

Procyclical Leverage and Value-at-Risk

[Get access >](#)

Tobias Adrian, Hyun Song Shin

The Review of Financial Studies, Volume 27, Issue 2, February 2014, Pages 373–403, <https://doi.org/10.1093/rfs/hht068>

Published: 22 October 2013

Abstract

The availability of credit varies over the business cycle through shifts in the leverage of financial intermediaries. Empirically, we find that intermediary leverage is negatively aligned with the banks' Value-at-Risk (VaR). Motivated by the evidence, we explore a contracting model that captures the observed features. Under general conditions on the outcome distribution given by extreme value theory (EVT), intermediaries maintain a constant probability of default to shifts in the outcome distribution, implying substantial deleveraging during downturns. For some parameter values, we can solve the model explicitly, thereby endogenizing the VaR threshold probability from the contracting problem.

© The Author 2013. Published by Oxford University Press on behalf of The Society for Financial Studies. All rights reserved. For Permissions, please e-mail: journals.permissions@oup.com.

Issue Section: [Articles](#)**Collection:** [SFS Journals](#)

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

Institutional access



Sign in through your institution

- Purchase content
- Activate your purchase/trial code
- Add your ORCID iD

[Sign in >](#)

[Register](#)

[Sign in through your institution >](#)

[Sign in with a library card](#)

[Sign in with username/password](#)

[Recommend to your librarian](#)

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](#)

Procyclical Leverage and Value-at-Risk - 24 Hours access

EUR €53.00

GBP £44.00

USD \$58.00

Rental



This article is also available for rental through DeepDyve.