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Investor Confidence in Complex Government Action: The Brexit Case*

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Abstract

Brexit's negotiations allow us to test whether investor confidence in government policy fluctuates during prolonged uncertainty. We identify 15 major Brexit events from the 2016 referendum through full implementation in 2021 and create a market-based investor-trust metric: the correlation between UK sovereign and corporate Credit Default Swap (CDS) spreads. Higher correlations signal stronger alignment of government and corporate risk premia and greater confidence in the government's Brexit strategy; lower correlations indicate reduced trust and greater exposure to global factors. Using an event study within a Difference–in–Differences framework comparing UK and European firms, we show that confidence rises after credible government actions and falls after fragmentation or delays.

JEL classification : G15; G18; G41
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If the UK Prime Minister is not able to get the agreement through, then she could either have to consider leaving the EU without a deal – which many economists and businesses say could be highly disruptive – or ask for a longer extension to the UK's membership of the bloc.

Financial Times, 11 April 2019

Brexit is unusual in that it generated persistent uncertainty – three years after the original vote, the UK had not left the EU, there was still no clarity on the eventual outcome, and our survey results show that there was substantial unresolved uncertainty.

Bloom et al. (2019)

1. Introduction

Over the past two decades, a series of enduring geopolitical events and tensions have raised questions about the government's ability to manage and resolve crises effectively. These circumstances have undoubtedly had significant implications for financial markets. Against this backdrop, our study addresses a key research question: Does investor trust in government actions remain stable during extended periods of political uncertainty?

The United Kingdom's (UK) historic decision to leave the European Union (EU), commonly referred to as Brexit, provides a compelling example. During this period, investors faced not only uncertainty about whether the UK would indeed withdraw from the EU, but also about the nature of the exit itself, which could range from a comprehensive trade agreement to a no–deal scenario (Breinlich et al., 2020; Fernandes and Winters, 2021). Our study demonstrates that this trust cannot be taken for granted; instead, it fluctuates in response to political actions that either reinforce or undermine market confidence.

Investor trust in government actions reflects the degree to which financial market participants believe policymakers will successfully implement economic and political decisions. This trust influences credit risk premiums, market valuations, and overall financial stability. From a behavioural perspective, such perceptions are not merely a reaction to fundamentals but are deeply rooted in investor sentiment and the psychological processing of policy signals (Hoffmann et al., 2015). Yet much of the existing research focuses on short–term or anticipated responses to political events, often captured by sudden increases in CDS spreads (Dao et al., 2019). Consequently,

conventional studies overlook how market credibility evolves during prolonged, complex events such as Brexit.

In addition to its empirical innovation, our study contributes to the theoretical understanding of market psychology by linking investor confidence to behavioural finance and uncertainty. Rather than treating investor confidence as a mechanical market response to specific shocks, we conceptualize it as a dynamic construct influenced by sentiment, expectations, and bounded rationality, consistent with Baker and Wurgler (2007). This perspective emphasizes that market sentiment is not merely a reflection of efficient market signals but also of psychological heuristics and evolving collective narratives. Brexit, with its protracted negotiations and shifting political outcomes, provides a quasi–experimental setting to examine these theoretical insights. This setting allows us to capture how investor perceptions adapt under conditions of continuous uncertainty and contested policymaking (Dzielinski, 2012; Beirne and Fratzscher, 2013).

Our paper introduces a market-based approach to measuring this underlying trust by analysing the co-movement of sovereign and corporate CDS spreads for UK firms following Brexit. An increase in co-movements indicates that UK firms are increasingly reliant on the domestic economy, consistent with the decision to leave the European Union. Conversely, a decrease in co–movement reflects diminished confidence in the smooth implementation of Brexit. Our results show that credit risk becomes more positively sensitive to sovereign CDS spreads after positive, supportive Brexit–related events. In contrast, this sensitivity either decreases or remains unchanged during periods of economic, political, or uncertainty–related events. A similar mitigating pattern is observed during major policy setbacks.

