Financial Skewness and Credit Market Fundamentals

I use two frameworks: a Dynamic Stochastic General Equilibrium (DSGE) model and Bayesian Vector Autoregressions (BVARs). The DSGE model rationalizes the idea that the relationship between financial firms and their borrowers achieve some diversification of cross-section risks, while not totally eliminating them. The model has new Keynesian features and a financial accelerator channel, and allows cross-section risks to be subject to dispersion and skewness shocks.

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*The views expressed in this paper are solely my responsibility and should not be interpreted as reflecting the views of the Board of Governors of the Federal Reserve System or of any other person associated with the Federal Reserve System.