

## Internet Appendix

# Policy Uncertainty and Corporate Credit Spreads

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Table I.1: How important is each component of the PUI?

This table reports the results of OLS regressions using each of the four components of the policy uncertainty index. Panel A reports the results of OLS time-series regressions where the dependent variable is the monthly change in the credit spread index. Panel B reports the results of OLS panel regressions where the dependent variable is the monthly change in credit spreads for a given corporate bond issue. The four components are (1) the news-based component of the PUI, (2) federal/state/local government purchases forecast dispersion, (3) CPI forecast dispersion, and (4) uncertainty about tax code expiration. Controls for Panel A are the same as in column (4) in Panel A of Table 2 and controls for Panel B are the same as in column (3) in Panel B of Table 2. A detailed description of the variables is given in Appendix 1. All the independent continuous variables are standardized. The sample period is 2002-2015. In Panel B,  $t$ -statistics are clustered at the firm and year level.  $t$ -statistics appear in parentheses below coefficient estimates. \*, \*\*, and \*\*\* indicate significance at the 0.1, 0.05, and 0.01 levels, respectively. Continued on next page.

	Panel A				Panel B			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
$\Delta$ News-Based component of PUI	8.72*** (2.83)				8.86*** (16.17)			
$\Delta$ Fed/State/Local exp. dispersion		2.03 (0.64)				0.49* (1.80)		
$\Delta$ CPI dispersion			1.51 (0.47)				6.28*** (12.38)	
$\Delta$ Uncertainty of tax expiration				4.47 (1.41)				4.25*** (9.34)
Controls	YES	YES	YES	YES	YES	YES	YES	YES
Firm Fixed Effect					YES	YES	YES	YES
Credit Rating Fixed Effect					YES	YES	YES	YES
Firm, Year Double Clustering					YES	YES	YES	YES
Observations	161	161	161	161	164,142	164,142	164,142	164,142
Adjusted R-squared	0.18	0.14	0.14	0.15	0.12	0.11	0.11	0.11

Table I.2: Explanatory power analysis for individual bonds

This table reports the results of OLS panel regressions where the dependent variable is the monthly change in credit spreads for a given corporate bond issue. Panel A shows the findings for univariate regressions. Panel B reports the adjusted R-squared for our most comprehensive specification when eliminating one explanatory variable at a time. A detailed description of the variables is given in Appendix 1. All the independent continuous variables are standardized. The sample period is 2002-2015. *t*-statistics are clustered at the firm and year level, and appear in parentheses below coefficient estimates. \*, \*\*, and \*\*\* indicate significance at the 0.1, 0.05, and 0.01 levels, respectively. Continued on next page.

Panel A										
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
ΔPolicy uncertainty	15.15*** (22.89)									
Lagged credit spread		-6.85*** (-14.14)								
Illiquidity			0.01 (0.03)							
Market leverage				1.52** (2.22)						
Operating income to sales					-1.40*** (-2.78)					
Total debt ratio						0.96 (1.55)				
Pre-Tax coverage D1							1.10 (1.10)			
Pre-Tax coverage D2								-1.03 (-1.24)		
Pre-Tax coverage D3									-1.07 (-1.32)	
Coupon										-3.16*** (-6.49)
Constant	2.31*** (5.14)	17.49*** (18.54)	2.31*** (4.95)	2.31*** (4.94)	2.31*** (4.94)	2.31*** (4.95)	1.82*** (4.77)	2.58*** (4.37)	2.53*** (4.45)	2.31*** (4.96)
Firm Fixed Effect	NO	NO	NO	NO	NO	NO	NO	NO	NO	NO
Credit Rating Fixed Effect	NO	NO	NO	NO	NO	NO	NO	NO	NO	NO
Year Fixed Effect	NO	NO	NO	NO	NO	NO	NO	NO	NO	NO
Firm, Year Double Clustering	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Observations	164,142	164,142	164,142	164,142	164,142	164,142	164,142	164,142	164,142	164,142
Adjusted R-squared	0.016	0.027	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.001

