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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-todefault 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.