📄 Download This Paper (Delivery.cfm/SSRN_ID1803075_code839764.pdf?abstractid=1803075&mirid=1)

Open PDF in Browser (Delivery.cfm/SSRN_ID1803075_code839764.pdf?abstractid=1803075&mirid=1&type=2)

☆ Add Paper to My Library

Share: f 🐦 ✉ 🔗

Macro-Financial Vulnerabilities and Future Financial Stress - Assessing Systemic Risks and Predicting Systemic Events

BOFIT Discussion Paper No. 2/2011

46 Pages
Posted: 7 Apr 2011

Marco Lo Duca (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=452517)
European Central Bank (ECB)

Tuomas A. Peltonen (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=355041)
European Central Bank (ECB)

📄 There are 2 versions of this paper

Date Written: March 2, 2011

Abstract

This paper develops a framework for assessing systemic risks and for predicting (out-of-sample) systemic events, i.e. periods of extreme financial instability with potential real costs. We test the ability of a wide range of "stand alone" and composite indicators in predicting systemic events and evaluate them by taking into account policy makers' preferences between false alarms and missing signals. Our results highlight the importance of considering jointly various indicators in a multivariate framework. We find that taking into account jointly domestic and global macro-financial vulnerabilities greatly improves the performance of discrete choice models in forecasting systemic events. Our framework shows a good out-of-sample performance in predicting the last financial crisis. Finally, our model would have issued an early warning signal for the United States in 2006Q2, 5 quarters before the emergence of money markets tensions in August 2007.

Keywords: early warning indicators, asset price booms and busts, financial stress, macro-prudential policies

JEL Classification: E44, E58, F01, F37, G01

Suggested Citation >

Show Contact Information >

29 References

1. Detken Alessi
   Quasi real time early warning indicators for costly asset price boom/bust cycles: A role for global liquidity‖
   European Journal of Political Economy , volume 27 Posted: 2011
   Crossref (https://doi.org/10.1016/j.ejpoleco.2011.01.003)

2. Danninger Balakrishnan , Tytell Elekdag
   The Transmission of Financial Stress from Advanced to Emerging Economies‖ Posted: 2009

3. Gertler Bernanke
   Inside the Black Box: The Credit Channel of Monetary Policy Transmission‖
   Journal of Economic Perspectives , volume 9 , p. 27 - 48 Posted: 1995
   Crossref (https://doi.org/10.3386/w5146)

4. -- , Gilchrist

Do you have a job opening that you would like to promote on SSRN?

Place Job Opening (https://www.ssrn.com/index.cfm/en/Announcements-Jobs/)

Paper statistics

DOWNLOADS	246
ABSTRACT VIEWS	1,626
RANK	123,216
55	Citations
29	References

PlumX Metrics

(https://plu.mx/ssrn/a/?
ssrn_id=1803075)

Related eJournals

Bank of Finland Research Paper Series (https://papers.ssrn.com/sol3/JELJOUR_Results.cfm?form_name=journalBrowse&journal_id=997959)

Follow ⓘ

Risk Management eJournal (https://papers.ssrn.com/sol3/JELJOUR_Results.cfm?form_name=journalBrowse&journal_id=1492472)

Follow ⓘ

View more ›

Feedback 💬

Submit a Paper › (https://hq.ssrn.com/submissions/CreateNewAbstract.cfm)

SSRN Quick Links ⌄

SSRN Rankings ⌄

About SSRN ⌄

(http://www.elsevier.com/)

We use cookies to help provide and enhance our service and tailor content.

To learn more, visit Cookie Settings.

(http://www.relx.com/)

(https://papers.ssrn.com/sol3/updateInformationLog.cfm?process=true)