Panel A										
	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
Maturity	1.24*** (4.09)									
Stock return		-9.24*** (-13.99)								
S&P return			-17.99*** (-24.18)							
Closest benchmark Treasury				2.85*** (8.06)						
Term slope					-7.33*** (-18.34)					
Expected unemployment						-6.79*** (-16.09)				
Expected one-year inflation							8.24*** (19.40)			
Idiosyncratic risk								-3.81*** (-4.43)		
GDP growth forecast dispersion									0.66 (0.90)	
VXO index										11.12*** (16.87)
Constant	2.32*** (4.97)	2.28*** (4.96)	2.26*** (5.56)	2.35*** (5.08)	2.37*** (5.21)	2.36*** (5.31)	2.28*** (5.58)	2.31*** (4.99)	2.30*** (4.96)	2.29*** (4.87)
Firm Fixed Effect	NO	NO	NO	NO	NO	NO	NO	NO	NO	NO
Credit Rating Fixed Effect	NO	NO	NO	NO	NO	NO	NO	NO	NO	NO
Year Fixed Effect	NO	NO	NO	NO	NO	NO	NO	NO	NO	NO
Firm, Year Double Clustering	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Observations	164,142	164,142	164,142	164,142	164,142	164,142	164,142	164,142	164,142	164,142
Adjusted R-squared	0.000	0.006	0.022	0.001	0.004	0.003	0.005	0.001	0.000	0.009

Panel B	
Excluded variable	Adjusted R-squared
$\Delta$ Policy uncertainty	0.084
Lagged credit spread	0.046
Illiquidity	0.090
Market leverage	0.088
Operating income to sales	0.090
Total debt ratio	0.090
Pre-Tax coverage D1	0.090
Pre-Tax coverage D2	0.090
Pre-Tax coverage D3	0.090
Coupon	0.090
Maturity	0.090
Stock return	0.087
S&P return	0.084
Closest benchmark Treasury	0.090
Term slope	0.090
Expected unemployment	0.087
Expected one-year inflation	0.090
Idiosyncratic risk	0.090
GDP growth forecast dispersion	0.089
VXO index	0.086
Firm Fixed Effect	NO
Credit Rating Fixed Effect	YES
Year Fixed Effect	NO

Table I.3: Explanatory power analysis for individual bonds:  
Collin-Dufresne, Goldstein, and Martin (2001) methodology

This table uses the methodology from Table 2 in Collin-Dufresne et al. (2001). More specifically, for each corporate bond with at least 12 monthly observations we estimate a separate time-series regression where the dependent variable is the monthly change in the credit spread. The table reports the average OLS coefficient estimates and the average adjusted R-squared. A detailed description of the variables is given in Appendix 1. All the independent variables are standardized. The sample period is 2002-2015.  $t$ -statistics are computed for each reported average, and appear in parentheses below coefficient estimates. \*, \*\*, and \*\*\* indicate significance at the 0.1, 0.05, and 0.01 levels, respectively. Continued on next page.

Panel A								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
$\Delta$ Policy uncertainty	12.41*** (17.13)							
$\Delta$ Leverage		16.66*** (14.67)						
$\Delta$ 10 year yield			-11.43*** (-24.51)					
$(\Delta$ 10-year yield) <sup>2</sup>				6.33*** (5.62)				
$\Delta$ Term slope					-1.81*** (-3.42)			
$\Delta$ VIX						11.66*** (14.91)		
S&P return							-12.97*** (-20.18)	
$\Delta$ Jump								-0.74 (-1.32)
Constant	1.49*** (6.31)	1.59*** (6.93)	1.68*** (6.71)	2.26*** (7.24)	2.14*** (8.19)	1.41*** (5.93)	1.14*** (4.51)	2.02*** (8.44)
Observations	4,715	4,715	4,715	4,715	4,715	4,715	4,715	4,715
Adjusted R-squared	0.054	0.102	0.049	0.029	0.003	0.072	0.062	0.005

