

## **ABSTRACT**

This study approximate the effect of credit default swap trading on firms financing and trading policies of American firms which are listed in International Stock Exchange. Two hundred and eighty American firms are analyzed for the period ranging from 2014 to 2018. I used a GMM technique to investigate the relationship between variables. The results show that the firm issue less equity when they use credit default swap trading. Furthermore, Large firms issue more equity and low levels of long term debt issuances on CDS trading. The results shows the positive association of account receivable with CDS trading and negative association of account payable with CDS trading. The GMM results reveals that Pakistani firms are highly affected by the macroeconomic variables. The dependency of expected default frequency on macroeconomic variables has policy implications.

**Key Words:** Credit Default Swap, Capital Structure, GMM, Trade Credit.