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Bernd Schmid

Credit Risk Pricing Models

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Second Edition
with 101 Figures
and 65 Tables



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*"Es mag sein,
dass wir durch das Wissen
anderer gelehrter werden.
Weiser werden wir nur durch uns selbst."*

- Michel Eyquem de Montaigne -

Preface

This new edition is a greatly extended and updated version of my earlier monograph "Pricing Credit Linked Financial Instruments" (Schmid 2002). Whereas the first edition concentrated on the research which I had done in the context of my PhD thesis, this second edition covers all important credit risk models and gives a general overview of the subject. I put a lot of effort in explaining credit risk factors and show the latest results in default probability and recovery rate modeling. There is a special emphasis on correlation issues as well. The broad range of financial instruments I consider covers not only defaultable bonds, defaultable swaps and single counterparty credit derivatives but is further extended by multi counterparty instruments like index swaps, basket default swaps and collateralized debt obligations.

I am grateful to Springer-Verlag for the great support in the realization of this project and want to thank the readers of the first edition for their overwhelming feedback.

Last but not least I want to thank Uli Göser for ongoing patience, encouragement, and support, my family and especially my sister Wendy for being there at all times.

Stuttgart, November 2003

Bernd Schmid

Contents

1. Introduction	1
1.1 Motivation	1
1.2 Objectives, Structure, and Summary	5
2. Modeling Credit Risk Factors	13
2.1 Introduction	13
2.2 Definition and Elements of Credit Risk	13
2.3 Modeling Transition and Default Probabilities	14
2.3.1 The Historical Method	15
2.3.2 Excursus: Some Fundamental Mathematics	48
2.3.3 The Asset Based Method	50
2.3.4 The Intensity Based Method	58
2.3.5 Adjusted Default Probabilities	86
2.4 Modeling Recovery Rates	87
2.4.1 Definition of Recovery Rates	87
2.4.2 The Impact of Seniority	89
2.4.3 The Impact of the Industry	90
2.4.4 The Impact of the Business Cycle	92
2.4.5 LossCalc TM : Moody's Model for Predicting Recovery Rates	95
3. Pricing Corporate and Sovereign Bonds	99
3.1 Introduction	99
3.1.1 Defaultable Bond Markets	99
3.1.2 Pricing Defaultable Bonds	106
3.2 Asset Based Models	110
3.2.1 Merton's Approach and Extensions	110
3.2.2 First Passage Time Models	114
3.3 Intensity Based Models	121
3.3.1 Short Rate Type Model	121
4. Correlated Defaults	125
4.1 Introduction	125
4.2 Correlated Asset Values	125

4.3	Correlated Default Intensities	129
4.4	Correlation and Copula Functions	133
5.	Credit Derivatives	137
5.1	Introduction to Credit Derivatives	137
5.2	Technical Definitions	145
5.3	Single Counterparty Credit Derivatives	146
5.3.1	Credit Options	146
5.3.2	Credit Spread Products	148
5.3.3	Credit Default Products	151
5.3.4	Par and Market Asset Swaps	153
5.3.5	Other Credit Derivatives	156
5.4	Multi Counterparty Credit Derivatives	159
5.4.1	Index Swaps	159
5.4.2	Basket Default Swaps	160
5.4.3	Collateralized Debt Obligations (CDOs)	161
6.	A Three-Factor Defaultable Term Structure Model	179
6.1	Introduction	179
6.1.1	A New Model For Pricing Defaultable Bonds	179
6.2	The Three-Factor Model	184
6.2.1	The Basic Setup	184
6.2.2	Valuation Formulas For Contingent Claims	189
6.3	The Pricing of Defaultable Fixed and Floating Rate Debt	197
6.3.1	Introduction	197
6.3.2	Defaultable Discount Bonds	197
6.3.3	Defaultable (Non-Callable) Fixed Rate Debt	209
6.3.4	Defaultable Callable Fixed Rate Debt	212
6.3.5	Building a Theoretical Framework for Pricing One-Party Defaultable Interest Rate Derivatives	213
6.3.6	Defaultable Floating Rate Debt	218
6.3.7	Defaultable Interest Rate Swaps	221
6.4	The Pricing of Credit Derivatives	228
6.4.1	Some Pricing Issues	228
6.4.2	Credit Options	232
6.4.3	Credit Spread Options	239
6.4.4	Default Swaps and Default Options	242
6.5	A Discrete-Time Version of the Three-Factor Model	250
6.5.1	Introduction	250
6.5.2	Constructing the Lattice	250
6.5.3	General Interest Rate Dynamics	255
6.6	Fitting the Model to Market Data	255
6.6.1	Introduction	255
6.6.2	Method of Least Squared Minimization	256
6.6.3	The Kalman Filtering Methodology	259

6.7	Portfolio Optimization under Credit Risk	306
6.7.1	Introduction	306
6.7.2	Optimization	309
6.7.3	Case Study: Optimizing a Sovereign Bond Portfolio	315
A.	Some Definitions of S&P	327
A.1	Definition of Credit Ratings	327
A.1.1	Issue Credit Ratings	327
A.1.2	Issuer Credit Ratings	327
A.2	Definition of Default	331
A.2.1	S&P's definition of corporate default	331
A.2.2	S&P's definition of sovereign default	331
B.	Technical Proofs	333
B.1	Proof of Lemma 6.2.1	333
B.2	Proof of Theorem 6.3.1 for $\beta = \frac{1}{2}$	338
B.3	Proofs of Lemma 6.3.1 and Lemma 6.4.2	338
B.4	Proof of Lemma 6.4.3	343
B.5	Tools for Pricing Non-Defaultable Contingent Claims	344
C.	Pricing of Credit Derivatives: Extensions	349
	List of Figures	351
	List of Tables	357
	References	363
	Index	379