

1. Record Nr.	UNINA9910788417303321
Autore	Avesani Renzo
Titolo	A New Risk Indicator and Stress Testing Tool : : A Multifactor Nth-to-Default CDS Basket // Renzo Avesani, Jing Li, Antonio Garcia Pascual
Pubbl/distr/stampa	Washington, D.C. : , : International Monetary Fund, , 2006
ISBN	1-4623-0541-5 1-4527-9151-1 1-283-51254-8 1-4519-0899-7 9786613824998
Descrizione fisica	1 online resource (25 p.)
Collana	IMF Working Papers
Altri autori (Persone)	LiJing Garcia PascualAntonio
Soggetti	Risk management Economic indicators Banks and Banking Econometrics Investments: Derivatives Money and Monetary Policy Monetary Policy, Central Banking, and the Supply of Money and Credit: General Pension Funds Non-bank Financial Institutions Financial Instruments Institutional Investors Banks Depository Institutions Micro Finance Institutions Mortgages Classification Methods Cluster Analysis Principal Components Factor Models Monetary economics Finance Banking Econometrics & economic statistics Credit default swap

Credit
CDOs
Factor models
Derivative securities
Banks and banking
Econometric models
United States

Lingua di pubblicazione	Inglese
Formato	Materiale a stampa
Livello bibliografico	Monografia
Note generali	"April 2006".
Nota di bibliografia	Includes bibliographical references.
Nota di contenuto	""Contents""; ""I. INTRODUCTION""; ""II. DESCRIPTION OF THE INDICATOR""; ""III. MODEL DESCRIPTION""; ""IV. DATA DESCRIPTION""; ""V. FACTOR ANALYSIS: ESTIMATION RESULTS""; ""VI. COMPUTATION OF THE PROBABILITIES OF DEFAULT""; ""VII. SENSITIVITY ANALYSIS""; ""VIII. STRESS TESTING""; ""IX. CONCLUDING REMARKS""; ""References""
Sommario/riassunto	This paper generalizes a market-based indicator for financial sector surveillance using a multifactor latent structure in the determination of the default probabilities of an nth-to-default credit default swap (CDS) basket of large complex financial institutions (LCFIs). To estimate the multifactor latent structure, we link the market risk (the covariance of the LCFIs' equity) to credit risk (the default probability of the CDS basket) in a coherent manner. In addition, to analyze the response of the probabilities of default to changing macroeconomic conditions, we run a stress test by generating shocks to the latent multifactor structure. The results unveil a rich set of default probability dynamics and help in identifying the most relevant sources of risk. We anticipate that this approach could be of value to financial supervisors and risk managers alike.