

Dissociation of CDS from CVA Valuation Under Notation Changes

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Abstract : In this paper, the CVA computation of interest rate swap is presented based on its rating. Rating and probability default given by Moody's Investors Service are used to calculate our CVA for a specific swap with different maturities. With this computation, the influence of rating variation can be shown on CVA. The application is made to the analysis of Greek CDS variation during the period of Greek crisis between 2008 and 2011. The main point is the determination of correlation between the fluctuation of Greek CDS cumulative value and the variation of swap CVA due to change of rating

Keywords : CDS, computation, CVA, Greek crisis, interest rate swap, maturity, rating, swap

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