

Price Determinants of CoCo Bonds

An Empirical Analysis

Bachelor Thesis

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Field of Studies: Banking and Finance

Date: August 24, 2016

Abstract

The focus of this thesis lies on potential price determinants of contingent convertible bonds. The first section covers the characteristics of contingent convertible bonds. The different components of the contingent convertible bond's design are outlined. After that different pricing models are presented. Based on the theoretical background the relevant value drivers are selected and investigated. In a first part of the investigation intuitions on the behavior of different measures are tried to be developed by observing line charts. Then a data set consisting of 81 different contingent convertible bonds issued by 14 European banks serves as input for a fixed effects regression. The analysis suggests positive correlations between contingent convertible bonds and equity, subordinated bonds, and governmental bonds. Credit default swaps are negatively correlated. The distance to conversion shows positive correlation for low levels and negative correlation for higher levels.