Why are more sovereigns issuing in Euros? Choosing between USD and EUR-denominated bonds

Lior David-Pur
Head of Debt Management Unit
Ministry of Finance, Israel

Webinar
The World Bank
March 2018
Funding (issuance) Policy

- Local Market
- External Market

- Quantitative Indicators
- Strategic Targets

- Cost Risk Analysis

- FIX
- Linkers
- FRN
- FX
Foreign Currency Debt

Source: MOF, Q3-2017, Other roughly 2%
Global Issuances (USD Millions)
Risk Management Policy

Source: MOF, First chart - Q3-2017, Second chart December 2016
Debt Management Framework

Funding Policy

Risk Management Policy

Debt Composition
### Example for Issuances (Indication)

<table>
<thead>
<tr>
<th>Column A</th>
<th>Column B</th>
<th>Column C</th>
<th>Column D</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD (%)</td>
<td>2018</td>
<td>Current</td>
<td>EUR (%)</td>
</tr>
<tr>
<td>Maturity</td>
<td>10Y</td>
<td></td>
<td>Maturity</td>
</tr>
<tr>
<td>Treasury</td>
<td>2.50</td>
<td>2.90</td>
<td>Mid-Swap</td>
</tr>
<tr>
<td>Spread</td>
<td>0.75</td>
<td>0.75*</td>
<td>Spread</td>
</tr>
<tr>
<td>USD Coupon</td>
<td>3.25</td>
<td>3.60</td>
<td>EUR Coupon</td>
</tr>
<tr>
<td><strong>USD (%)</strong></td>
<td></td>
<td></td>
<td><strong>1.95</strong></td>
</tr>
</tbody>
</table>

### Example for Hedge (Indication)

<table>
<thead>
<tr>
<th>USD Issuance</th>
<th>3.60</th>
<th>EUR Issuance</th>
<th>1.95</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD Swap (+)</td>
<td>1.08</td>
<td>USD Swap (+)</td>
<td>2.90</td>
</tr>
<tr>
<td>USD Swap (-)</td>
<td>2.90</td>
<td>EUR Swap (-)</td>
<td>1.08</td>
</tr>
<tr>
<td>EUR Basis (+)</td>
<td>-0.30</td>
<td>EUR Basis (-)</td>
<td>-0.30</td>
</tr>
<tr>
<td>CCS EUR Coupon</td>
<td>1.50</td>
<td>CCS USD Coupon</td>
<td>4.07</td>
</tr>
</tbody>
</table>

*Simplistic assumption - same spread. In practice depends on current market and economic conditions*
Case Study 2
To conclude

Not everything that can be counted counts, and not everything that counts can be counted.

*Albert Einstein*