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SOVEREIGN CREDIT RATING CHANGES AND STOCK MARKET PERFORMANCES: EVIDENCE FROM THE BALKANS

Abstract:

This paper examines the impacts of sovereign credit rating changes on the stock markets of the six countries in the Balkans over the period May 20, 1998 to June 19, 2017. It aims to answer 3 questions: (1) Do the announcements provide new information? (2) Do the markets react to a rating change before the event? and (3) Do negative announcements have a quantitatively different impact than positive announcements? The data consist of the rating changes of three rating agencies, namely Standard and Poor's, Moody's, and Fitch IBCA, the daily stock price indices of the six countries and a benchmark index, i.e., S&P Europe 350. The impacts of upgrades and downgrades will be examined separately. Event study methodology will be used in analyzing cross-country data.

Keywords:

Sovereign credit ratings, credit rating agencies, stock markets, event study, the Balkans

JEL Classification: G14, G15, G24