

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

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First published: February 1996

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

Citations: 12

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.

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.

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