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**BOND RATING OF UPGRADES AND  
DOWNGRADES  
THE IMPACT ON STOCK RETURNS**

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## **ABSTRACT**

This paper examines the share market reactions to bond rating changes of upgrades and downgrades. In term of analysis the upgrade and the downgrade category has been divided into changes based on the investment and speculative groups. The market model was used in determining abnormal returns for the study. This research provides the relation of changes taken place within the group and across the group. In addition, this paper is also examining the impact of rating changes due to financial prospect and the companies' leverage. All the analysis is based in Malaysian scenario .

The result suggests that there were no statistically significant impact within and across the group for the downgrades as well as for the upgrades in Malaysian scenario. This also applies to rating changes under different reason. There was no significant result produce on the rating changes due to the two above-mentioned reasons. As such, rating changes in Malaysian market has less impact on the share market, in contrast to studies in other countries ( where there were significantly negative)

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