance of global cooperation between central banks in order to operate central bank digital currencies (CBDCs) across borders.

Research Agenda

Forthcoming Conferences

- **HEC Paris Conference on “Banking in the Age of Challenges”**

Jouy-en-Josas, France | December 13-14, 2022

HEC Paris

CfP deadline: September 10, 2022

- **Special Issue of the Journal of Financial Stability on “FinTech and Central Bank Digital Currencies”**

Sydney, Australia | December 14- 16, 2022

The Journal of Financial Stability

CfP deadline: August 31, 2022

- **International Fragmentation, Supply Chains, and Financial Frictions**

Santiago, Chile | March 1-2, 2023

National Bureau of Economic Research (NBER) and the Central Bank of Chile

CfP deadline: September 1, 2022