

UNCERTAINTY SHOCKS AND THE CROSS-BORDER FUNDING OF BANKS: UNMASKING HETEROGENEITY

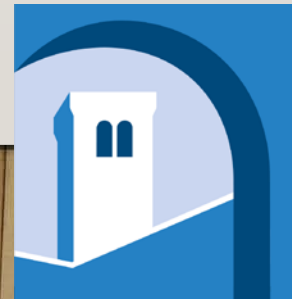
BENETRIX AND CURRAN

COMMENTS BY THORSTEN BECK



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CITY UNIVERSITY OF LONDON
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SUMMARY

- Relate cross-border flows (to banks and non-banks) from BIS locational banking statistics to different measures of uncertainty (market-based implied and realized volatility; news-based uncertainty, forecast-based uncertainty)
- Negative relationship between uncertainty and cross-border flows, with variation across countries, uncertainty indicators and bank/non-bank sector
- Driven primarily by crisis period, except for news-based uncertainty measures

OVERALL ASSESSMENT

- Great data collection
- Careful regression analysis
- My main comment/concern: Interpretation and discussion

FIRST, SOME MINOR COMMENTS

- What is correlation across the different uncertainty measures?
- Why UNC at quarter t , but conditioning variables at point $t-1$?
- Should standard errors be clustered (two-way)?
- What about global factors (e.g., US monetary policy?)
- Why crisis defined as containing both GFC and euro debt crisis for all countries?
 - Why not take an agnostic approach to time variation (quarter dummies)?
- Difference to Choi and Furceri (2019)?
- Economic significance: how important is uncertainty compared to other factors?

MAIN COMMENT: INTERPRETATION OF RESULTS

- What is the theory? What are the mechanisms?
- Is this a causal relationship?
 - What drives uncertainty? Could it be the same as drivers for cross-border flows?
 - Reverse causation? Reduction in cross—border flows
- What explains banks vs. non-banks? Can you go beyond conjectures?
- What explains variation across different measures of uncertainty?
- Cross-country variation/heterogeneity: safe haven vs. 'regular' countries? Variation in macro-conditions?

CONCLUSIONS

- Great paper
- Wonderful data – keep using them!
- Go beyond the statistics and regression results!

THANK YOU

THORSTEN BECK

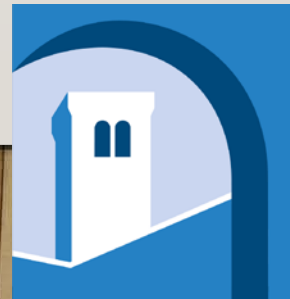
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