LISBON SCHOOL OF ECONOMICS & MANAGEMENT
UNIVERSIDADE DE LISBOA

ABSTRACT

We study the variables that most affect the sovereign ratings change in the EU for Credit Rating Agencies Fitch and S&P. Using a panel probit model we assess the impact of different economic and political variables on sovereign ratings general change, increase and decrease before and after the Great Recession. Most importantly, we also analyse the lead lag time for each rating agency in these two periods, covering specifically 1997:12-2018:12. Our results show that economic and political variables are considered differently in both periods and that the lead lag for rating changes decreases after the crisis, especially when this change is a decrease in the rating. We then enrich the discussion by bringing some behavioural concepts into the reasoning of that change in the variables and lead lag behaviour.

KEYWORDS: Sovereign credit ratings; Lead lags; Rating agencies behaviour.

JEL CODES: G24; H81; H63.