The uncertainty and prolonged structure of the events following the Referendum vote make the Brexit process a quasi–experimental setting for examining how investors react to complex government actions. To this end, we employ a matching technique in conjunction with a Difference–in–Differences (DID) approach to isolate the causal impact of each event on the nexus between sovereign and corporate credit risk (Acharya et al., 2014; Bedendo and Colla, 2015). We identify 15 Brexit–related events, as outlined in (Bloom et al., 2019) and (Chung et al., 2022), capturing

key moments throughout the Brexit timeline from June 2016 to March 2021.

Our paper builds on previous research that has mainly examined the immediate or anticipated market reactions to political events (e.g., Samitas et al., 2018; Hill et al., 2019; Makrychoriti and Pyrgiotakis, 2024). These studies typically document sharp increases in CDS spreads (see also Dao et al. (2019)) and often overlook how market trust evolves dynamically over extended, complex processes such as Brexit. In contrast, our findings provide empirical evidence that investor sentiment is dynamic and closely linked to government actions. Notably, while most past papers assess the impact of Brexit through asset price volatility, equity returns, or macroeconomic indicators (Kadiric and Korus, 2019; Breinlich et al., 2020; Graziano et al., 2021), our approach differs by using CDS volatility-specifically, the co–movement between sovereign and corporate CDS spreads –to create a market–based measure of trust in government actions. By extending the analysis from the referendum stage to the implementation stage, we address a notable gap in the literature and provide a dynamic, event–specific perspective on how investor confidence evolves in response to complex, ongoing government actions.

While our study focuses on Brexit in the UK, our proposed framework is broadly applicable to other political shocks, both within and across nations. For example, in contexts such as US debt ceiling negotiations, potential withdrawal from trade agreements as with NAFTA [1], subsequently replaced by the United States–Mexico–Canada Agreement (USMCA) in 2020, or the economic and political adjustments associated with European Union referendums and emerging market policy shifts. Our findings thus contribute to the broader literature on political uncertainty, the pricing of sovereign credit risk, implicit government guarantees, and financial market stability (Gennaioli et al., 2014; Kelly et al., 2016; Fernandes and Winters, 2021).

The remainder of the paper is organized as follows. Section 2 reviews the related literature and develops hypotheses. Section 3 describes the data and variables. Section 4 discusses the selection of Brexit events and their economic relevance. Section 5 introduces the identification strategy. Section 6 reports the results. Section 7 presents the robustness checks. Section 8 concludes with a

[1] North American Free Trade Agreement.

discussion of policy implications and directions for future research.

2. Literature and Hypotheses

The link between government policy actions and financial market responses has been extensively studied, with most research examining how monetary and fiscal policy shocks affect financial assets and corporate decisions (Apergis et al., 2020; Cúrdia et al., 2020; Luck and Zimmermann, 2020; Azad et al., 2021). Political uncertainty, such as that created by Brexit, represents a different form of risk—structural, prolonged, and difficult to capture with standard macroeconomic indicators.

A broad literature has examined Brexit, aiming to estimate the economic and financial consequences of the referendum (Acharya et al., 2014; Kee and Nicita, 2017; Ramiah et al., 2017; Sampson, 2017; Davies and Studnicka, 2018; Samitas et al., 2018; Hill et al., 2019; Breinlich et al., 2020; Fernandes and Winters, 2021; Makrychoriti and Pyrgiotakis, 2024). These papers show substantial short–run market reactions. Only a few examine the full negotiation timeline from 2016 to 2020, such as (Ben Ameur and Louhichi, 2022) and (Koch et al., 2022). Recently, a few papers have extended the analysis of Brexit consequences to credit relationships and risk pricing. For instance, Elmarzouky et al. (2025) show that Brexit–related disclosures affect trade credit, highlighting the importance of firm–level transparency in mitigating financing frictions. Paterson et al. (2024) adopt a behavioural finance perspective, showing how government policy signals shaped investor sentiment during Brexit and the COVID–19 pandemic. Collectively, these studies deepen our understanding of how sovereign and firm–level risks interact under political uncertainty. Yet few explicitly examine the dynamic transmission between sovereign and corporate risks over time or fully exploit the information contained in CDS–based co-movements as indicators of investor confidence.

