

Asset Management and Financial Stability

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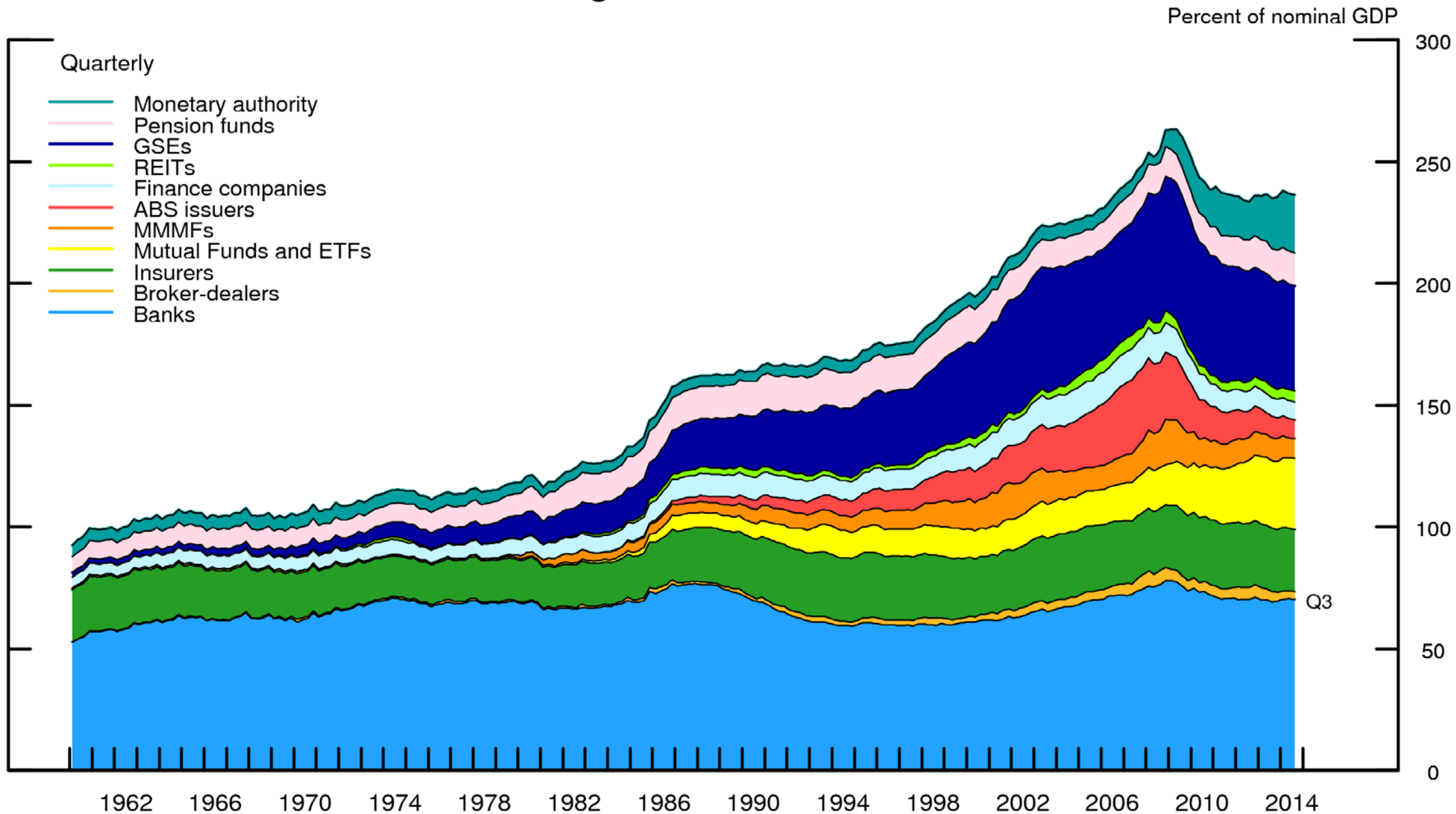
Federal Reserve Board

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*Views expressed are the author’s and do not represent those of the Board or its staff

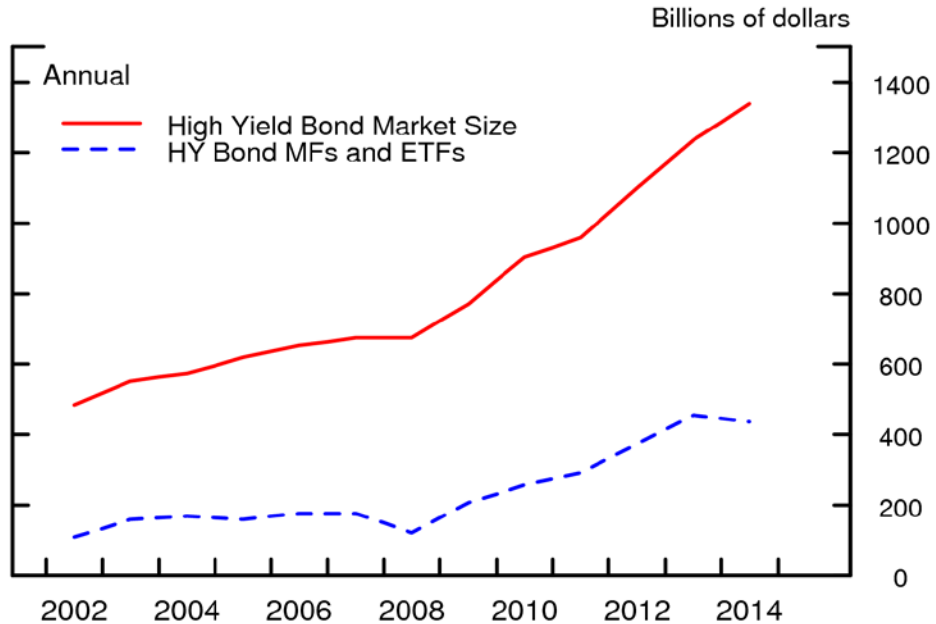
Credit Market Debt Outstanding



Source: Federal Reserve Flow of Funds.

