The Shape of the Term Structure of Credit Spreads: An Empirical Investigation

Liquidity premium (difference between the yield on the Refcorp bonds 10 and the yield on the treasury zero-coupon bonds for the corresponding maturity), interest rate, yield curve slope, yield curve curvature, stock return, stock volatility, credit spread slope (foundation of Merton’s model)

**DETERMINANTS OF EURO TERM STRUCTURE OF** **CREDIT SPREADS**

changes in the level and the slope of the default-free term structure, the market return, implied volatility, and liquidity risk

**The Term Structure of Credit Spreads: Theory and Evidence on Credit Default Swaps**

default risk factor and a liquidity risk factor using CDS contracts

**Litterman Iben JPM1991**

Price of corporate bond/Price of government bond

Macro Factors in the Term Structure of Credit Spreads

indicator variable each of real activity (unemployment, growth rate of unemployement, industrial production), inflation (CPI, PPI, PCOM) and financial conditions (Credit Market Debt/Profit After Tax, net interest payments/GDP, Profit after tax/final sales of domestic product)

**Features selected by Ito: (**

**Monthly:**

**Y: GS10 - BAA的diff**

**Elastic Net (optimal L1ratio= 0.7, optimAlpha= 0.0013664483492953259):**

OILMR\_Return 0.011252  
PCOPPUSDM\_Return 0.158564  
CPIAUCSL\_Return 2.433057  
PPIACO\_Return 0.640079  
RU2000TR\_Return 0.230188  
RU1000TR\_Return 0.139052  
RU3000TR\_Return 0.175667  
RUMIDCAPTR\_Return 0.246615  
RMIDVLTR\_Return 0.269391  
GS2\_Difference 0.065481  
GS5\_Difference 0.140369  
GS7\_Difference 0.063546  
VXOCLS\_Difference -0.005655

**Lasso:**

OILMR\_Return 0.162930  
PCOPPUSDM\_Return 0.273957  
PSUGAISAUSDM\_Return 0.052853  
RU2000TR\_Return 0.147260  
RMIDVLTR\_Return 0.306675  
NASDAQCOM\_Return 0.056733  
T10Y2YM\_Difference -0.021139  
GS5\_Difference 0.322382  
VIXCLS\_Difference 0.029238  
VXOCLS\_Difference -0.040892

**Quarterly:**

**Elastic Net (optimal L1ratio= 0.7, optimAlpha= 0.02868316813342012):**

IPG2211A2N 0.000806  
NCBGCFQ027S\_Return -3.288788  
GDPDEF\_Return -10.272626  
CPIAUCSL\_Return -2.307912  
CPILFENS\_Return -0.812864  
RU1000VPR\_Return -0.007635  
RU1000TR\_Return -0.115760  
RU3000TR\_Return -0.048719  
UNRATE\_Difference 0.012600  
INDPRO\_Return -5.889059  
IPMAN\_Return -5.512237

**Lasso:**

IPG2211A2N 0.016904