From a structural transmission perspective, a foundational layer of our framework concerns how Brexit, as a multi–year, evolving political process, transformed the sovereign–corporate risk transmission mechanism. Brexit was not a one–off shock but a sequence of negotiations, political turning points, and shifting expectations. A static analysis is thus insufficient to capture its effect.

To address this gap, we use the co-movement between sovereign and corporate CDS spreads as a market–based proxy for investor confidence in the UK government's actions. Our approach builds on the sovereign–corporate credit risk nexus (Borensztein et al., 2013; Bedendo and Colla, 2015; Augustin et al., 2018; Lai and McNelis, 2024), which shows that corporate CDS spreads are closely tied to sovereign risk through the "sovereign ceiling" effect, whereby firms are generally not perceived as less risky than their home governments. Related work emphasizes the role of implicit government guarantees, particularly during periods of financial stress (Acharya et al., 2014; Fiordelisi et al., 2020). These mechanisms underscore how government credibility and fiscal capacity shape corporate risk via policy backstops, and they align with theories of expectation formation in which changing policy narratives reprice risk by altering return expectations (Pástor and Veronesi, 2013; Greenwood and Shleifer, 2014).

We analyse whether Brexit–related political uncertainty affected the interdependence between sovereign and corporate credit risks. Specifically, we examine the correlation between UK sovereign and corporate CDS spreads, which we interpret as a market–based indicator of investor confidence in the government's ability to manage Brexit–related challenges. We focus on two main transmission channels: (1) the Government Guarantee Channel and (2) the Economic Cycle Channel (see Section 4). Both imply that changes in the co-movement between sovereign and corporate CDS reflect shifts in investors' confidence in the UK government's ability to manage Brexit amid uncertainty.

Taken together, these insights provide the theoretical foundation for our empirical analysis: if investor confidence is a dynamic construct shaped by evolving policy narratives, then the sovereign–corporate CDS nexus should strengthen when government actions credibly reduce uncertainty and weaken when policy signals amplify it (Kelly et al., 2016; Hassan et al., 2019). Under this framework, co–movement in CDS spreads serves as a reliable market–based indicator of investor confidence during extended political processes. Thus, our baseline hypothesis is that ***H1:*** *the co-movement between UK sovereign and corporate CDS spreads increases after the Brexit referendum, signalling higher investor exposure to domestic country risk and stronger expectations*

of government support.

To complement this structural dimension, we distinctly incorporate a behavioural finance layer to decouple fundamental credit mechanics from psychological market drivers. This layer underscores how political credibility translates into financial stability by conceptualizing investor confidence as a dynamic response to an unfolding political process, rather than a one–off reaction to a single shock. In line with the extant literature, investor confidence is conceptualized as a dynamic behavioural construct inferred from market–based linkages between sovereign and corporate risk. To decouple this from purely structural factors, we draw explicitly on behavioural finance, wherein investor confidence is shaped not only by fundamentals but also by sentiment, expectations, and bounded rationality (Baker and Wurgler, 2007; Hoffmann et al., 2015).

By mapping these behavioural shifts to direct pricing implications, we bridge investor psychology with credit derivatives markets. Following (Tang and Yan, 2010) and (Bekaert et al., 2013), we view CDS premiums not merely as technical default indicators but as behavioural barometers that reflect market participants' collective risk appetite and uncertainty aversion in response to policy signals. This interpretation aligns with the broader investor sentiment literature, which shows that market–based indicators embed psychological heuristics and collective narratives that evolve with policy communication (Baker and Wurgler, 2007; Hoffmann et al., 2015). Accordingly, we assume that these behavioural dynamics alter market linkages during key political intervals, leading to our second hypothesis: ***H2:*** *the degree of co–movement between sovereign and corporate CDS spreads changes systematically in the aftermath of major Brexit–related political events, indicating shifts in investor confidence in the UK government's ability to deliver Brexit.*

