

Independent Study Title	DOES CREDIT RATING ALONE ENOUGH FOR PROBABILITY OF DEFAULT: CDS MAY HELP FOR REAL TIME MEASUREMENT?
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ABSTRACT

Credit risk of the counterparties is an important content that every institution needs to eliminate. In emerging market including Thailand, Malaysia and Philippines, CDS spread does have ability as a primary credit measurement to investors and credit analysts especially in case of actual Downgrade announcements. CDS market can fully anticipate the credit information 30 days before the announcements from credit rating agencies. This study also found that there's asymmetric reaction from CDS market between positive and negative credit events between actual Downgrade and Upgrade announcements. CDS market seems to under-react to the credit announcements which has reference entities in this region since we couldn't found significant anticipation in Outlook and CreditWatch reports. We're also studied predictability of CDS spread to the future credit announcements in order to introduce advantageous of this instrument in the credit analysis.

Keywords: Credit risk, Credit default swap, Credit Rating