

Abstract

The sovereign rating business has developed very fast in the last two decades. The recent economic turmoil proved how important it is to set up sovereign ratings in a correct, objective, transparent way and at the right time. The goal of this thesis is to look under the surface of Rating Agencies and analyze their sovereign rating methodologies from the economic perspective. I describe the individual indicators of the sovereign rating assessment, as well as the differences in the sovereign rating methodologies of the three biggest Rating Agencies. The empirical section tries to verify the ability of sovereign ratings to predict sovereign default as well as it explores the possibility that one of the three biggest Rating Agencies would provide systematically higher or lower sovereign ratings.