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**PAPER ABSTRACT**

**Paper Topic: The effect of Credit Rating actions on bond yields in the Caribbean.**

Paper Objective: The paper aims to answer the question “Do Credit Ratings have an impact on bond yields?”

With the current drive to develop a regional rating agency, this topic will be of growing importance in the Caribbean. Currently there are six rated sovereigns in the region, which shows the need for increasing awareness of credit rating and the impact on the cost of funds. The paper demonstrates the effect of post announcement yield drift by analyzing the historical time series prior to and following a rating announcement.

The advent of a credit rating agency will increase the international competitiveness of the region since countries and corporations will attract funding from rating conscious investors. The drive to have high ratings would also fuel competitiveness within the region with countries and corporations trying to maintain or improve their rating.

Based on our study we will show that rating actions have an effect in the cost of funds as indicated in the yields. The benefit of the rating agency would now be to transfer that effect to the entire Caribbean universe.

Key Issues Covered:

- Why Credit Rating is important to the Caribbean
- The Methodology used in determining the impact of credit rating on bond yields
- The impact of Rating announcements on bond yield trends
- The Role of the Credit Rating Agency