



BOSTON UNIVERSITY STATISTICS
AND PROBABILITY SEMINAR SERIES

Contagion, Confusion, and the Panic of 2008

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January 22, 4-5pm

Mathematics and Computer Science (MCS) Building, Room 149

111 Cummington Street, Boston

Tea and Cookies at 3:30pm in MCS 153

Abstract: Are different slices of fixed income markets more dependent during times of crisis than during normal times? We call this increase in dependence during times of crisis credit contagion, and define this concept through a local correlation function very similar to the usual correlation coefficient. Surprisingly, an analysis of bond yield spreads and credit default swap premia suggests that fixed income markets have not experienced credit contagion during crises like the Panic of 2008. Instead, these measures of credit risk have tended to become less correlated or even conditionally uncorrelated during crises—a concept we call credit confusion.

For directions and maps, please see <http://math.bu.edu/research/statistics/statseminar.html>.