

# 2025 SBA-GSIM Colloquium

## Local Currency Debt and Sovereign Rollover Risk

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**Date: 2025. 5. 16.(FRI) 15:00**

**Venue: 114-503**

### Abstract

We show that sovereign debt rollover risk depreciates exchange rates, increases CDS prices, and decreases bond prices. Using granular bond data to construct each country's maturity structure, we document four novel empirical facts: (1) a sharp reduction in countries' average debt maturity over time, only observed in local currency debt, (2) a negative association between the average debt maturity and the share of local currency debt, (3) a significant within- and across-country variation in the fraction of bonds maturing over time, and (4) a rise in rollover risk. We then leverage the mechanical rebalancing of a local-currency government bond index to identify exogenous capital flows and demonstrate that the causal effects of these shocks on exchange rates, CDS prices, and bond prices are significantly amplified when countries face high sovereign debt rollover risk. We further find that short-maturity bonds are the most sensitive to these shocks, underscoring the potential short-term risks faced by emerging market economies.

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