Panel B									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
$\Delta$ Policy uncertainty	5.24*** (4.35)		8.32*** (8.36)	6.31*** (8.04)	5.09*** (5.20)	5.74*** (5.20)	6.15*** (5.18)	5.14*** (5.33)	5.02*** (5.08)
$\Delta$ Leverage	10.26*** (7.82)	11.51*** (10.16)		12.32*** (10.58)	11.13*** (8.75)	9.97*** (7.70)	10.77*** (8.72)	10.51*** (8.31)	10.36*** (8.13)
$\Delta$ 10 year yield	-7.74*** (-8.19)	-8.63*** (-13.52)	-9.4*** (-13.65)		-7.76*** (-9.77)	-7.24*** (-9.67)	-8.25*** (-11.54)	-7.58*** (-9.37)	-7.73*** (-8.82)
$(\Delta$ 10-year yield) <sup>2</sup>	-1.50 (-0.87)	0.00 (0.00)	0.25 (0.16)	2.04 (1.38)		0.57 (0.41)	-3.70** (-2.23)	-0.42 (-0.25)	-0.36 (-0.21)
$\Delta$ Term slope	1.29 (1.23)	-1.40 (-1.47)	0.16 (0.20)	0.50 (0.51)	0.53 (0.67)		0.61 (0.38)	1.02 (0.95)	0.56 (0.53)
$\Delta$ VIX	6.75*** (4.88)	6.28*** (4.75)	6.25*** (4.85)	6.52*** (5.80)	6.86*** (5.12)	5.99*** (4.67)		8.06*** (7.20)	7.18*** (5.53)
S&P return	-2.27** (-2.04)	-1.06 (-1.25)	-3.08*** (-2.91)	-2.35*** (-2.68)	-1.97* (-1.77)	-1.46* (-1.67)	-7.7*** (-9.74)		-1.74* (-1.76)
$\Delta$ Jump	0.07 (0.07)	0.56 (0.65)	-0.64 (-0.61)	-1.51 (-1.72)	0.14 (0.12)	0.27 (0.31)	1.70** (2.15)	-0.17 (-0.18)	
Constant	-0.09 (-0.14)	0.48 (1.03)	0.68 (1.39)	0.83* (1.83)	0.43 (0.85)	0.24 (0.55)	0.32 (0.68)	0.24 (0.45)	0.10 (0.16)
Observations	4715	4715	4715	4715	4715	4715	4715	4715	4715
Adjusted R-squared	0.232	0.208	0.178	0.215	0.226	0.223	0.206	0.221	0.222

Table I.4: Explanatory power analysis for individual bonds: Alternative control variables

This table reports the results of OLS panel regressions where the dependent variable is the monthly change in credit spreads for a given corporate bond issue. The control variables are similar to those in Table 2 of [Collin-Dufresne et al. \(2001\)](#), with the addition of the policy uncertainty index. All the independent variables are standardized. The sample period is 2002-2015. *t*-statistics are clustered at the firm and year level, and appear in parentheses below coefficient estimates. \*, \*\*, and \*\*\* indicate significance at the 0.1, 0.05, and 0.01 levels, respectively. Continued on next page.

Panel A								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
$\Delta$ Policy uncertainty	15.15*** (22.89)							
$\Delta$ Market leverage		26.57*** (21.60)						
$\Delta$ 10-year yield			-12.64*** (-24.76)					
$(\Delta$ 10-year yield) <sup>2</sup>				3.88*** (5.37)				
$\Delta$ Term slope					0.15 (0.38)			
$\Delta$ VIX						18.09*** (25.20)		
S&P return							-17.99*** (-24.18)	
$\Delta$ Jump								-0.22 (-0.65)
Constant	2.31*** (5.14)	2.31*** (5.75)	2.25*** (5.22)	2.30*** (5.01)	2.31*** (4.94)	2.30*** (5.37)	2.26*** (5.56)	2.31*** (4.95)
Firm Fixed Effect	NO	NO	NO	NO	NO	NO	NO	NO
Credit Rating Fixed Effect	YES	YES	YES	YES	YES	YES	YES	YES
Year Fixed Effect	NO	NO	NO	NO	NO	NO	NO	NO
Firm, Year Double Clustering	YES	YES	YES	YES	YES	YES	YES	YES
Observations	164,142	164,142	164,142	164,142	164,142	164,142	164,142	164,142
Adjusted R-squared	0.016	0.048	0.011	0.001	0.000	0.023	0.022	0.000



