

Topics course in Sovereign Default

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Dates. TBA.

Objective. The objective of the course is to study the contemporaneous models of sovereign default, and the ways they can help us reconcile the empirical regularities of emerging markets' borrowing.

Requirements. The course requires knowledge of: (1) dynamic programming, and (2) handle of computational softwares such as Fortran or Matlab. The computational tools acquired in Macro III course should suffice.

Assignments.

- There will be a term project in the course to be done individually or in pairs. It will entail solving a simplified version of a paper in syllabus. The project is meant to take 2.5 weeks. The deadline for selecting the project is Feb. 19th, and that for turning in the project is March 15th.
- The students are asked to write (individually) a referee report on a paper. I will provide a list of papers for students to select from for this report. Upon approval, papers outside the list can also be selected. The report is meant to take 1.5 week. The deadline for selecting the paper is Feb. 3rd, and that for turning in the report is Feb. 17th.

Grading. The final grade on the course will be based on:

1. Term project (25%).
2. Referee report assignment (15%)
3. A final exam (60%).

Topics

Introduction.

- Big picture, motivating facts: ?

Building blocks of sovereign default literature.

- The seminal paper: ?
- Recent benchmarks: ?, ?

Numerical analysis.

- Smart discrete search. ?
- Solving ?

Sovereign bonds with long maturity.

- Exogenous maturity: ?, ?
- Endogenous maturity: ?, ?

Distressed debt restructurings.

- Empirical facts: ?
- Modeling endogenous restructuring: ?

News about the future.

- News with short bonds: ?
- News and endogenous maturity: ?

Enriching the lenders' side.

- Risk averse international lenders: ?

- Extension with heterogeneity among lenders (guest speaker: Alvaro Salazar)
- Sovereign defaults and reserves: ?
- Domestic lending through a banking sector: ?

Endogenous sudden stops.

- Classic paper on self-fulfilling crises: ?
- Quantitative analysis with additional features: ?

References

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