Quantitative Finance > Pricing of Securities

A Top-down Model for Cash CLO

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We propose a top-down model for cash CLO. This model can consistently price cash CLO tranches both within the same deal and across different deals. Meaningful risk measures for cash CLO tranches can also be defined and computed. This method is self-consistent, easy to implement and computationally efficient. It has the potential to bring the much needed pricing transparency to the cash CLO markets; and it could also greatly improve the risk management of cash instruments.

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