

# Repo Counterparty Risk and On-/Off-the-Run Treasury Spreads

[Get access >](#)

Sheen Liu , Chunchi Wu

*The Review of Asset Pricing Studies*, Volume 7, Issue 1, June 2017, Pages 81–143,  
<https://doi.org/10.1093/rapstu/raw008>

**Published:** 15 November 2016

We propose a dynamic asset pricing model in which two assets with identical cash flows can trade at different prices not only because of differences in liquidity but counterparty risk. Counterparty risk reduces lenders or borrowers' willingness to supply funds and collateral, incentives to shortsell and lend, and the likelihood for new bonds to be on special, thereby narrowing on-/off-the-run spreads and affecting asset prices in spot markets. Consistent with this prediction, we find that on-/off-the-run spreads are low when counterparty risk is high and this relationship is much stronger during the financial crisis.

Received January 28, 2015; accepted October 4, 2016 by Editor Maureen O' Hara.

© The Author 2016. Published by Oxford University Press on behalf of The Society for Financial Studies. All rights reserved. For Permissions, please email: [journals.permissions@oup.com](mailto:journals.permissions@oup.com)

You do not currently have access to this article.

## Sign in

[Get help with access](#)

### Personal account

- Sign in with email/username & password
- Get email alerts
- Save searches
- Purchase content
- Activate your purchase/trial code

### Institutional access



Sign in through your institution

[Sign in through your institution](#)[Sign in with a library card](#)[Sign in with username/password](#)

- Add your ORCID iD

[Recommend to your librarian](#)

Sign in >

[Register](#)

### Institutional account management

[Sign in as administrator](#)

## Purchase

---

[Subscription prices and ordering for this journal](#)

[Purchasing options for books and journals across Oxford Academic](#)

## Short-term Access

To purchase short-term access, please sign in to your personal account above.

Don't already have a personal account? [Register](#)

Repo Counterparty Risk and On-/Off-the-Run Treasury Spreads - 24 Hours access

EUR €40.00

GBP £34.00

USD \$44.00

## Rental



This article is also available for rental through DeepDyve.