

**COURSE INSTRUCTOR**

João De Almada Moreira Rato

**SHORT BIOGRAPHY**

João Moreira Rato is currently Chairman of Banco CTT.

He is also a visiting professor at Universidade Nova de Lisboa, a research associate at the Systemic Risk Centre at the LSE and a senior advisor for Morgan Stanley.

From 2016 to 2020 he has worked as the lead expert, with Oliver Wyman, on the set-up and build-up of Kuwait's Debt Management office and on an evaluation of another Middle Eastern DMO.

From 2012 to 2014, during the European sovereign debt crisis, he was the Chairman and CEO of the Portuguese Debt and Treasury Management Office. In that role, he was responsible for designing and successfully executing a strategy that brought Portugal back to the medium- and long-term sovereign debt markets.

He holds a B.A. in Economics from Universidade Nova de Lisboa and a PhD in Economics from the University of Chicago. He worked in London in Fixed Income at different investment banks, Goldman Sachs, Lehman Brothers and Morgan Stanley, from 2000 to 2012, and a period, from 2008 to 2010 as a partner at a Macro hedge fund.

**INSTITUTIONAL EMAIL**

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**OFFICE HOURS**

Tuesday from 19 00 during teaching periods.

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Scientific Area/Área Científica:	Economia		
Frequency/Periodicidade:	Trimestral		
Number of Contact Hours/ Número Horas Contacto:			
(T) Teóricas/Theoretical:	0000:00	(TP) Teórico-Práticas/Theoretical-Practical:	0018:00
(P) Práticas/Practical:	0000:00	(OT) Orientação Tutorial/Tutorial Orientation:	0005:00
(PL) Práticas Laboratoriais/Practical Labs:	0000:00	(S) Seminário/Seminar:	0000:00
Horas Dedicadas/Dedicated Hours:	0075:00		
Total Horas/Total Hours:	0098:00		

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**PREREQUISITE(S) / PRÉ-REQUISITO(S)**

NA

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**COURSE UNIT AIMS**

The goal of this course is to provide an holistic view of the issues facing sovereigns across the world at different times and under different circumstances. It intends to supply the analytical tools needed to solve applied problems facing governments and state sector institutions. These problems lie usually in the intersection of various fields of knowledge, as for example fixed income, corporate finance, monetary and fiscal policy. The course relies on both lectures, that will provide the theoretical background for each topic, and on illustrative case studies and practical exercises. Students are expected to come prepared to class to take the most out of the discussions. When relevant, policy makers, who dealt with issues in practice, will be invited to class to illustrate how specific issues were dealt with.

The course will address the following questions: what should be included in the sovereign balance sheet and why? On which risks should we focus when we look at the sovereign balance sheet and how should we measure them? How to design a sovereign debt management strategy? What is the importance of building a liquid sovereign bond market? How should Sovereign Wealth Funds be incorporated into the analysis? How are Sovereign Wealth Funds designed and why? Does the framework change for the case of resource rich countries? Why do some countries experience sovereign debt crisis? How do various political and economic conditions influence how a country deals with a sovereign crisis? How to design macro prudential regulation to minimize the risks of a financial crisis? How can the sovereign debt situation influence the health of the banking sector? How have sovereigns dealt with financial crisis and its consequences? What is the importance of building medium term fiscal plans for debt management? How does debt management interact with monetary policy? How should governments monitor state owned enterprises? All these issues will be illustrated with recourse to case studies linked to real situations.

**COURSE UNIT CONTENT**

- A. Sovereign Asset Liability Management
  - A. Sovereign balance sheet items.
  - B. Specific country sovereign balance sheets: New Zealand and UK.
  - C. Sovereign Wealth Funds.
  - D. Case Studies Sovereign Wealth Funds: Kuwait and Timor.
  - E. Resource rich countries sovereign asset liability management
- B. State Owned Enterprises.
  - A. How to monitor State Owned Enterprises risks.
  - B. The State as a shareholder.
  - C. Case study: Portugal.
- C. Sovereign debt management.
  - A. The role of debt for a sovereign.
  - B. How to build a sovereign debt management strategy.
  - C. Medium term fiscal policy and debt management.
  - D. Monetary policy and debt management.
  - E. The importance of building a liquid sovereign bond market.
  - F. The role of local sovereign debt markets.

- D. Sovereign debt crisis.
  - A. Causes of sovereign debt crisis.
  - B. Sudden stops.
  - C. Foreign currency debt and the issue of the 'original sin'
  - D. Case study: Asian crisis.
  - E. Overview of different options to deal with a sovereign debt crisis
  - F. Case studies: Greece and Portugal.
  
- E. Financial sector stability.
  - A. The importance of macro prudential regulations.
  - B. Is the banking sector fragile by design?
  - C. How to deal with financial crisis.
  - D. Tools for resolution.
  - E. Case study: the 2008 financial crisis.
  - F. Case study: the new bank resolutions mechanisms in Europe.

## **LEARNING OBJECTIVES**

This course will develop an good knowledge and understanding of the issues confronting policy makers when managing the sovereign balance sheet risks, arising from the state acting as a shareholder or when deciding how to structure its debt issuance. In addition it will look at what policy makers can do to reduce the risks of sovereign debt and financial crisis and how to deal with those crisis if they arise. Students will apply their analysis to concrete situations and will look at how the different instruments available to policy makers interact in specific situations.

## **DEMONSTRATION OF THE COHERENCE OF THE SYLLABUS WITH COURSE UNIT AIMS**

The syllabus is aimed to provide answers to the questions presented in the course aims. It intends to do so by explaining the issues theoretically and illustrating with specific case studies.

## **TEACHING AND LEARNING METHODS**

The course includes lectures, case studies presentations leading to class discussions and guest speakers with practical experience solving problems arising from the issues discussed.

Students will be organized in groups that will actively participate in the presentation of the case studies discussed.

## **DEMONSTRATION OF THE COHERENCE OF THE TEACHING METHODS WITH COURSE LEARNING OBJECTIVES**

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The Case studies presented in class and the guest speakers will serve to illustrate the different topics that are part of the course content and will allow students to have a more practical grasp of the tools available to policy makers in different situations.

## DEMONSTRAÇÃO DA COERÊNCIA DAS METODOLOGIAS DE ENSINO COM OS OBJETIVOS DE APRENDIZAGEM DA UNIDADE CURRICULAR [PT]

### ASSESSMENT

Grades will be based on the following;

- A. 50% on final exam.
- B. 30% on team written preparation of specific case study.
- C. 20% on class participation when case study is presented.

### BIBLIOGRAPHY

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- State Owned Enterprises.

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## ADDITIONAL INFORMATION

### Course Impact Relation

Throughout the teaching period, the course challenges students to reflect, discuss and deepen understanding on SDGs 16 and 17. It equips today's learners with the knowledge and skills needed to address problems facing governments and state sector institutions, through an in-depth comprehension of the current issues confronting policy makers in the context of sovereign advisory. This understanding is then evaluated through the assessment forms.

