

Table 3. Parameter Values of the Baseline Calibration

Panel A: Fixed Parameters			Panel B: Calibrated Parameters		
Param.	Description	Value	Param.	Description	Value
γ	Risk aversion	2.00	β_{EM}	Discount rate of EMs	0.90
θ	Reentry probability	0.25	d_0	Default cost—level	0.0321
ξ	Debt duration	0.8	d_1	Default cost—curvature	14.0
ρ_{EM}	EM endowment, autocorrelation	0.68	σ	Bank survival rate	0.71
σ_{EM}	EM endowment, shock volatility	0.03	ϕ	Marginal cost of raising equity	2.50
β_{DM}	Discount rate of DM	0.98	μ_{EM}	Mass of EM economies	2.02
α	Share of capital	0.35	σ_{DM}	Volatility of DM shock	0.068
δ	Depreciation	0.15	κ	Debt to net worth ratio	3.50
			\bar{n}	Net worth of new entrants	0.46
			$\rho_{\text{DM,EM}}$	Correlation of exogenous shocks	0.45

Table 4. Targeted Moments

Target	Description	Data	Model
$\mathbb{E}[D_i/Y_i]$	Average EM debt	15.0%	14.4%
$\mathbb{P}[DF_i]$	EM default frequency	1.5%	1.7%
$\mathbb{E}[SP_i]$	Average EM-bond spreads	410bp	416bp
$\sigma(SP_i)$	Volatility EM-bond spreads	173bp	152bp
$\text{corr}(SP_i, \log Y_i)$	Correlation EM-bond spreads & endowment	−31%	−84%
$\sigma(\log V(N))$	Volatility global banks' net worth (NW)	0.28	0.24
$\text{corr}(\log V(N), \log Y_{\text{EM}})$	Correlation banks' NW & systemic EM endowment	40%	44%
$\mathbb{E}[A_{\text{EM}}/(A_{\text{EM}} + A_{\text{DM}})]$	Global banks' exposure to EMs	10%	10%
$\eta_{\text{EM,N}}$	Elasticity EM spreads to banks' NW	0.056	0.059
$\mathbb{E}[(A_{\text{EM}} + A_{\text{DM}})/NW]$	Total assets to equity ratio	3.8	3.7

Table 5. International Comovements: Data and Model

	Correlation of SP_{EM} with		Correlation of $\log V(N)$ with		Factor Models	
	$SP_{EM,i}$	SP_{DM}	SP_{EM}	SP_{DM}	R^2	RMSE
Data	0.69	0.51	-0.57	-0.79	96.9%	3.19%
Model	0.74	0.69	-0.65	-0.80	97.4%	0.72%
Model λ_f					83.2%	3.05%

Figure 5. EM-Bond Spreads and Consumption Dynamics During the Global Financial Crisis: Data and Model

