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DELPHI CORP AND THE CREDIT DERIVATIVES MARKET (A) CASE



Introduction

This paper highlights the Delphi Corp and the Credit Derivatives Market (A) case to explain the management's strategic choices and organizational problems of Delphi Corporation. Delphi Corp's business lies in the automotive industry and had critically faced financial problems resulting to the filing for bankruptcy in 2005. This case looks at how corporate finance coupled with the legal concept of bankruptcy and the growing field of credit derivatives.



Background

Delphi Corporation was a General Motors' unit but became an independent company in 1999. Some of the issues that had affected the operations of the company included; high operating expenses, a pension fund that was proving to be rather cumbersome, and competition. By 2005, these factors led to Delphi filing for Chapter 11 bankruptcy, which left the company as one of the biggest auto part's manufacturers in America to ever file for bankruptcy.

Effect on Credit Derivative Market

The Credit Event Associated with Delphi's Bankruptcy Threatened Credit Derivatives Market. It also brought out the dangers of enormous use of CDS and the necessity of bringing in more and more reforms and legislation in this connection. The case explores the example of how the business collapse of a large firm can spread across the sphere of shares and touches many growers.



Conclusion

Thus, analyzing the Delphi Corp and the Credit Derivatives Market (A) case is beneficial to learn about aspects of corporate finance and the financial markets. It raises the issue on how the management can perform strategic decision in moments of micro 顯 bankruptcy and the risks involved. Thus, the interconnection between the problems that affected the operation of Delphi from the outset and the credit derivatives market determined the company's path – from bankruptcy to the present day. Awareness of these dynamics will help the stakeholders of similar financial models to manage them competently.

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