

**INTERNATIONAL MONETARY FUND**

**IMF Institute for Capacity Development (ICD)-Joint Vienna Institute (JVI)**

**Course on Vulnerability Diagnostics (JV 18.10)**

**Vienna, Austria April**

**April 16 – 27, 2018**

**Reading List**

*(Supplementary readings will be referenced in Lecture Presentations)*

<b>Sessions</b>	<b>Topic</b>
<b>L-0</b>	<p><b>Vulnerabilities and Crises</b></p> <p>Claessens S., M.A. Kose, 2014, “Financial Crises: Explanations, Types, and Implications”, Chapter 1, in S. Claessens, M.A. Kose, L. Laeven, and F. Valencia Eds., <i>Financial Crises: Causes, Consequences, and Policy Responses</i>”, Washington DC. Available at a course website</p> <p>Reinhart, C. M., and K. S. Rogoff, 2014, “Financial and Sovereign Debt Crises: Some Lessons Learned and Those Forgotten,” Chapter 3, in S. Claessens, M.A. Kose, L. Laeven, and F. Valencia Eds., <i>Financial Crises: Causes, Consequences, and Policy Responses</i>, Washington DC. Available at a course website</p> <p>Taylor, A, 2014, “External Imbalances and Financial Crises,”, Chapter 6, in S. Claessens, M.A. Kose, L. Laeven, and F. Valencia Eds., <i>Financial Crises: Causes, Consequences, and Policy Responses</i>, Washington DC. Available at a course website</p>
<b>Unit 1</b>	<p><b>Forecasting Methods for Tail Risks</b></p> <p>Harper D., 2015, Introduction to Value at Risk (VaR), article at Investopedia <a href="http://www.investopedia.com/articles/04/092904.asp">http://www.investopedia.com/articles/04/092904.asp</a></p> <p>Koenker, R. and K. Hallock. Quantile Regression: An Introduction, mimeo <a href="http://www.econ.uiuc.edu/~roger/research/intro/rq.pdf">www.econ.uiuc.edu/~roger/research/intro/rq.pdf</a></p> <p>De Nicolo, Gianni and Lucchetta, Marcella, 2016, Forecasting Tail Risks . <i>Journal of Applied Econometrics</i>, <a href="http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2685707">http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2685707</a></p>

<p><b>Unit 2</b></p>	<p><b>Fiscal Vulnerability I: Assessing Debt Sustainability</b></p> <p>IMF, 2013, “Staff Guidance Note on Debt Sustainability Analysis for Market Access Countries” (Washington).  <a href="http://www.imf.org/external/pubs/ft/dsa/mac.htm">http://www.imf.org/external/pubs/ft/dsa/mac.htm</a></p> <p>IMF, 2015, “Public Debt Vulnerabilities in Low-Income Countries - The Evolving Landscape”, IMF Policy Paper  <a href="http://www.imf.org/external/pp/longres.aspx?id=5004">http://www.imf.org/external/pp/longres.aspx?id=5004</a></p>
<p><b>Unit 3</b></p>	<p><b>Financial Vulnerabilities I: Taxonomy and measurement of financial risks</b></p> <p>Laeven, Luc, and Fabián Valencia, 2014, Chapter 2, in “Systemic Banking Crises,” in S. Claessens, M.A. Kose, L. Laeven, and F. Valencia Eds., <i>Financial Crises: Causes, Consequences, and Policy Responses</i>, Washington DC.</p> <p>Čihák, Martin, 2014, “Stress Tester: A Toolkit for Bank-by-Bank Analysis with Accounting Data,” Chapter 3, in <i>A Guide to IMF Stress Testing</i> (edited by Li Lian Ong), Washington DC.</p>
<p><b>Unit 4</b></p>	<p><b>External Vulnerabilities I: Bond yields and sovereign default risk</b></p> <p>IMF, 2010, “The IMF-FSB Early Warning Exercise: Design and Methodological Toolkit” (Washington), pp.22-23.  <a href="http://www.imf.org/external/pp/longres.aspx?id=4479">http://www.imf.org/external/pp/longres.aspx?id=4479</a></p> <p>Alper, E., L. Forni and M. Gerard, 2012, “Pricing of Sovereign Credit Risk: Evidence from Advanced Economies During the Financial Crisis,” IMF Working Paper 12/14.  <a href="http://www.imf.org/external/pubs/ft/wp/2012/wp1224.pdf">http://www.imf.org/external/pubs/ft/wp/2012/wp1224.pdf</a></p>
<p><b>Unit 5</b></p>	<p><b>Financial Vulnerabilities II: Detecting Financial Fragility</b></p> <p>IMF, 2012, “Macrofinancial Stress Testing: Principles and Practices,” IMF Paper on Policy (Washington: International Monetary Fund).  <a href="http://www.imf.org/external/np/pp/eng/2012/082212.pdf">http://www.imf.org/external/np/pp/eng/2012/082212.pdf</a></p>
<p><b>Unit 6</b></p>	<p><b>Fiscal Vulnerability II: Short-term risks</b></p> <p>IMF, 2010, “The IMF-FSB Early Warning Exercise: Design and Methodological Toolkit” (Washington), pp.22-23.  <a href="http://www.imf.org/external/pp/longres.aspx?id=4479">http://www.imf.org/external/pp/longres.aspx?id=4479</a></p> <p>Schaechter, Andrea, and others, 2012, “A Toolkit for Assessing Fiscal Vulnerabilities and Risks in Advanced Economies,” IMF Working Paper No. 12/11.  <a href="http://www.imf.org/external/pubs/ft/wp/2012/wp1211.pdf">http://www.imf.org/external/pubs/ft/wp/2012/wp1211.pdf</a></p>