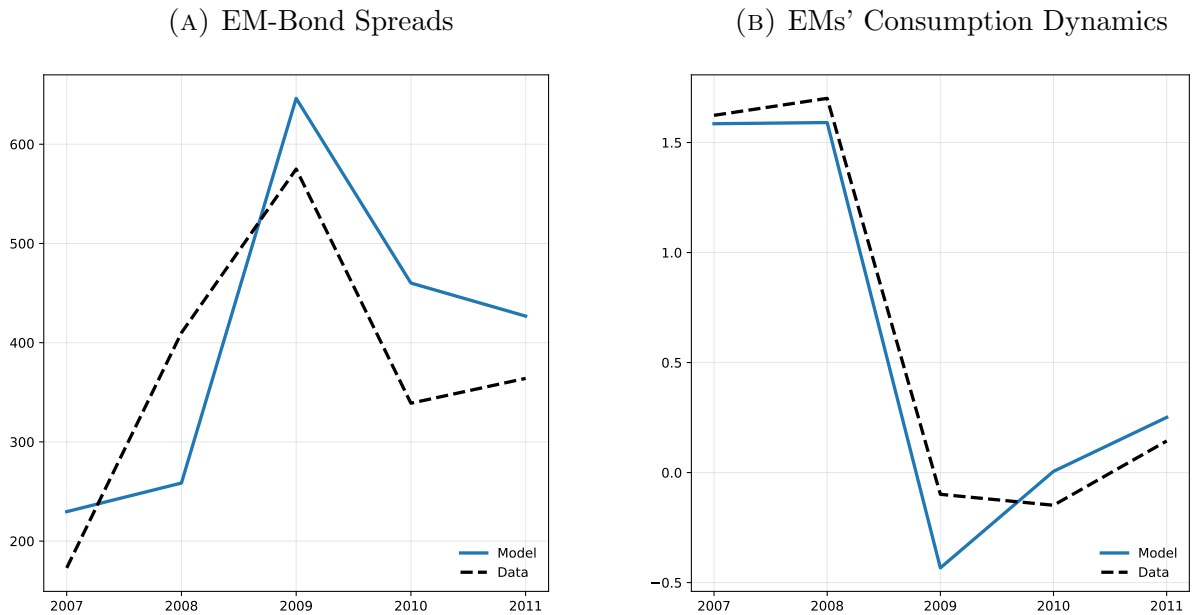


Table 6. Unconditional Decomposition of EM-Bond Spreads

	Average			Standard Deviation		
	Total	% Default Premium	% Interm. Premium	Total	% Default Premium	% Interm. Premium
Data	410			173		
Baseline Model	416	57%	39%	152	76%	39%
Robustness						
i. Alternative Elasticity	314	82%	16%	128	92%	16%
ii. Measured Income Process	521	53%	47%	192	84%	40%
iii. Asset Managers	470	46%	52%	163	68%	62%
iv. High Leverage	378	63%	30%	141	80%	28%
v. Time-varying ϕ	442	52%	50%	141	73%	46%

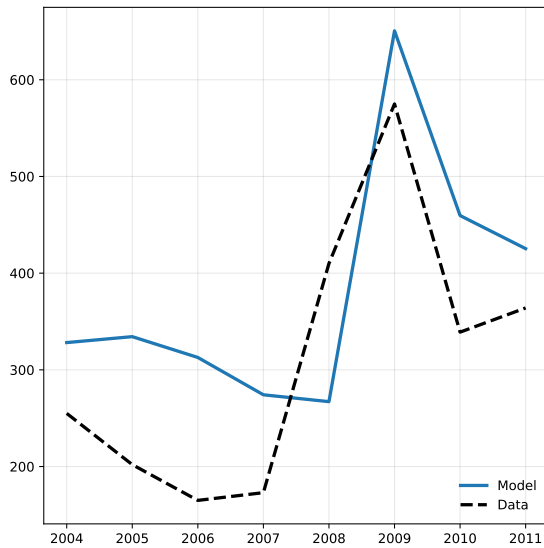
Table C3. Individual EM Business Cycles: Data and Model

Target	Description	Data	Model
$\sigma(\log C_i)/\sigma(\log Y_i)$	Excess Volatility of Consumption	1.14	1.03
$\text{corr}(\log C_i, \log Y_i)$	Cyclicalilty of Consumption	0.90	0.97
$\sigma(TB_i/Y_i)$	Volatility of the Trade-balance-to-output Ratio	0.04	0.01
$\text{corr}(TB_i/Y_i, \log Y_i)$	Cyclicalilty of the Trade-balance-to-output Ratio	-0.31	-0.1

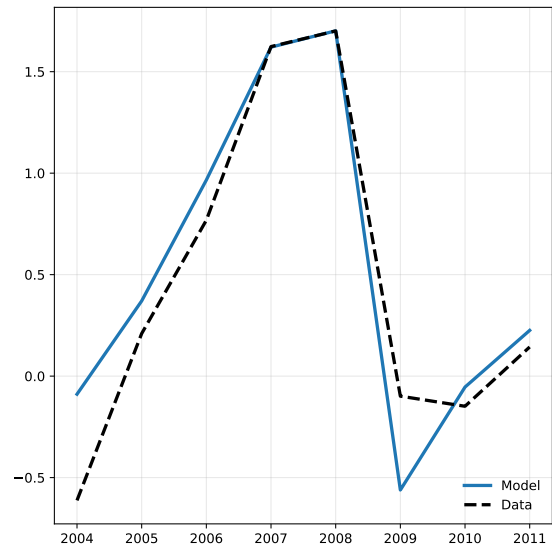
Table C4. Decomposing EM-Bond Spreads and Consumption Dynamics During the Global Financial Crisis