Panel B									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
$\Delta$ Policy uncertainty	8.12*** (14.45)		11.29*** (17.86)	8.98*** (16.39)	8.05*** (14.51)	7.55*** (13.52)	8.56*** (15.28)	8.14*** (14.42)	8.07*** (14.25)
$\Delta$ Leverage	22.09*** (19.17)	23.22*** (19.72)		22.50*** (19.51)	22.12*** (19.18)	22.07*** (19.12)	22.00*** (19.15)	22.17*** (19.32)	22.11*** (19.19)
$\Delta$ 10 year yield	-6.78*** (-15.94)	-8.02*** (-19.23)	-8.42*** (-19.64)		-7.17*** (-16.36)	-6.55*** (-15.18)	-7.32*** (-16.40)	-6.81*** (-16.05)	-6.91*** (-16.19)
$(\Delta$ 10-year yield) <sup>2</sup>	1.01* (1.69)	0.40 (0.68)	1.75*** (2.74)	3.63*** (6.37)		1.16* (1.93)	-2.00*** (-3.20)	1.20** (2.09)	0.97 (1.63)
$\Delta$ Term slope	3.60*** (8.31)	2.37*** (5.71)	3.46*** (8.05)	3.24*** (7.49)	3.64*** (8.35)		2.91*** (6.73)	3.66*** (8.30)	3.56*** (8.27)
$\Delta$ VIX	12.70*** (13.65)	13.41*** (14.33)	12.26*** (12.83)	13.30*** (14.62)	12.22*** (13.13)	12.20*** (13.04)		13.46*** (20.51)	12.52*** (14.04)
S&P return	-0.97 (-1.08)	-1.43 (-1.59)	-4.99*** (-5.39)	-1.33 (-1.51)	-1.39 (-1.59)	-1.50* (-1.66)	-10.68*** (-16.67)		-1.08 (-1.22)
$\Delta$ Jump	-0.52 (-1.49)	0.26 (0.73)	-1.28*** (-3.72)	-1.95*** (-5.54)	-0.46 (-1.32)	-0.17 (-0.51)	1.28*** (3.97)	-0.60* (-1.77)	
Constant	2.30*** (6.20)	2.28*** (6.17)	2.28*** (5.69)	2.32*** (6.19)	2.30*** (6.21)	2.27*** (6.13)	2.27*** (6.18)	2.30*** (6.20)	2.29*** (6.20)
Firm Fixed Effect	NO	NO	NO	NO	NO	NO	NO	NO	NO
Credit Rating Fixed Effect	YES	YES	YES	YES	YES	YES	YES	YES	YES
Year Fixed Effect	NO	NO	NO	NO	NO	NO	NO	NO	NO
Firm, Year Double Clustering	YES	YES	YES	YES	YES	YES	YES	YES	YES
Observations	164,142	164,142	164,142	164,142	164,142	164,142	164,142	164,142	164,142
Adjusted R-squared	0.072	0.064	0.041	0.069	0.072	0.071	0.068	0.072	0.072

Table I.5: First stage for IV analysis

This table reports the results of the first-stage regressions for the analysis in Table 5. The two different instrumental variables are (a) the difference in the legislative strength of the majority and the minority party and (b) the interaction of the difference in the legislative strength of the majority and the minority party and the level of political polarization. A detailed description of the variables is given in Appendix 1. All the independent continuous variables are standardized. The sample period is 2002-2015 for relative party strength and 2002-2013 for the interaction. In Panel B,  $t$ -statistics are clustered at the firm and year level.  $t$ -statistics appear in parentheses below coefficient estimates. \*, \*\*, and \*\*\* indicate significance at the 0.1, 0.05, and 0.01 levels, respectively. Continued on next page.

Panel A		
	(1)	(2)
Relative party strength	37.41*** (2.94)	
Interaction		31.65** (2.11)
Lagged credit spread	26.49*** (3.18)	14.12 (1.47)
S&P return	1.74 (0.23)	3.34 (0.42)
Closest benchmark Treasury	25.30** (2.36)	27.07** (2.07)
Term slope	3.37 (0.39)	-4.49 (-0.47)
Expected unemployment	-44.87*** (-3.04)	-18.90 (-0.97)
Expected one-year inflation	5.73 (0.78)	10.29 (1.31)
GDP growth forecast dispersion	11.17 (1.01)	21.11* (1.74)
VXO index	44.34*** (4.63)	40.55*** (3.93)
Constant	-70.81*** (-3.04)	-42.75* (-1.67)
Observations	161	137
Adjusted R-squared	0.37	0.37

