

The Effect of Commercial Paper Rating Changes and Credit-Watch Placement on Common Stock Prices

Fayez A. Elayan, Brian A. Maris, Philip J. Young

First published: February 1996

<https://doi.org/10.1111/j.1540-6288.1996.tb00868.x>

The authors wish to express appreciation to Jerry Stevens, James Wansley, and two anonymous referees for helpful comments. Remaining shortcomings are the responsibility of the authors.



PDF

Abstract

The common stock price response to the announcement by Standard and Poor of CreditWatch placement and commercial paper reratings is examined. Results indicate a negative stock price response to negative placements on the CreditWatch list and to commercial paper rating reductions. A cross-sectional model is estimated to identify firm characteristics associated with the stock market response.

References

[1] Brown, Stephen J., and Jerold B. Warner. Using Daily Stock Returns: The Case of Event Studies. *Journal of Financial Economics* 14(March 1985): 13-31.

[Web of Science®](#) | [Google Scholar](#)

[2] Crabbe, Leland, and Mitchell A. Post. The Effect of a Rating Downgrade on Commercial Paper Outstanding." Board of Governors of the Federal Reserve System Working Paper (May 1992-a): 1-28.

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)

Manage Preferences

Accept All

Reject Non-Essential

[4] Ederington, Louis H., Jess B. Yawitz, and Brian E. Roberts. The Informational Content of Bond Ratings. *Journal of Financial Research* 10(Fall 1987): 211–226.

[Web of Science®](#) [Google Scholar](#)

[5] Elayan, Faye A., Brian A. Maris, and Jo-Mae B. Maris. Common Stock Response to False Signals From CreditWatch Placement. *Quarterly Journal of Business and Economics* 29(Summer 1990): 16–35.

[Google Scholar](#)

[6] Frank J. Fabozzi, and Irving M. Pollack, editors. *The Handbook of Fixed Income Securities*, 2d ed., Homewood IL : Dow Jones-Irwin, 1987.

[Google Scholar](#)

[7] Fons, Jerome S. and Andrew E. Kimball. Defaults and Orderly Exits of Commercial Paper Issuers: 1972–1991.” Moody's Investors Service, 1992.

[Google Scholar](#)

[8] Glascock, John L., Wallace N. Davidson, III, and Glenn V. Henderson, Jr. Announcement Effects of Moody's Bond Rating Changes on Equity Returns. *Quarterly Journal of Business and Economics* 26(1987): 67–78.

[Google Scholar](#)

[9] Griffin, Paul, and Antonio Sanvicente. Common Stock Returns and Rating Changes: A Methodological Comparison. *Journal of Finance* 37(March 1982): 103–119.

[Web of Science®](#) [Google Scholar](#)

[10] Hand, John M., Robert W. Holthausen, and Richard W. Leftwich. The Effect of Bond Rating Agency Announcements on Bond and Stock Prices. *Journal of Finance* 47(June 1992): 733–752.

[Web of Science®](#) [Google Scholar](#)

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)

Manage Preferences

Accept All

Reject Non-Essential

[13] Kaplan, Robert S., and Gabriel Urwitz. Statistical Methods of Bond Ratings: A Methodological Inquiry. *Journal of Business* 52(April 1979): 231–262.

[Web of Science®](#) | [Google Scholar](#)

[14] Liu, Pu, and Anjan V. Thakor. Interest Yields, Credit Ratings, and Economic Characteristics of State Bonds: An Empirical Analysis. *Journal of Money, Credit and Banking* 16(August 1984): 344–351.

[Web of Science®](#) | [Google Scholar](#)

[15] Peavy, John W., and S. Michael Edgar. An Expanded Commercial Paper Rating Scale: Classification of Industrial Issuers. *Journal of Business Finance and Accounting* 11(Autumn 1984): 397–407.

[Google Scholar](#)

[16] Pinches, George, and J. Clay Singleton. The Adjustment of Common Stock Prices to Bond Rating Changes. *Journal of Finance* 33(March 1978): 29–44.

[Web of Science®](#) | [Google Scholar](#)

[17] Stickel, Scott E. The Effect of Preferred Stock Rating Changes on Preferred and Common Stock Prices. *Journal of Accounting and Economics* 8(October 1986): 197–215.

[Web of Science®](#) | [Google Scholar](#)

[18] Wansley, James W., and Terrence M. Clauretie. The Impact of CreditWatch Placement on Equity Returns and Bond Prices. *Journal of Financial Research* 8(Spring 1985): 31–42.

[Web of Science®](#) | [Google Scholar](#)

[19] Wansley, James W., Fayez A. Elayan, and Brian A. Maris. Preferred Stock Returns, CreditWatch, and Preferred Stock Rating Changes. *Financial Review* 25(May 1990): 265–285.

[Google Scholar](#)

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)

Manage Preferences

Accept All

Reject Non-Essential

ABOUT WILEY ONLINE LIBRARY

[Privacy Policy](#)

[Terms of Use](#)

[About Cookies](#)

[Manage Cookies](#)

[Accessibility](#)

[Wiley Research DE&I Statement and Publishing Policies](#)

HELP & SUPPORT

[Contact Us](#)

[Training and Support](#)

[DMCA & Reporting Piracy](#)

[Sitemap](#)

OPPORTUNITIES

[Subscription Agents](#)

[Advertisers & Corporate Partners](#)

CONNECT WITH WILEY

[The Wiley Network](#)

[Wiley Press Room](#)

Copyright © 1999-2026 John Wiley & Sons, Inc or related companies. All rights reserved, including rights for text and data mining and training of artificial intelligence technologies or similar technologies.

WILEY

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)



[Manage Preferences](#)

[Accept All](#)

[Reject Non-Essential](#)