5.1 Basic Model WITH accruals

The PV of the default leg is the same as before.

Therefore the par credit default swap spread S_N is given by

$$S_N = \frac{(1-R)\sum_{n=1}^{N} D(0,T_n)\left(P(T_{n-1}) - P(T_n)\right)}{\sum_{n=1}^{N} D(0,T_n)P(T_n)\left(\Delta t_n\right) + D(0,T_n)\left(P(T_{n-1}) - P(T_n)\right)\frac{(\Delta t_n)}{2}}$$

You can find these formulas implemented in the accompanying Excel Spreadsheet *CDSJPMExample.xls* , available from the course website.