Transmission Channels of Financial Shocks to Stock, Bond, and Asset-Backed Markets: An Empirical Model

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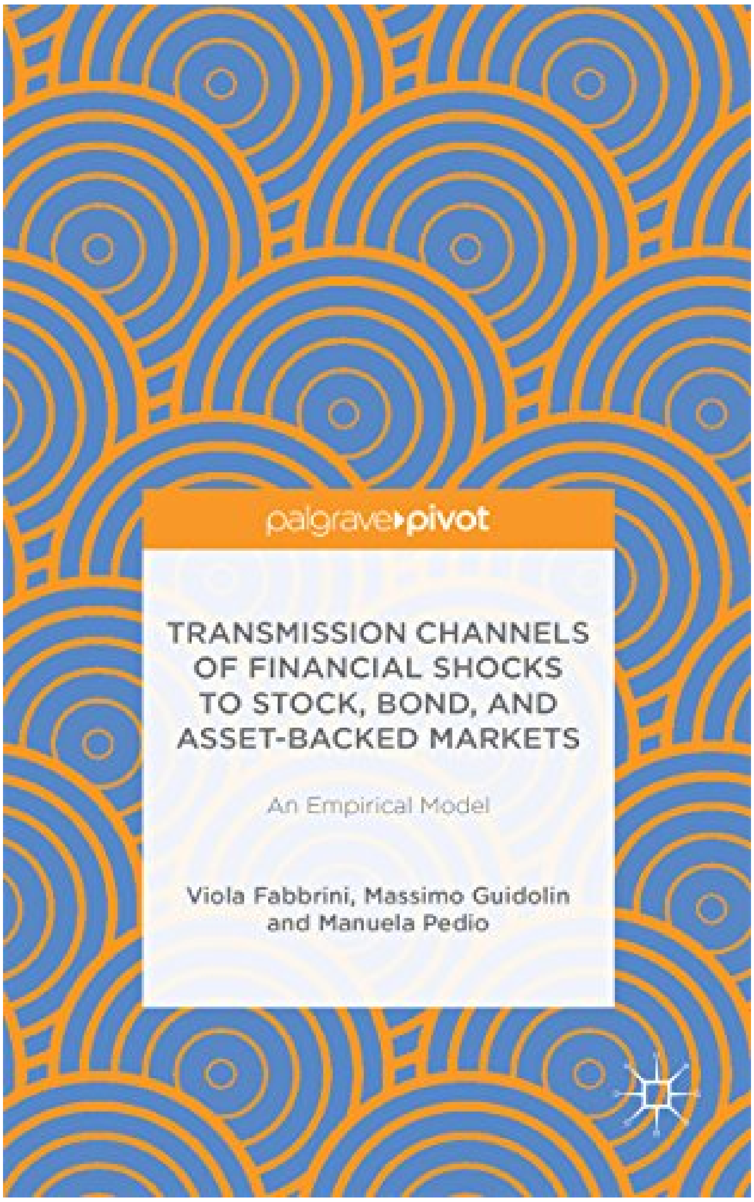

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Massimo Guidolin, Viola Fabbrini, Manuela Pedio : Transmission Channels of Financial Shocks to Stock, Bond, and Asset-Backed Markets: An Empirical Model before purchasing it in order to gage whether or not it would be worth my time, and all praised Transmission Channels of Financial Shocks to Stock, Bond, and Asset-

Backed Markets: An Empirical Model:

Researchers, policymakers and commentators have long debated the patterns through which adverse shocks in a few markets may quickly spread to a range of apparently disconnected financial markets causing widespread losses and turmoil. This book uses modern linear and non-linear econometric methods to characterize how shocks to the yield of risky fixed income securities, such as sub-prime asset-backed or low-credit rating sovereign bonds, are transmitted to the yields in other markets. These include equity and corporate bond markets as well as relatively risk-free fixed income securities, such as highly rated asset-backed securities and sovereign bonds from core Eurozone countries. The authors analyse and compare the results from linear and non-linear models to identify and assess four distinct contagion channels characterizing both US and European financial markets. These include the correlated information, risk premium, flight-to-liquidity, and flight-to quality channels. The results of this study support the theory that both investors and policy-makers ought to pay special attention to liquidity and commonalities in the perceptions of the probabilities of default, as channels through which financial shocks propagate.

About the AuthorViola Fabbrininbsp;has collaborated asnbsp;a researchernbsp;with Bocconi University, Italy, andnbsp;she is a mergers and acquisition advisor in the US. Massimo Guidolin is Professor of Finance at Bocconi University and Director of Bocconi's FT-ranked MSc in Finance, where he teaches courses in financial econometrics, portfolio selectionnbsp;and asset pricing at a graduate level. His research has been published in internationally-refereed outlets such as the American Economic , the Journal of Econometrics, the Journal of Financial Economics, andnbsp;the of Financial Studies.Manuela Pedio collaborates as a researcher with Bocconi University and has experience as an analyst in derivatives sales and trading. She is the winner of the 2014 UniCredit European Award for the Best Research Paper.