

Mario Strassberger,
Zittau/Goerlitz University of Applied Sciences, Germany

YIELD SPREADS AND THE VALUE OF BOND PORTFOLIOS – AN EMPIRICAL ANALYSIS DURING THE CRISIS

Given the sharp increase of yield spreads and the considerable losses to the value of bond portfolios during the recent financial market crisis, the reliable estimation of haircuts on bond values has become increasingly important. The banking supervisors motivate this too, when they demand institutes to hold an adequate level of liquidity. We analyse different data sets of Bloomberg Fair Market Curves of different sectors, credit qualities, and maturities for deducing yield spreads and haircuts. Starting with a regular market environment, the analysis shows a clear ex ante underestimation of spreads as well as haircuts. The analysis indicates evident rises in average spreads, e.g. up to 13 times for one-year maturities even for AAA securities. In the crisis situation we see haircuts of up to 25 % even for investment grade bonds. These findings have to be taken into consideration for a reliable risk management.

Strassberger, M. Yield spreads and the value of bond portfolios – an empirical analysis during the crisis [Текст] / М. Strassberger // Міжнародна банківська конкуренція: теорія і практика : матеріали VII Міжнародної науково-практичної конференції (24-25 травня 2012 року). – Суми: УАБС НБУ, 2012. - С. 14–15.