

Defeating the Ten-headed Hydra



THE WORLD BANK

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Achieving Global Goals makes Global Capital Markets more resilient



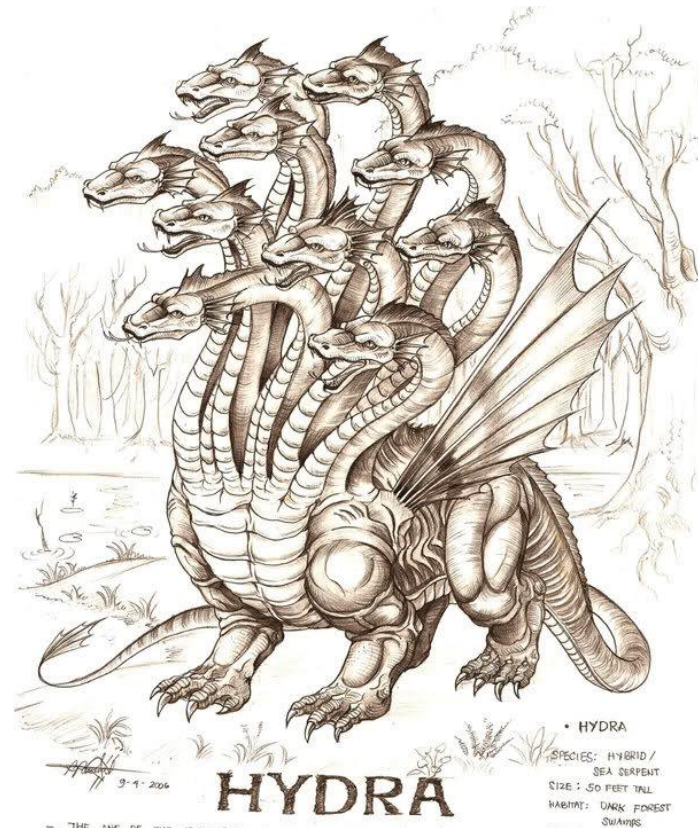
Achieving Global Goals eradicates poverty and boosts shared prosperity



- **0.8 billion** people have no clean water
- **1.0 billion** people live more than two kilometers from an all-weather road
- **1.3 billion** people have no access to electricity
- **2.5 billion** people lack adequate sanitation
- **2.8 billion** people cook food with dangerous fuels

Fragile Global Economy – “the ten-headed Hydra”

1. Geopolitical Uncertainty
2. Nationalism/Protectionism/Isolationism
3. Security Concerns/Terrorism
4. Constrained Government Budgets
5. Ballooning Debt
6. Fall in Commodity Prices
7. Low Risk Tolerance
8. Unconventional Monetary Policies
9. Challenging Regulatory Environment
10. Low Yield Environment

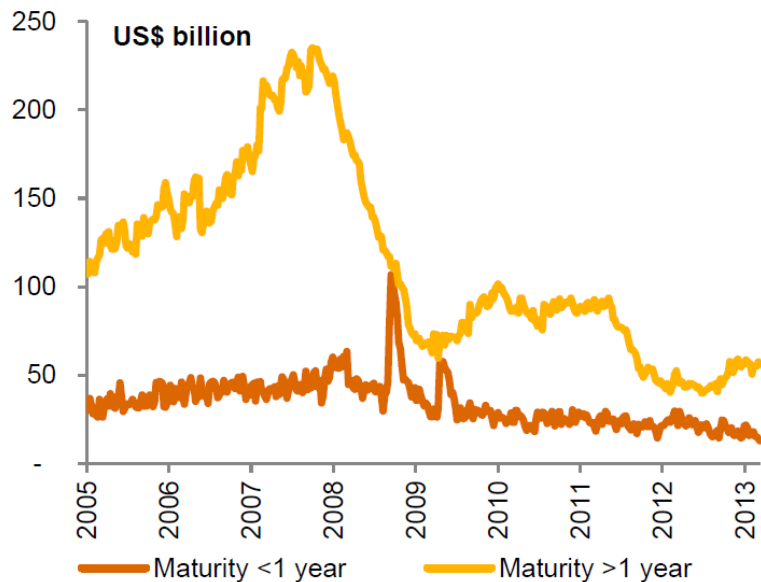


“HYDRA - a many-headed monster in Greek mythology that was slain by Hercules and each head of which when cut off was replaced by two others” – Webster Dictionary

