

**Banka Slovenije**  
in cooperation with  
**the Research Centre of the School of Economics and  
Business**, invites you to a seminar

***The Fed Takes on Corporate Credit Risk: An Analysis of the Efficacy of the  
SMCCF***

Co-author and speaker:

**Egon Zakrajšek**  
**Bank for International Settlements**

The seminar will be held in the  
**Great Hall (Avla) of Banka Slovenije**  
**on Tuesday 4 October 2022 at 10:00 CEST**

**Abstract:**

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We evaluate the efficacy of the Secondary Market Corporate Credit Facility (SMCCF), a program designed to stabilize the U.S. corporate bond market during the Covid-19 pandemic. We show that the program announcements on March 23 and April 9, 2020, significantly lowered credit and bid-ask spreads across the maturity spectrum and ultimately restored the upwardsloping term structure of credit spreads. Using intraday event study methodology, we also document that actual program purchases reduced credit spreads of eligible bonds by about two basis points more than those of ineligible bonds. To shed light on the underlying mechanism, we calibrate a variant of the preferred-habit model and show that a “dash for cash,” a sell-off of shorter-term lowest-risk investment-grade bonds, combined with a spike in the arbitrageurs’ risk aversion, can account for the inversion of the credit curve during the height of the pandemic-induced turmoil in the market. Consistent with the empirical findings, the Fed’s announcements, by reducing risk aversion and alleviating market segmentation, helped restore the upward-sloping credit curve in the investment-grade segment of the market.

**About the speaker:**

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Egon Zakrajšek joined the BIS in August 2019 after nearly 25 years with the US Federal Reserve System. He started his career in the research department of the Federal Reserve Bank of New York and later joined the division of Monetary Affairs at the Board of Governors of the Federal Reserve System in Washington DC. His research has been published in leading academic journals, including the American Economic Review and the Quarterly Journal of Economics. Egon Zakrajšek is a CEPR Research Fellow, a Research Fellow at the Centre for Finance, Credit and Macroeconomics at the University of Nottingham and serves as the editor of BIS Working Papers. In addition to his extensive policy experience, he has also taught economics at Columbia University and Johns Hopkins University. He holds a PhD in economics from New York University.

**How to sign up:**

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Please send an email to sign up for the seminar to [seminar@bsi.si](mailto:seminar@bsi.si). You can sign up by Friday 30 September 2022. The seminar will be in English.