



FIXED INCOME

Credit Risk Premium: Preliminary Paper Data

February 27, 2018

This data set is related to “Credit Risk Premium: Its existence and Implications for Asset Allocation” (Asvanunt and Richardson, 2015) in which we document the existence of a credit risk premium. Using data from both cash bond markets (1927-2014) and synthetic CDS markets (2004-2014), we document evidence of a sizable credit risk premium. This premium is related to, but distinct from, the well-known equity risk premium and term premium. We further document variation in the size of the credit risk premium across different macroeconomic regimes: the credit risk premium is larger during periods of economic growth. Our empirical analyses support a strategic allocation to corporate credit and the possibility of a tactical allocation by exploiting forecasts of expected growth and aggregate default rates.

The data provided here are preliminary cash bond market returns used by Asvanunt and Richardson in a working version of their paper (2015). These are monthly excess returns for U.S. corporate and government bonds, as well as the S&P 500, from January 1926 through December 2014.

The views and opinions expressed herein are those of the author and do not necessarily reflect the views of AQR Capital Management, LLC, its affiliates or its employees.

The information contained herein is only as current as of the date indicated, and may be superseded by subsequent market events or for other reasons. Neither the author nor AQR undertakes to advise you of any changes in the views expressed herein.

This information is not intended to, and does not relate specifically to any investment strategy or product that AQR offers. It is being provided merely to provide a framework to assist in the implementation of an investor's own analysis and an investor's own view on the topic discussed herein.

Past performance is no guarantee of future results.

Certain publications may have been written prior to the author being an employee of AQR.