Challenging Regulatory Environment

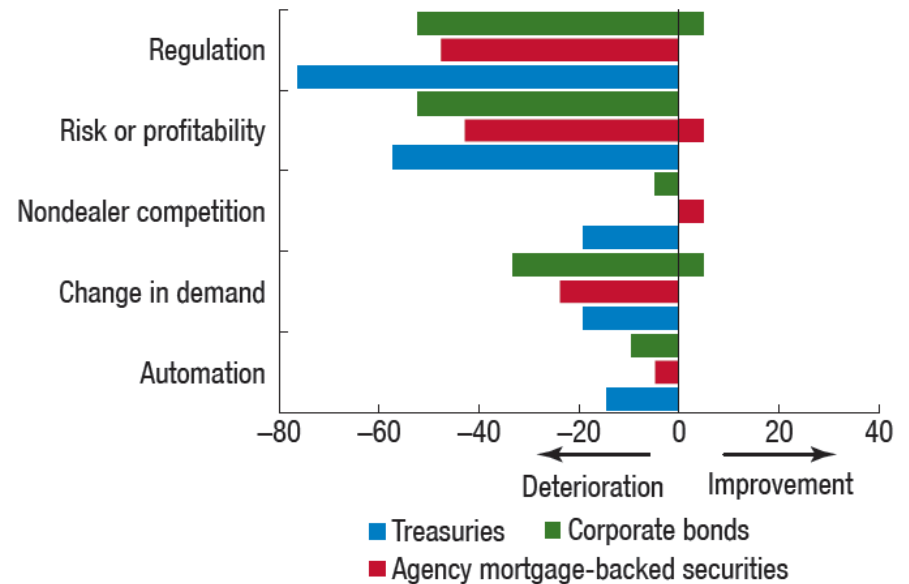
1. Bank deleveraging, business refocusing and market exits
2. Reduction in market-making activity
3. Liquidity contraction in repo markets

Dealer inventory holdings – US corporate bonds



Source: PWC | Federal Reserve

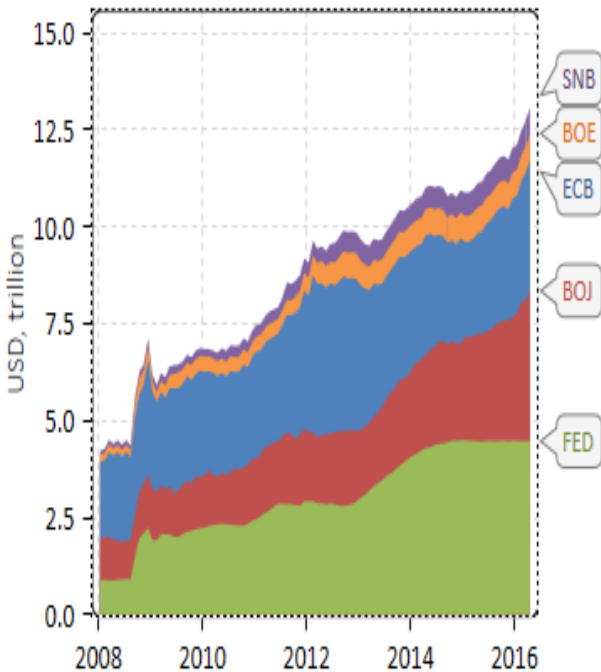
Reasons for changes in market liquidity in US



