

Abstract

This thesis analyses long and short-term perception of announcements issued by leading credit rating agencies (Fitch, Moody's and S&P) in sovereign bond markets. Using three empirical approaches we assess the nature of impact of CRAs on 10Y sovereign bond yields and 5Y CDS of 24 countries of EU between 2002 and 2012. We find significant response of sovereign bond yield and CDS spreads to downgrades and negative outlooks. Furthermore there is evidence of anticipative power of sovereign bond markets in foreseeing negative events implying CRAs lag the market. The spillover effect from credit rating announcements has been revealed between both EMU and non-EMU parts of EU implying the financial integration is not limited only to countries with common currency. Well performing economies outside EMU are resistant to contagion.

JEL Classification

[C23, F34, G10, G14, G15](#)

Keywords

credit rating; credit default swap; rating agency; sovereign bond; EU

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