Panel B		
	(1)	(2)
Relative party strength	27.28*** (49.44)	
Interaction		29.57*** (40.70)
Lagged credit spread	1.00*** (6.34)	0.32** (2.18)
Illiquidity	0.24 (1.22)	0.15 (0.66)
Market leverage	8.13*** (4.12)	10.26*** (4.38)
Operating income to sales	6.78*** (8.36)	-1.80*** (-2.74)
Total debt ratio	-3.91* (-1.70)	-14.83*** (-5.39)
Pre-Tax coverage D1	19.70*** (5.56)	14.63*** (3.73)
Pre-Tax coverage D2	11.94*** (3.44)	7.86** (2.05)
Pre-Tax coverage D3	4.50 (1.56)	3.33 (1.04)
Coupon	2.77*** (7.22)	4.19*** (7.66)
Maturity	3.29*** (7.73)	-1.52*** (-3.36)
Stock return	5.18*** (16.34)	2.15*** (5.96)
S&P return	-5.95*** (-9.57)	2.48*** (4.12)
Closest benchmark Treasury	-37.60*** (-38.87)	-36.18*** (-32.25)
Term slope	5.14*** (14.50)	1.20*** (3.19)
Expected unemployment	-6.08*** (-6.53)	5.06*** (3.85)
Expected one-year inflation	10.30*** (25.61)	14.78*** (26.83)
Idiosyncratic risk	4.65*** (4.81)	-1.20 (-1.49)
GDP growth forecast dispersion	22.46*** (46.26)	33.39*** (69.59)
VXO index	43.70*** (82.73)	33.92*** (58.18)
Constant	41.96*** (6.24)	58.14*** (6.54)
Firm Fixed Effect	YES	YES
Credit Rating Fixed Effect	YES	YES
Firm, Year Double Clustering	YES	YES
Observations	164,142	121,162
Overall R-squared	0.42	0.44

### Table I.6: Gubernatorial elections

This table reports the results of OLS panel regressions where the dependent variable is the monthly change in credit spreads for a given corporate bond issue. Gubernatorial elections and presidential elections are dummy variables that equal one for three months before and including the gubernatorial elections and presidential elections, respectively. A detailed description of the variables is given in Appendix 1. All the independent continuous variables are standardized. The sample period is 2002-2015. *t*-statistics are clustered at the firm and year level and appear in parentheses below coefficient estimates. \*, \*\*, and \*\*\* indicate significance at the 0.1, 0.05, and 0.01 levels, respectively. Continued on next page.

	(1)	(2)	(3)	(4)
Gubernatorial elections	6.46*** (5.07)	6.28*** (4.67)	12.43*** (9.36)	9.97*** (7.47)
Presidential elections	42.08*** (9.93)	43.87*** (10.30)	23.90*** (6.81)	27.15*** (8.11)
$\Delta$ Policy uncertainty				9.91*** (17.67)
Lagged credit spread		-14.37*** (-19.88)	-16.08*** (-19.71)	-15.82*** (-19.46)
Illiquidity		1.08*** (2.93)	0.70* (1.94)	0.71** (1.97)
Market leverage		53.59*** (15.36)	43.13*** (14.69)	42.41*** (14.56)
Operating income to sales		-0.27 (-0.44)	-0.42 (-0.69)	-0.42 (-0.70)
Total debt ratio		-23.31*** (-8.99)	-20.64*** (-8.89)	-20.38*** (-8.86)
Pre-Tax coverage D1		-12.40*** (-4.86)	-8.75*** (-3.38)	-8.98*** (-3.49)
Pre-Tax coverage D2		-8.44*** (-3.65)	-6.69*** (-2.77)	-6.78*** (-2.83)
Pre-Tax coverage D3		-3.15 (-1.54)	-1.84 (-0.83)	-1.99 (-0.91)
Coupon		-0.59 (-0.72)	-1.81** (-2.09)	-1.68** (-1.96)
Maturity		1.88*** (5.30)	4.05*** (7.10)	4.22*** (7.50)
Stock return		-8.50*** (-13.77)	-5.88*** (-10.15)	-6.31*** (-10.82)
S&P return			-10.24*** (-17.57)	-9.48*** (-16.70)
Closest benchmark Treasury			-3.45*** (-4.57)	-3.80*** (-5.06)
Term slope			2.06*** (2.62)	2.97*** (3.78)
Expected unemployment			-2.98** (-2.53)	-3.37*** (-2.90)
Expected one-year inflation			2.51*** (5.55)	2.61*** (5.91)
Idiosyncratic risk			0.37 (0.39)	0.77 (0.83)
GDP growth forecast dispersion			4.76*** (6.44)	5.51*** (7.49)
VXO index			14.87*** (20.16)	11.74*** (15.80)
Neighboring state unemployment		-9.45*** (-13.87)	-12.07*** (-8.74)	-11.85*** (-8.72)
Neighboring state GDP		-8.58*** (-3.77)	-2.18 (-0.91)	-3.60 (-1.51)
Constant	-0.47 (-1.18)	38.13*** (4.19)	16.59* (1.91)	17.25** (2.00)
Firm Fixed Effect	NO	YES	YES	YES
Credit Rating Fixed Effect	NO	YES	YES	YES
Firm, Year Double Clustering	YES	YES	YES	YES
Observations	164,142	164,142	164,142	164,142
Adjusted R-squared	0.01	0.09	0.12	0.12

