Modelling CDS Volatility at Different Tenures: An Application for Latin-American Countries

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Publication Date: Tuesday, 10 of May 2022 Abstract
Assessing the dynamics of risk premium measures and its relationship with macroeconomic fundamentals is important for both macroeconomic policymakers and market practitioners. This paper analyzes the main determinants of CDS in Latin-America at different tenures, focusing on their volatility. Using a component GARCH model, we decompose volatility between permanent and transitory components. We find that the permanent component of CDS volatility in all tenors was higher and more persistent in the global financial crisis than during the recent COVID-19 shock.

Fuente: https://www.banrep.gov.co/en/modelling-cds-volatility-different-tenures-application-latin-american-countries