

Rating Actions: Reliable Information or Regulatory Constraint after the Subprime Crisis?

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At the time of the subprime crisis, investors strongly blamed credit rating agencies (CRAs). Six years later, we want to verify if CRAs are still suffering a reputational damage by measuring stock prices reactions to rating announcements. To test our hypothesis we conduct an event analysis on the American, EU area and Asian/Pacific stock markets over a ten-year period from November 2003 to November 2013. We find that the postcrisis abnormal returns are in general lower if compared with the pre-crisis level, in particular if rating changes are far away from the speculative-junk border.

JEL Codes: G12, G14 and G24