

ABSTRACT

The objective of this research is to examine the effect of bond rating change announcement against firm stock return in Indonesia Stock Exchange, either upgrade announcement or downgrade announcement. The variables which used in this study are stock return as dependent variable, bond rating as independent variable, as well as ROA and leverage as control variables.

The sample of this research are companies which listed on the Indonesian Stock Exchange (BEI) in the year 2008 to 2012. The data collection methods used in this research is using purposive sampling method and obtained a total sample of 45 companies. This research is an event study research with 114 days observation period (100 days of estimation period (t-107 to t-8) and 14 days of event period (t-7 to t+7)). The research data and hypothesis were analyzed using ANCOVA analysis.

The results of this research showed that bond rating have a significant influence for stock return with participation from ROA and leverage as control variables.

Keywords: event study, stock return, bond rating, upgrade, downgrade, ROA, and leverage.