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Tracking the Libor rate

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Abstract

With an eye to providing a methodology for tracking the dynamic integrity of prices for important market indicators, in this article we use Benford second digit (SD) reference distribution to track the daily London Interbank Offered Rate (Libor) over the period 2005 to ... aturally occurrin... nd that in two rece... rd reference distribut... f the signals coming ... ness of the Libor...

...ticle

Acknov...

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Notes

[1]Among many who have used Benford's law to check the validity of purported scientific data in the social sciences, see Varian (1972), Giles (2007), Cho and Gaines (2007) and Judge and Schechter (2009). See Abrantes-Metz and Bajari (2009) to study how statistical methods have started to be used in antitrust and finance to detect a variety of conspiracies and manipulations.

[2]The FFE rate is the interest rate at which banks (and other depository institutions) lend balances through the Federal Reserve Bank to other depository institutions. Because this rate is usually applied to overnight loans, it represents a short-term rate of borrowing between banks, making it a suitable benchmark for our study.

[3] , where e_i is the observed frequency in each bin in the empirical data, b_i the frequency expected by Benford. This statistic has 9 degrees of freedom with the 10%, 5% and 1% critical significance values of 14.98, 16.92 and 21.97, respectively.

[4]A short-term debt obligation backed by the US government with a maturity of less than
1 year. T … se of $5
million a … weeks) or 6
months … contracts
with a pr…

[5]We a… the 3-month
Libor … bas (2010))
using th… ergence
analyses…

[6]On 17 … BBA
intended … eries of
articles (see e.g. Abrantes-Metz et al., 2008).