RAHMI ERDEM AKTUG

CONTACT INFORMATION

Current Position: Visiting Professor at Lehigh University
Address: College of Business and Economics, Lehigh University, 621 Taylor Street, Bethlehem, PA 18015
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EDUCATION

Ph.D. Finance and Economics, **Lehigh University**, 2010
Dissertation Title: "Essays on Sovereign Risk"
M.S. Analytical Finance, **Lehigh University**, 2008
B.S. Management, **Bogazici University**, Istanbul, Turkey, 2004

Financial Risk Manager (FRM-Level II), Global Association of Risk Professionals (GARP, May 2011)

RESEARCH INTERESTS

Risk Management, Financial Markets, International Finance, Investments, Macroeconomics, Microeconomics

RESEARCH EXPERIENCE

Publication, "Public Pensions in Turkey: Reforming the System to Achieve Fiscal Balance", *Perspectives on Business and Economics, Volume 28, 2010*.

Forthcoming, "The Dynamics of Sovereign Bond and Credit Default Swap Markets: Empirical Evidence from the 2001-2007 Period" *(Applied Economics Letters)*
- presented at the European Financial Management Association European Conference (2009) and at the Financial Management Association Annual Meetings (2009)

Working Paper, "Is Sovereign Risk Related to the Banking Sector?"
(under review at the Journal of Financial Services Research)
- presented at Moody's KMV (2008), at Moody's Economy.com (2008), at the Eastern Economic Association Annual Meetings (2009), at the Mid-Atlantic Research Conference in Finance (2009), at the Eastern Finance Association Annual Meetings (2009), and at American Express International Marketing Capabilities (2010)

Working Paper, "Price Discovery in Emerging Financial Markets during the Global Mortgage Crisis"
(under review at the Journal of Financial Intermediation)

Working Paper, "A Critique of the Contingent Claims Approach to Sovereign Risk Analysis"
(under review at the Journal of Fixed Income)

PROFESSIONAL EXPERIENCE

HSBC Securities, Macroeconomic Research, Istanbul, Turkey, 2009
- worked with the chief economist, and contributed to outlook reports and weekly economic calendar

PPL Corporation, Financial Engineering Research Project, Bethlehem, Pennsylvania, 2008
- provided a consulting report on how to manage interest rate risk dynamically

Fitch Ratings, Quantitative Financial Research Group, New York City, 2006
- sovereign credit ratings model; improved the model econometrically and measured the predictive power
- commercial mortgage backed securities model; performed regional and sectoral correlation analysis
- revenue generating bonds model; modeled projections for the Chicago O'Hare airport's future cash flows

Deloitte & Touche, Istanbul, Turkey, 2003
- worked as a junior member of audit teams (white goods, financials, and tourism sector)

TEACHING EXPERIENCE

Courses taught at Moravian College
Current Topics in Finance, Fall 2010
Money, Banking, and Financial Markets, Fall 2010

Courses taught at Lehigh University
Statistical Methods, 2008-2010 (average evaluation score: 4.33/5.00)
Applied Microeconomics, 2008-2009 (average evaluation score: 3.98/5.00)
Principles of Economics, Online Class, Summer 2005-2009 (average evaluation score: 4.18/5.00)

Courses taught at Stevens Institute of Technology
Managerial Economics (Online MBA Class), 2010 (average evaluation score: 4.13/5.00)

Courses taught at Kutztown University
Business Statistics, 2008-2009
Principles of Economics, Spring 2009

Recitations taught at Lehigh University as a teaching assistant
Financial Markets and Institutions by Vasconcellos, Lehigh University, 2010
International Finance by Vasconcellos, Lehigh University, 2009
Money, Banking, and Financial Markets by O'Brien, Lehigh University, 2008
Principles of Economics by Gunter, Lehigh University, 2007
Principles of Economics by Hyclak, Lehigh University, 2004-2006

COMPUTER SKILLS

Auditing: Microsoft Audit System
Financial: Thomson One, Bloomberg (official certification), Crsp
Mathematical Economics and Econometrics: Maple, Minitab, Sas, Stata
Mathematical Programming and Optimization: Ampl, Gams, Matlab