### Table I.7: Explanatory power analysis for the cross-section of credit spreads

This table examines how much of the cross-sectional variation in the change in credit spreads is explained by each of our cross-sectional variables. We first regress the dependent variable and each independent variable with cross-sectional variation on the time-series variables (including the change in PUI). We next regress the residual for the dependent variable onto residuals for the cross-sectional variables. The table reports the resulting coefficient estimates. The focus of our analysis is on exposure to government regulations (2), effective tax rates (3), dependence on government spending (4), lobbying and campaign contribution expenses (5 & 6), and firms' dependence on external financing (7). A detailed description of the variables is given in Appendix 1. All the independent continuous variables are standardized. The sample period is 2002-2015.  $t$ -statistics are clustered at the firm and year level and appear in parentheses below coefficient estimates. \*, \*\*, and \*\*\* indicate significance at the 0.1, 0.05, and 0.01 levels, respectively. Continued on next page.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Regulated * ΔPUI		6.45***					
		(5.51)					
Regulated		-3.21*					
		(-1.83)					
High Tax * ΔPUI			4.17***				
			(3.63)				
High Tax			0.52				
			(0.36)				
DGS * ΔPUI				7.55***			
				(2.71)			
DGS				15.21***			
				(4.46)			
Lobbying firm* ΔPUI					4.80***		
					(3.74)		
Lobbying firm					5.04		
					(1.59)		
Contributing firm * ΔPUI						4.49***	
						(3.79)	
Contributing firm						-1.54	
						(-0.78)	
EFD * ΔPUI							10.34***
							(3.88)
EFD							2.39
							(0.50)
Lagged credit spread	-15.57***	-15.56***	-15.57***	-15.42***	-15.56***	-15.56***	-15.58***
	(-19.44)	(-19.41)	(-19.44)	(-15.05)	(-19.43)	(-19.42)	(-19.22)
Illiquidity	0.70*	0.68*	0.70*	0.29	0.70*	0.70*	0.66*
	(1.93)	(1.88)	(1.94)	(0.58)	(1.93)	(1.95)	(1.81)
Market leverage	39.69***	39.50***	39.60***	39.19***	39.74***	39.67***	39.32***
	(15.05)	(14.99)	(14.98)	(10.22)	(15.08)	(15.05)	(14.85)
Operating income to sales	-2.28***	-2.24***	-2.26***	-5.17***	-2.25***	-2.25***	-2.46***
	(-3.96)	(-3.81)	(-3.94)	(-6.22)	(-3.92)	(-3.79)	(-4.26)
Total debt ratio	-18.63***	-18.46***	-18.56***	-17.04***	-18.74***	-18.55***	-17.87***
	(-8.53)	(-8.47)	(-8.50)	(-5.11)	(-8.59)	(-8.49)	(-8.13)
Pre-Tax coverage D1	-8.88***	-8.92***	-8.98***	-2.94	-8.83***	-8.96***	-8.81***
	(-3.57)	(-3.59)	(-3.63)	(-0.96)	(-3.56)	(-3.61)	(-3.53)
Pre-Tax coverage D2	-6.59***	-6.55***	-6.61***	-1.46	-6.53***	-6.60***	-6.68***
	(-2.87)	(-2.86)	(-2.90)	(-0.52)	(-2.85)	(-2.88)	(-2.91)
Pre-Tax coverage D3	-2.23	-2.28	-2.28	1.49	-2.19	-2.24	-2.29
	(-1.06)	(-1.09)	(-1.09)	(0.60)	(-1.04)	(-1.07)	(-1.09)
Coupon	-1.48*	-1.50*	-1.49*	0.45	-1.51*	-1.49*	-1.37
	(-1.76)	(-1.78)	(-1.77)	(0.42)	(-1.79)	(-1.77)	(-1.63)
Maturity	3.34***	3.38***	3.36***	3.39***	3.36***	3.34***	3.27***
	(6.88)	(6.92)	(6.86)	(5.30)	(6.92)	(6.83)	(6.71)
Stock return	-6.52***	-6.43***	-6.54***	-6.02***	-6.51***	-6.50***	-6.46***
	(-11.01)	(-10.83)	(-11.03)	(-7.97)	(-10.99)	(-10.83)	(-10.82)
Idiosyncratic risk	1.24	1.39	1.28	-0.83	1.23	1.28	1.21
	(1.32)	(1.47)	(1.36)	(-0.62)	(1.31)	(1.36)	(1.27)
Constant	0.00	0.00	0.00	11.31***	0.00	0.00	-0.26
	(0.00)	(0.00)	(0.00)	(7.16)	(0.00)	(0.00)	(-0.61)
Firm Fixed Effect	YES	YES	YES	YES	YES	YES	YES
Firm, Year Double Clustering	YES	YES	YES	YES	YES	YES	YES
Observations	164,142	164,142	164,142	78,515	164,142	164,142	162,029
Adjusted R-squared	0.072	0.079	0.078	0.077	0.079	0.078	0.079