	Δ Spread		Δ Consumption	
	Joint Shocks	DM Contribution	Joint Shocks	DM Contribution
Data	402		−1.72	
Baseline Model	417	64.2%	−2.02	21.0%
Robustness				
i. Alternative Elasticity	275	48.5%	−1.99	13.8%
ii. Measured Income Process	394	72.0%	−3.09	44.5%
iii. Asset Managers	476	73.0%	−2.29	25.0%
iv. High Leverage	457	67.1%	−2.28	22.4%
v. Risk Buildup	376	57.8%	−2.18	18.0%
vi. Time-varying ϕ	428	66.5%	−2.35	26.1%

Boom and Bust: Spreads and Consumption



(A) EM Spreads



(B) Consumption

Figure C3. Global Banks' Portfolios and the Distribution of EM Debt

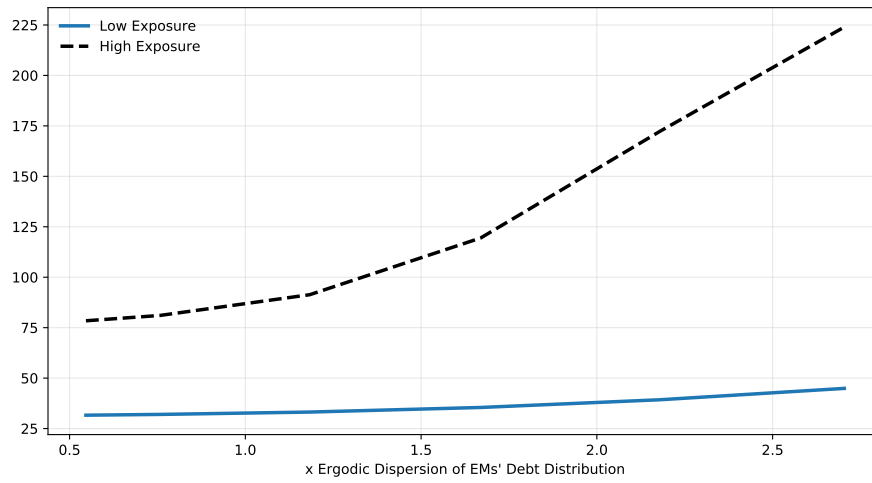
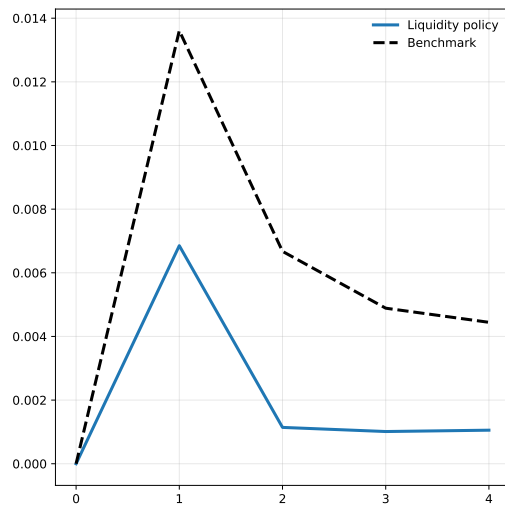
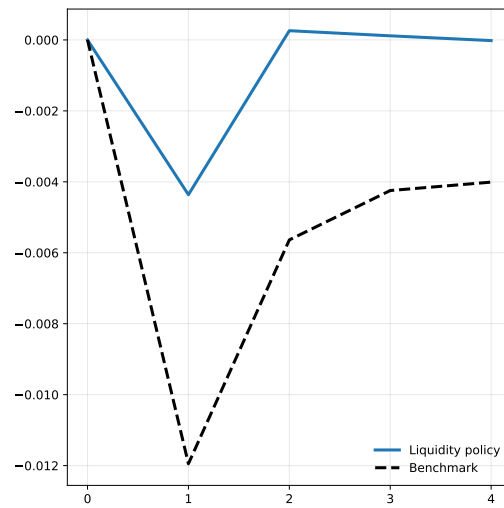


Figure C4. Liquidity Provision Policy and Responses to a Negative DM Shock



(A) Effect on EM Bond Yields



(B) Effect on EM Consumption