CoCos under-short term uncertainty

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In this paper, see [1], we analyze an extension of the Jeanblanc and Valchev [4] model by considering a short-term uncertainty model with two noises. It is a combination of the ideas of Duffie and Lando [2] and Jeanblanc and Valchev [4]: share quotations of the firm are available at the financial market, and these can be seen as noisy information about the fundamental value, or the firm's asset, from which a low level produces the credit event. We assume there are also reports of the firm, release times, where this short-term uncertainty disappears. This credit event model is used to describe conversion and default in a CoCo bond.

References

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