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# How Did the Greek Credit Event Impact the Credit Default Swap Market?

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## Abstract

This paper studies how the Greek credit event in March 2012 impacted the Credit Default Swap (CDS) market, analysing both direct (i.e. to the Greek CDS market) and indirect effects (to other CDS reference entities). We study these effects both from a market wide and investor behaviour perspectives, applying multi-layer network tools to a novel global dataset on bilateral CDS exposures and combine it with a time series analysis of the CDS spreads. We detect a variety of changes in the network structure: obviously on the Greek CDS market itself but also on the markets similar in credit risk profiles. Our findings also provide evidence for the bank-sovereign nexus in the EU. The effects can be partly explained by behaviour of various types of dealers and the credit quality of the reference entities.

**Keywords:** CDS market; credit event; Greece; network analysis

**JEL Classification:** G14, G23, L14

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