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[Home](#) > [Vol 3, No 4 \(2016\)](#) > [BALTACI](#)



## Examination of the Macroeconomic Variables affecting Credit Default Swaps

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### Abstract

**Abstract.** Many investors, money authority and reputable institutions closely follow credit default swaps while they regard them as reliable tool of measuring country credibility, since credit default swaps (CDS) come into prominence as an important indicator for country risks in recent years. Therefore, this phenomenon creates itself an area in academics, and examination of countries' default spreads and determining the macroeconomic variables affecting them become an important academic area. For these reasons, there are lots of researches have been made in this subject in Turkey and world recently. In this research, the macroeconomic variables, which affect country default swaps of developing countries, including Turkey, are determined and examined; moreover, the effects of chosen macroeconomic variables on country default swaps are analyzed. The subject of the research is not a static case, thus Generalized Method of Moments (GMM) estimator method from dynamic panel data methods and Residual Linear Regression Model are used. According to the results of the analyses, it is found out that the selected variables which are (i) increase in current account balance, (ii) real interest rates, (iii) GDP growth rates, (iv) inflation rates and (v) annual positive changes in S&P Global Reit Index have important effects on CDS spreads.

**Keywords.** Credit Default Swaps (CDS), Country risk, Loan costs, Developing countries.

JEL. G24, O40, O52.

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