Do financial innovations contribute to the occurrence of sovereign debt crisis? The case of sovereign CDS

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Focus on Research

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The assessment of the effects of financial innovations has always been ambiguous. On the one hand, they are perceived as an instrument of efficiency by allowing better risk management and greater market liquidity. On the other hand, they can be a source of financial and economic instability. This article focuses on the macroeconomic effects of a derivative: the credit default swap, which insures against the risk of non-repayment of a sovereign debt.

Read the blog article (in French)
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