Table I.8: Alternative measures of policy uncertainty

This table studies the relation between changes in credit spreads and alternative measures of policy uncertainty. Panel A reports the results of OLS time-series regressions where the dependent variable is the monthly change in the credit spread index. Panel B reports the results of OLS panel regressions where the dependent variable is the monthly change in credit spreads for a given corporate bond issue. The alternative measures of policy uncertainty are government surplus/deficit, M1 growth, fluctuations in terms of trade, real GDP forecast dispersion, unanticipated inflation, and unanticipated consumer credit. Controls for Panel A are the same as in column (4) in Panel A of Table 2 and controls for Panel B are the same as in column (3) in Panel B of Table 2. A detailed description of the variables is given in Appendix 1. All the independent continuous variables are standardized. The sample period is 2002-2015. In Panel B, *t*-statistics are clustered at the firm and year level. *t*-statistics appear in parentheses below coefficient estimates. \*, \*\*, and \*\*\* indicate significance at the 0.1, 0.05, and 0.01 levels, respectively. Continued on next page.

Panel A						
	(1)	(2)	(3)	(4)	(5)	(6)
$\Delta$ Policy uncertainty	7.80** (2.19)	7.99** (2.33)	8.07* (1.97)	8.72* (2.00)	7.07** (2.43)	8.33* (1.92)
Government surplus/deficit	28.27 (1.19)					
M1 growth		3.94 (0.48)				
Fluctuations in terms of trade			7.57 (1.17)			
Real GDP forecast dispersion				3.29 (1.02)		
Unanticipated inflation					-9.07** (-2.63)	
Unanticipated consumer credit						-1.90 (-1.04)
Controls	YES	YES	YES	YES	YES	YES
Observations	161	161	161	161	161	161
Adjusted R-squared	0.21	0.18	0.20	0.18	0.23	0.17



Panel B						
	(1)	(2)	(3)	(4)	(5)	(6)
$\Delta$ Policy uncertainty	9.75*** (17.91)	9.26*** (17.50)	9.59*** (17.54)	9.20*** (17.25)	9.51*** (17.39)	10.58*** (17.79)
Government surplus/deficit	30.83*** (12.63)					
M1 growth		2.79*** (6.77)				
Fluctuations in terms of trade			6.80*** (8.65)			
Real GDP forecast dispersion				-0.39 (-0.63)		
Unanticipated inflation					-4.82*** (-8.56)	
Unanticipated consumer credit						1.10*** (2.87)
Controls	YES	YES	YES	YES	YES	YES
Firm Fixed Effect	YES	YES	YES	YES	YES	YES
Credit Rating Fixed Effect	YES	YES	YES	YES	YES	YES
Firm, Year Double Clustering	YES	YES	YES	YES	YES	YES
Observations	164,142	164,142	164,142	164,142	164,142	164,142
Adjusted R-squared	0.12	0.12	0.12	0.12	0.12	0.12