

Proposal

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1. Project description

Cross currency basis swap is a floating/floating swap through which two counterparties exchange different currencies. The EURUSD basis has been negative and more volatile since 2008. This project tries to predict the changes of 2y EURUSD basis by determining effective features.

2. Features

- **Changes of basis during period $t-1$**
- **US Dollar Index** published by Bloomberg which indicates the dollar strength in the spot FX market
- **Reverse Yankee issuance** which is the Euro debt issued by US companies
- **USD LIBOR/OIS spread** which indicates credit risk
- **CME global volatility index (VIX)**
- **ted spread (3m US libor-3m treasury yield)**
- **BAML GFSI Solvency Component** which indicates global solvency risk

3. Methods

Try KNN/logistic/SVM/RandomForest/bagging/AdaBoost to choose a better model.