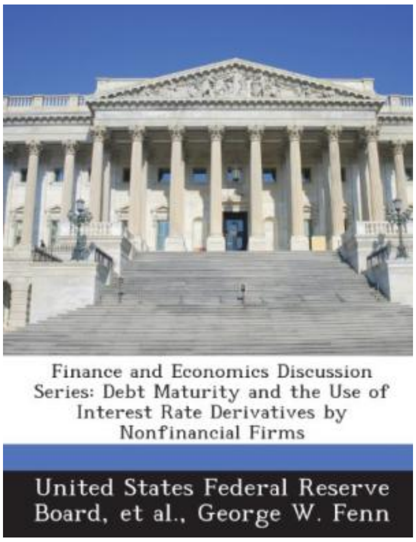

Finance and Economics Discussion Series: Debt Maturity and the Use of Interest Rate Derivatives by Nonfinancial Firms

By George W Fenn

Bibliogov, United States, 2013. Paperback. Book Condition: New. 246 x 189 mm. Language: English . Brand New Book ***** Print on Demand *****.We develop and test a simple model of a firm s optimal debt maturity and its demand for interest rate swaps using 1994 data of over 4000 nonfinancial corporations. As in other models of derivative use, ours predicts a systematic relationship between a firm s swap position and the interest-sensitivity of its cash flow. We test this by estimating the cross-sectional relationship between a firm s swap position and: (1) the amount of short-term and floating-rate debt in its capital structure; and (2) the interest-sensitivity of its EBITD. We find strong evidence that firms use swaps to hedge interest rate risk arising from debt obligations but little evidence that they hedge interest rate risks from operating income. Consistent with theories of swap use (Arak et al., 1988, Wall, 1989, and Titman, 1992), our model also predicts that firms that avoid using swaps because of transactions costs issue less short-term debt than swap users, since the former are unable to hedge the resulting interest rate risk. We find this to be the case.

Reviews

This publication is fantastic. It can be rally intriguing throgh looking at time. You may like the way the author compose this publication.
-- ***Mr. Wilber Thiel***

This ebook could be well worth a study, and superior to other. It really is basic but unexpected situations inside the 50 % of your ebook. Once you begin to read the book, it is extremely difficult to leave it before concluding.
-- ***Prof. Buford Ziemann***