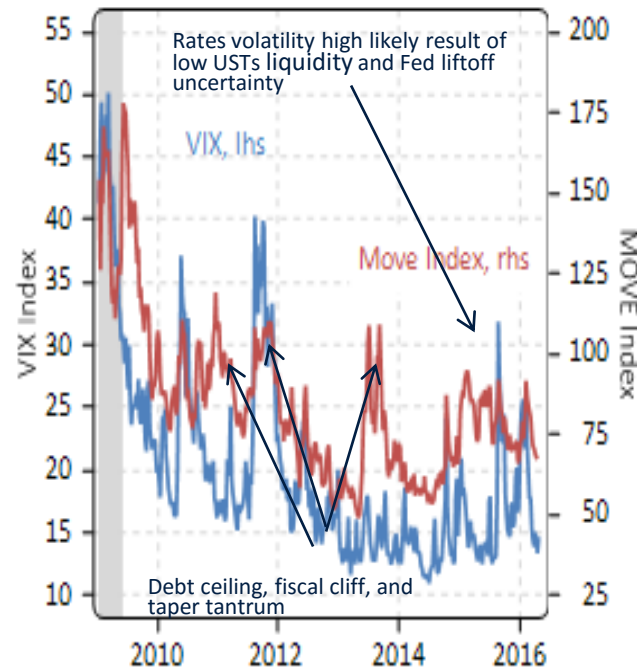
Source: IMF | Federal Reserve Senior Credit Officer Opinion Survey on Dealer Financing Terms, June 2015

Unconventional Monetary Policies, Volatility, Negative Interest Rates

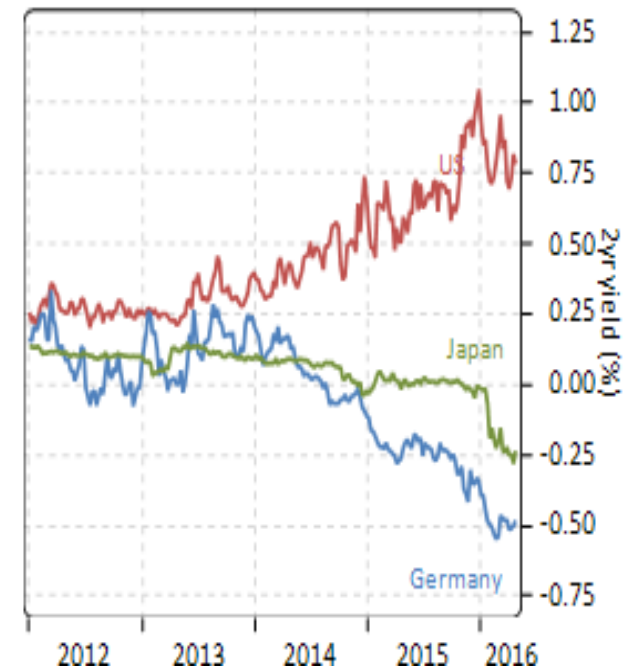
Major Developed Market Central Banks Total Assets



Government 2YR Bond Yield



Volatility



Collective Effort on the Global Goals is a Shared Interest and Makes Good Business Sense

Public Sector:

- Developing pipeline of bankable projects
- Mitigating Risks (political, credit enhancement, guarantees)
- Ensuring appropriate regulation
- Ensuring appropriate environmental, social and governance standards
- Strengthening Public-Private Partnership frameworks
- Providing advisory services
- Being an 'Honest Broker'
- Developing domestic capital markets

Private Sector:

- Creating Markets
- Structuring Solutions
- Product Development and Risk Management

Examples of partnerships:

- Climate friendly instruments & standards (Green Bond Principles)
- Global Infrastructure Facility (GIF)
- European Fund for Strategic Investments (EFSI)
- 'One Belt One Road' (China)



Defeating the Hydra, ensuring Resilient Capital Markets & achieving Global Goals is our Collective Mission

*“Turning and turning in the widening gyre,
The falcon cannot hear the falconer;
Things fall apart; the center cannot hold,
Mere anarchy is loosed upon the world.”*

--W.B. Yeats, “The Second Coming” 1919