

# Credit and Systemic Risks in the Financial Services Sector: Evidence from the 2008 Global Crisis

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We develop a portfolio credit risk model that includes firm-specific Markov-switching regimes as well as individual stochastic and endogenous recovery rates. Using weekly credit default swap premiums for 35 financial firms, we analyze the credit risk of each of these companies and their statistical linkages, putting emphasis on the 2005–2012 period. Moreover, we study the systemic risk affecting both the banking and insurance subsectors.

*This is joint work with Jean-François Bégin (Simon Fraser), Mathieu Boudreault (UQAM) and Delia Alexandra Doljanu (Banque Nationale).*

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