

Abstract

The aim of the thesis is to investigate determinants of corporate bond and CDS contract pricing using a sample of 34 European companies over the period 2008-2014. This work extends existing literature by studying differences in determinants of bond and CDS spreads not only for different time periods, but also for different sets of companies grouped by geography, industry, and profitability. The results reveal that bond and CDS spreads are generally influenced by similar factors, with a company's credit rating being the most influential factor. Nevertheless, the investigation of time-specific estimations suggests that firm-specific factors play a more significant role in pricing bonds, whereas market factors have a higher impact on CDS spreads. The analysis of the subsamples reveals substantial differences in regression results for individual groups of companies, which suggests a presence of idiosyncratic factors. Our conclusion is that the pricing of bonds and CDS contracts is not only time-dependent, but also unique for different groups of companies, which implies a necessity to use different pricing models for individual contracts.