Overrated credit risk: three essays on credit risk in turbulent times
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Credit markets have shown a dramatic development at the start of the 21st century. Increased regulatory pressure on financial institutions has spurred the development of innovative products that allow for transfer of credit risk. These developments lay at the base of the largest financial crisis since the great depression. This dissertation contains three essays on the pricing of credit risky instruments relating to several trends in credit markets leading up to the crisis. The essays cover the pricing effect of liquidity on the pricing of Credit Default Swaps, the regulatory price impact of credit ratings on corporate bonds and the decomposition of unexpected corporate bond returns into cash flow and discount rate news components. As such, this dissertation increases the understanding of credit markets leading up to and at the onset of the crisis. Moreover, it gives an in-depth discussion of the findings against the backdrop of current and future financial regulation.

Dion Bongaerts has obtained his masters degree in econometrics from Maastricht University in 2005. Thereafter he started his PhD in finance at University of Amsterdam while working as a portfolio risk modeler at ABN-AMRO enterprise risk management. He performed part of his research while attending the International Center for Finance at Yale School of Management as a visiting researcher. His work has been presented at several major conferences including the WFA and EFA annual meetings and published in several leading academic journals among which the Journal of Finance. As of November 2009, Dion is employed as an assistant professor of finance at RSM Erasmus University.