SUMMARY

DANTY KARTIKA SARI. The Analysis of the Credit Spread Bonds for Banking Sub-Sector Effect in 2014 – 2016. Dibimbing oleh TONY IRAWAN dan TB NUR AHMAD MAULANA.

Bonds are one source of corporate funds in addition to profits, bank debt and stocks. bonds become an effective source of financing for the company as the bond market grows every years. In 2016 the banking sector has the largest outstanding bonds. The dominance of the banking sector in corporate bonds is inseparable due to the need for bank capital in long-term expansion. Generally, bond investors aim to find the maximum yield.

The investors are more interested in corporate bonds with investment grade ratings than bonds that have high yields. This is because bonds with investment grade have lower risk levels, given the less likely the bonds fail to pay interest and loan principal. In measuring the level of risk obtained by investors can be interpreted by credit spreads on bonds that have risk levels, both high and small risk with risk-free bonds. Bonds at risk themselves are corporate bonds, while risk-free bonds are government bonds. Credit spreads are an interpretation of the return of bonds received by investors as measured by the difference between the yield rate of corporate bonds and the resulting government bonds.

In some previous studiees, there are differences in outcomes regarding the discussion of credit spreads. Previous research gives the result that stock return volatility, default probability and inflation can have positive, negative effect even no effect on credit spreads. Therefore, this study wants to analyze the factors that influence the credit spreads of banking sub-sector bonds. This research is divided into two categories namely investment grade bond and non investment grade bond. The population in this research is 5 companies for investment grade bond and 3 companies for non investment grade bond during period 2014 - 2016. By using panel data regression, research result show that the relation between variable of probability and inflation significantly influence credit spreads of investment grade bond, while the variable stock return volatility has no significant effect. In non-investment grade bonds, stock return volatility variables, default probability and inflation have a significant effect.

Keywords: credit spreads, data panel, *default probability*, inflation, volatility, return saham