

The impact of government-backing announcements on CDS spreads

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This thesis investigates the impact of U.S. government backing announcements on credit default swap (CDS) spread changes of U.S., European and Japanese financial institutions during the financial crisis 2008 to 2009. An event study shows that CDS spreads of both U.S. and European financial institutions react significantly to support measures announced by U.S. federal agencies and the FED, although European firms only to a minor extent. These announcements effects are most pronounced for depository institutions and insurance companies. A regression analysis reveals that a certain level of ownership concentration is significantly related to CDS spread changes, whereas firm size has no significant influence.

Keywords: Credit default swaps; intervention; market reaction; event study