The Treasurer's Guide to the Municipality
Essays on Sub-Sovereign Finance

av

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Abstract


This thesis presents a comprehensive empirical analysis of the current state of Swedish sub-sovereign finance from multiple perspectives, starting from the local and moving to the national. Financial risks may occur in a long line of financial obligations and transactions. Thus, for understanding the full scope of financial risks one perspective is not sufficient. From a societal perspective the question of sub-sovereign debt management is important since mismanagement may lead to substantial risks which may impact the lives of citizens by a weakening of the Swedish public programs. Sub-sovereign debt is mainly funded by issuing financial securities in both national and foreign capital markets. Understanding the market perception regarding the risk profile of Swedish sub-sovereigns may be beneficial in improving the funding conditions of the sector and in turn reduce the cost of public investments. Financial markets are however not stand-alone entities and are heavily impacted by the policy decisions of public institutions. Thus, monetary policy plays an important role in affecting financial markets and consequently the funding conditions of Swedish sub-sovereigns. Given the contemporary approach to monetary policy this effect may be somewhat different compared to what it has been historically. There are however reasons to suspect that the national policy decisions are in large part driven by international occurrences and by foreign governments through international spillovers. Thus, for understanding the interlinked nature of financial markets a wider perspective is needed. These are some of the areas which are investigated in this thesis.

Keywords: Bayesian VAR, Cointegration, Financial crisis, Intertemporal diversification, Risk premium decomposition, Roll-over risk, Small open economy, Spillovers, Spread, Unconventional monetary policy