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.