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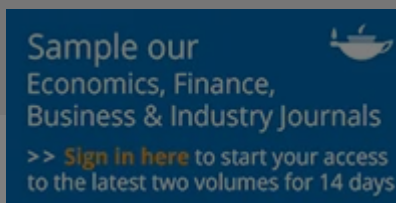
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Macroeconomic uncertainty and credit default swap spreads

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Abstract

This article empirically investigates the impact of macroeconomic uncertainty on the spreads of individual firms' Credit Default Swaps (CDSs). While the existing literature acknowledges the role of macroeconomic uncertainty in determining CDS spreads, this article provides new evidence on the role of macroeconomic uncertainty in determining CDS spreads. The article finds that macroeconomic uncertainty is a significant determinant of CDS spreads, and that the impact of macroeconomic uncertainty on CDS spreads is non-linear. The article also finds that the impact of macroeconomic uncertainty on CDS spreads is stronger for firms with higher leverage and lower profitability.

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fixed level of volatility, while we focus upon the variations in macroeconomic volatility as a factor influencing CDS spreads.

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