Early Warning Systems of Banks in United States: After the Subprime Crisis

Wu Hsin-tat, Chen Mei-ling
E-mail: 345445@mail.dyu.edu.tw

Abstract

Financial stability is an important prerequisite for economic growth and stability. The subprime crisis that began in August 2007 has been called the worst financial crisis since the Great Depression by George Soros, Joseph Stieglitz, the IMF (International Monetary Fund), and other commentators. We try to analyze how serious does subprime crisis affect the risk of banking system, is the risk rise or fall? First we would like to build models of risk prediction for banking system. To examine how the risk of banking system reacts to market changes, we would employ several market variables to fulfill our models. We use multivariate discriminant analysis, one of the earliest implications be applied to predict bank failures and most continued researches are based on this implication. Logistic regression analysis and probabilistic analysis are also employed in this study.

Keywords: Early Warning System, Subprime Crisis

Table of Contents

Chapter I. Introduction
Chapter II. Literature Review
  2.1 Banking crises
  2.2 Early warning systems
    2.2.1 Multivariate discriminant analysis
    2.2.2 Logistic regression analysis and Probabilistic analysis
  2.3 EWS variables
    2.3.1 CAMEL ratings
    2.3.2 Macroeconomic variables
    2.3.3 Volatility Index
Chapter III. Methodology
  3.1 Variables selection
  3.2 Applied models
    3.2.1 Multivariate Discriminant Analysis
    3.2.2 Logit analysis
    3.2.3 Probit analysis
Chapter IV. Empirical results
  3.1 Variables analysis
  3.2 Models performance analysis
Chapter V. Conclusions

References


studies in economic and financial analysis, Vol. 4. JAI Press, Greenwich, Conn.


