



# *Lecture on “Sovereign Debt, Currency Denomination and Inflation Surges”*

*by Professor Huanhuan Zheng*

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**Date:** 23 February 2023 (Thursday)

**Time:** 11:00 am – 12:15 pm

**Venue:** Room 214,  
2/F, Cheng Yu Tung Building,  
The Chinese University of Hong Kong,  
12 Chak Cheung Street,  
Shatin, N.T.

**Language:** English

## *Abstract:*

What are the implications of surging inflation for debt finance? On one hand, it reduces debt burden for those borrowing in local currency. On the other hand, it increases the risk and debt burden for those borrowing in foreign currency as surging inflation is often accompanied with currency depreciation that requires more debt repayment in local currency. We utilize bond issuance data to explore how governments change their financing behavior when inflation surges. We find that sovereign bonds are more likely to be marketed to foreign investors and/or denominated in foreign currencies during episodes of surging inflation, relative to periods of stable inflation. This pattern is particularly pronounced in emerging markets (EMs), especially when the duration of inflation surges is long and when the magnitude of inflation surge is large. We further show that EMs with floating exchange regimes, capital control, monetary autonomy, and are actively using monetary policy to tame inflation are more aggressive in issuing foreign-currency bonds in international markets.

## *About the Speaker:*

Professor Zheng joined the Lee Kuan Yew School of Public Policy, National University of Singapore in 2017. Previously, she worked at The Chinese University of Hong Kong and the University of York as an Assistant Professor. She received a B.A. in Finance and a B.S. in Mathematics from Peking University in 2006, as well as a Ph.D. in Economics from Nanyang Technological University Singapore in 2011.

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