

A century of sovereign ratings

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Abstrak

This book provides the necessary broad overview, which will be of interest to both economists and investors alike. Chapter 1 presents the main issues that are addressed in this book. Chapters 2, 3, and 4 provide the key notions to understand sovereign ratings. Chapter 2 presents an overview of sovereign rating activity since the first such ratings were assigned in 1918. Chapter 3 analyzes the meaning of sovereign ratings and the significance of rating scales; it also describes the refinement of credit rating policies and tools. Chapter 4 focuses on the sovereign rating process. Chapters 5 and 6 open the black box of sovereign ratings. Chapter 5 compares sovereign rating methodologies in the interwar years with those in the modern era. After examining how rating agencies have amended their methodologies since the 1990s, Chapter 6 scrutinizes rating disagreements between credit rating agencies (CRAs). Chapters 7 and 8 measure the performances of sovereign ratings by computing default rates and accuracy ratios: Chapter 7 looks at the interwar years and Chapter 8 at the modern era. The two chapters assess which CRA assigns the most accurate ratings during the respective periods. Chapters 9 and 10 compare the perception of sovereign risk by the CRAs and market participants. Chapter 9 focuses on the relation between JP Morgan Emerging Markets Bond Index Global spreads and emerging countries' sovereign ratings for the period 1993-2007. Chapter 10 compares the eurozone members' sovereign ratings with Credit Default Swap-Implied Ratings (CDS-IRs) during the Greek debt crisis of November 2009-May 2010.