<p><b>Unit 7</b></p>	<p><b>External Vulnerabilities II: Current Account Imbalances</b></p> <p>Phillips, Steven, and others, 2013, “The External Balance Assessment (EBA) Methodology,” IMF Working Paper, WP/13/272.  <a href="https://www.imf.org/external/pubs/cat/longres.aspx?sk=41200.0">https://www.imf.org/external/pubs/cat/longres.aspx?sk=41200.0</a></p> <p>IMF, 2016, 2016 External Sector Report, July 27.  <a href="https://www.imf.org/external/np/pp/eng/2016/072716.pdf">https://www.imf.org/external/np/pp/eng/2016/072716.pdf</a></p>
<p><b>Unit 8</b></p>	<p><b>Financial Vulnerabilities III: Financial Cycles, Business Cycles and Systemic Risk</b></p> <p>Benoit, S., Colliard, J.-E., Hurlin, C., and Pérignon, C., 2017, Where the Risks Lie: A Survey on Systemic Risk. <i>Review of Finance</i>, forthcoming.  <a href="https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2577961">https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2577961</a></p> <p>Classens, Stijn, and M Ayhan Kose, 2018, Frontiers of macro-financial linkages, BIS Paper No 95, January.  <a href="https://www.bis.org/publ/bppdf/bispap95.htm">https://www.bis.org/publ/bppdf/bispap95.htm</a></p> <p>Drehmann, Mathias, and others, 2012, “Characterizing the Financial Cycle: Don’t Lose Sight of the Medium Term!” BIS Working Paper No 380, June.  <a href="http://www.bis.org/publ/work380.htm">http://www.bis.org/publ/work380.htm</a></p>
<p><b>Unit 9</b></p>	<p><b>Fiscal Vulnerability III: Stochastic DSA</b></p> <p>IMF, 2013, “Staff Guidance Note on Debt Sustainability Analysis for Market Access Countries” (Washington).  <a href="http://www.imf.org/external/np/pp/eng/2013/050913.pdf">http://www.imf.org/external/np/pp/eng/2013/050913.pdf</a></p> <p>Celasun O., X. Debrun, and J.D. Ostry, 2006, “Primary Surplus Behavior and Risks to Fiscal Sustainability in Emerging Market Countries: A “Fan-Chart” Approach”, IMF Working Paper 06/67  <a href="https://www.imf.org/external/pubs/ft/wp/2006/wp0667.pdf">https://www.imf.org/external/pubs/ft/wp/2006/wp0667.pdf</a></p>

<p><b>Units 10</b></p>	<p><b>.External Vulnerability III: Reserve Adequacy</b></p> <p>IMF, 2011, “Assessing Reserve Adequacy”  <a href="http://www.imf.org/external/np/pp/eng/2011/021411b.pdf">http://www.imf.org/external/np/pp/eng/2011/021411b.pdf</a></p> <p>IMF, 2013, “Assessing Reserve Adequacy – Further Considerations”  <a href="http://www.imf.org/external/np/pp/eng/2013/111313d.pdf">http://www.imf.org/external/np/pp/eng/2013/111313d.pdf</a></p> <p>IMF, 2014, “Assessing Reserve Adequacy – Specific Proposals”  <a href="http://www.imf.org/external/np/pp/eng/2014/121914.pdf">http://www.imf.org/external/np/pp/eng/2014/121914.pdf</a></p>
<p><b>Unit 11</b></p>	<p><b>Financial Vulnerability IV: Spillovers and Contagion</b></p> <p>Adrian, Tobias, and Markus K. Brunnermeier. 2016. "CoVaR." <i>American Economic Review</i>, 106 (7): 1705-41. DOI: 10.1257/aer.20120555  <a href="https://scholar.princeton.edu/markus/publications">https://scholar.princeton.edu/markus/publications</a></p> <p>Espinosa-Vega, Marco A., and Juan Solé (2014), “Cross-Border Financial Surveillance: A Network Perspective,” IMF Working Paper WP/10/105  <a href="https://www.imf.org/external/pubs/ft/wp/2010/wp10105.pdf">https://www.imf.org/external/pubs/ft/wp/2010/wp10105.pdf</a></p>
<p><b>Unit 12</b></p>	<p><b>Fiscal Vulnerability IV: Long-term Risks</b></p> <p>IMF, 2017, “Assessing Country Risks: Selected Approaches”.  <a href="https://www.imf.org/en/Publications/TNM/Issues/2017/06/01/Assessing-Country-Risk-Selected-Approaches-44959">https://www.imf.org/en/Publications/TNM/Issues/2017/06/01/Assessing-Country-Risk-Selected-Approaches-44959</a></p> <p>Ostry, Jonathan D., and others, 2010, “Fiscal Space”, IMF Staff Position Note 10/11. <a href="http://www.imf.org/external/pubs/ft/spn/2010/spn1011.pdf">http://www.imf.org/external/pubs/ft/spn/2010/spn1011.pdf</a></p>
<p><b>Unit 13</b></p>	<p><b>The IMF Vulnerability Exercises</b></p> <p>IMF, 2017, “Assessing Country Risks: Selected Approaches”.  <a href="https://www.imf.org/en/Publications/TNM/Issues/2017/06/01/Assessing-Country-Risk-Selected-Approaches-44959">https://www.imf.org/en/Publications/TNM/Issues/2017/06/01/Assessing-Country-Risk-Selected-Approaches-44959</a></p> <p>IMF, 2016, “Factsheet: The IMF-FSB Early Warning Exercise,” (Washington).  <a href="http://www.imf.org/external/np/exr/facts/ewe.htm">http://www.imf.org/external/np/exr/facts/ewe.htm</a></p>