

Maturity Walls

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FMA Europe

Maturity walls are an overlooked source of rollover risk

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 - Large source of rollover risk
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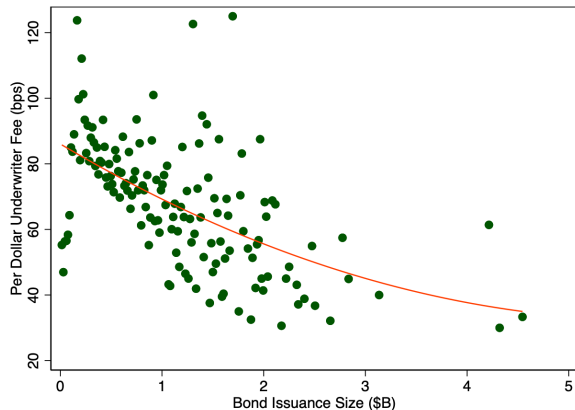
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Why do firms choose maturity walls and how much do they amplify default risk?

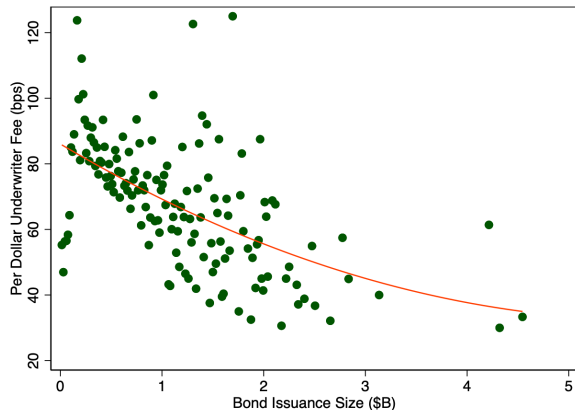
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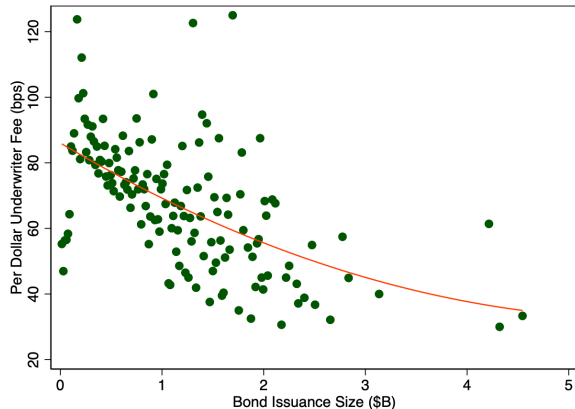
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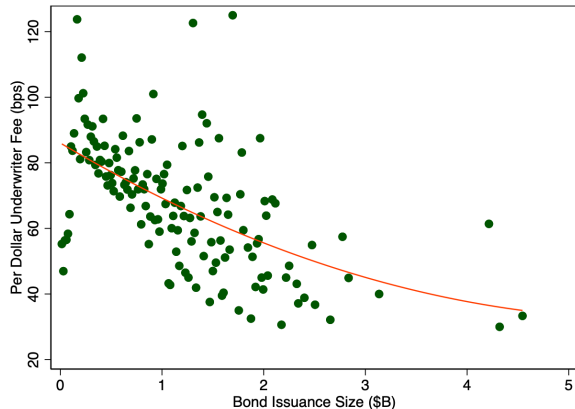
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Structural model (estimated on FISD / Compustat, 1995–2019):

Firms jointly choose **leverage** and **maturity concentration** $\Rightarrow$ feeds back into spreads and default

Maturity walls drive firm and aggregate default risk

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- Causal effect: $\uparrow$ default rates by 36 bps (25%) & borrowing costs by 30 bps (21%)
- Timing of debt matters *independent* of how much firms borrow

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Debt maturity concentration is first-order for understanding credit risk