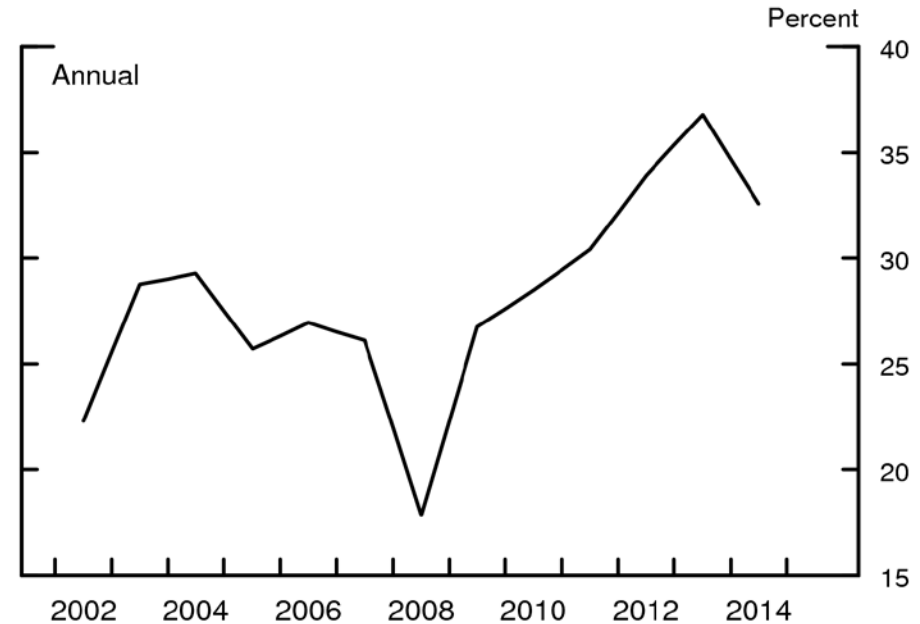
Example - Increased liquidity risk

High Yield Bond Mutual Funds and ETFs



Note: ETF assets data start in 2007.
Source: ICI and Morningstar.

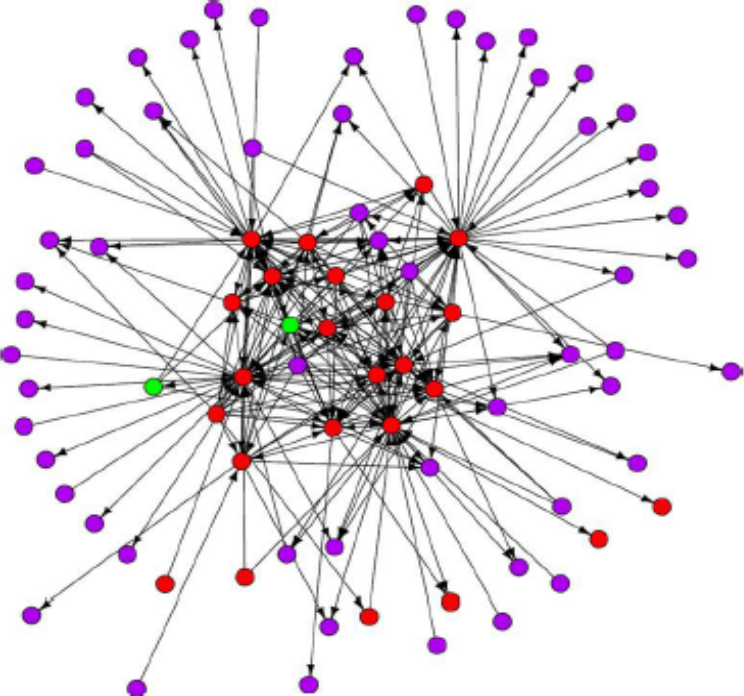
HY Bond Mutual Funds and ETFs Market Share



Note: ETF assets data start in 2007.
Source: ICI and Morningstar.

Example – Credit Default Swaps

Interconnectedness of CCPs, Dealers, and Non-dealers in CDS



CDS contracts through DTCC in 2010. Non-dealers include banks, hedge funds, asset managers, insurers, pension funds, other. See Brunetti and Gordy, 2012, “Monitoring Counterparty Credit Risk and Interconnectedness in CDS.” FEDS working paper.

CDS notional amount of protection, 2013

2013	Bought (\$B)	Sold (\$B)
Dealers	12,834	12,943
Bank (non-dealer)	206	221
Hedge funds	353	223
Asset managers	211	200
Ins, PFs, other	75	93
CCPs	1,378	1,378
Total	15,058	15,058

CDS contracts through DTCC in which one of the counterparties or the reference entity is an institution regulated by the Federal Reserve. See Campbell and Gallin, 2014, “Risk Transfer Using Credit Default Swaps,” FEDS Notes.