HONORS & LEADERSHIP

Alex Waldenrath Faculty Advisor Award, Lehigh University, 2008-2009
Executive Board of Graduate Student Senate, Lehigh University, 2005-2007
High Honors in Athletics and Academics, Bogazici University, 2004
Captain, Bogazici University Men's Basketball Team, 2004
Dean's Honor List, Washington College - Maryland, 2003

LANGUAGES

English (Fluent), German (Intermediate), Turkish (Native)

REFERENCES

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RESEARCH PAPERS

1. Is Sovereign Risk Related to the Banking Sector?

Abstract:
We examine whether the banking sector within a nation is related to sovereign risk. We hypothesize that more competitive and sophisticated financial systems will be less prone to panics or bank runs, and, consequently, be associated with superior sovereign credit ratings. Using Ordered Probit with Aggregate Time Effects methodology, our results show that banking sector characteristics such as Concentration in the Banking System, Liquidity of Bank Assets, and Size of Financial System are significantly related to sovereign credit ratings. Since the use of these sovereign ratings is ubiquitous in international finance in varied applications such as determination of the cost of international borrowing by governments, international cost of capital for FDI, and others, the relationships identified in this paper have important public policy implications.
Keywords: Sovereign credit ratings, banking, competition, liquidity

2. Price Discovery in Emerging Financial Markets during the Global Mortgage Crisis

Abstract:
Focusing on five major emerging markets (EM), I investigate the interactions between credit default swap (CDS) premiums, foreign exchange (FX) parities, local currency government bond (LCB) spreads, and national stock market indices over the period 4/2/2007 to 8/27/2009. Empirical analysis indicates that the LCB markets, along with the FX markets, were very dominant in the price discovery process during a common distressed period. This finding is surprising and in sharp contrast with the literature on corporate studies. The analysis also shows that the markets were more efficient during the distressed period.
Keywords: Emerging Markets, Government Bond, Credit Default Swap, Stock Market, Currency (FX) Market

3. The Dynamics of Sovereign Credit Default Swap and Bond Markets: Empirical Evidence from the 2001-2007 Period

Abstract:
This paper evaluates the dynamic relationship between sovereign credit default swap (CDS) and bond markets over the period 2001 to 2007 across 30 emerging markets. Our results suggest that the bond markets play a significant role in the price discovery process, which is in contrast with the corporate studies. We also show that the CDS markets play a more dominant role in lead-lag relationships compared to earlier studies on the sovereign credit markets.
Keywords: Sovereign, Bond, Credit Default Swap, Cointegration, Price Discovery

4. Public Pensions in Turkey: Reforming the System to Achieve Fiscal Balance

Abstract:
In this article, I show how pension reform has contributed to the development of capital markets and strengthened the sovereign balance sheet. In 2009, the social security deficit constituted half of the overall budget deficit. However, projections suggest that with serious reform, the fiscal pressure of maintaining a pension system is well within sight. Second section presents a demographic profile of the country. A brief overview of the existing public pension system including the reform initiatives of 1999-2008 is included in the third section. Section four contains a discussion of pension design. Personal savings accounts, a component of pension reform, will be discussed in section five. Last section offers some concluding thoughts on the future of the Turkish Pension System.
Keywords: Pension Reform, Turkey, Public Pension System, Demographics, Fiscal Policy

5. A Critique of the Contingent Claims Approach to Sovereign Risk Analysis

Abstract:
In this paper, we examine the Contingent Claims Approach (CCA) to analyzing sovereign risk. Specifically, we extend the study by Gray et al. (2007), and apply the Merton Modeling framework to three major emerging markets, Brazil, Mexico, and Turkey, over the period 2001 to 2007. We point out the shortcomings of the CCA, and suggest some remedies in calibrating to real-life risk measures. We also assess the problem from a risk management point of view, and perform a historical simulation exercise in determining the Value-at-Risk.
Keywords: Sovereign Risk, Contingent Claims Approach, Emerging Markets