Finally, we operationalize these conceptual boundaries by mapping specific macro-political outcomes to corresponding directional shifts in pricing. We categorize major Brexit milestones into those that supported or hindered the successful completion of the withdrawal process. This explicit classification allows us to propose our final, market-based hypothesis: ***H3:*** *Brexit-supporting events (e.g., triggering Article 50, the appointment of Boris Johnson as Prime Minister) increase*

sovereign–corporate CDS co-movement, whereas events that heighten political or institutional uncertainty diminish it.

3. Data and Variables

We gather sovereign and corporate CDS spread data, as well as firm– and market–level control variables, from Refinitiv and Bloomberg Terminals, and obtain country–level control variables from the International Monetary Fund (IMF) database. We collect CDS quotes for senior unsecured debt with modified restructuring and a five–year maturity to ensure liquidity. Following (Bedendo and Colla, 2015), we limit our sample to liquid USD currency CDS spreads and compute daily changes in sovereign ($\Delta SCDS$) and corporate (ΔCDS) CDS spreads. Our final sample period runs from February 1, 2013, to March 11, 2021. We include a set of firm–level control variables[2] that may influence the co–movement of sovereign and corporate CDS spreads (Bedendo and Colla, 2015; Lee et al., 2016; Augustin et al., 2018). Although firm–level control variables, such as debt–to–earnings before interest, taxes, depreciation, and amortization (EBITDA) and interest coverage ratios, could be informative, they were excluded due to limited availability or inconsistent time–series across firms. Instead, we use firm–level control variables like the logarithm of total assets (*assets*), the equity–to–assets ratio (*equityratio*), and return on equity (*roe*) as proxies for capital structure and profitability, consistent with the CDS literature (e.g., Blanco et al., 2005; Das et al., 2009; Norden and Weber, 2009). We also control for idiosyncratic factors in CDS spreads in line with the literature (Bedendo and Colla, 2015). Specifically, we include change in idiosyncratic excess return (*Δidiosyncraticexcret*), idiosyncratic excess volatility (*Δidiosyncraticexcvol*), and the change in local excess return (*Δlocalexcret*). To account for macroeconomic and financial market conditions, we include variables such as the GDP growth rate (*GDP*), the money market rate (*mmrate*), the change in the 5-year Treasury bond risk-free interest rate (*Δbond*), and the public debt ratio (*publicdebt*). We also incorporate financial market indicators, such as the ICE BofA

[2]Control variables taken from firms' annual financial accounts are matched with CDS spreads using their distinct Refinitiv Instrument Code (RIC), a ticker–like identifier for the CDS spreads.

Option Volatility Estimate (MOVE) index (*move*), reflecting the level of volatility in US Treasury bond futures[3], and the iTraxx Europe index, which captures credit risk dynamics in the European CDS market (*itraxx*). In our robustness estimations, we further include country-level variables, such as inflation (*inflation*) and the current account balance (*currentaccount*), to better capture macroeconomic dynamics potentially affected by the Brexit process. By integrating both macroeconomic controls and sentiment indices, our variable set reflects the dual nature of Brexit-related uncertainty: structural economic conditions and evolving investor narratives.

All variables used in our investigation are provided in Table 1. Since variables of interest (ΔCDS and $\Delta SCDS$) are measured at the daily frequency, while some macroeconomic controls (e.g., *GDP*, *publicdebt*, *mmrate*) are available annually, the model faces a mixed-frequency challenge. To address this, we re-estimate the model excluding macroeconomic controls. The results remain consistent, indicating that firm-level and market factors mainly drive the observed co-movements.

For robustness checks, we also incorporate sentiment-based indicators, including the Brexit Uncertainty Index (BUI) (Bloom et al., 2019) and the news-derived Brexit Uncertainty Index (BUI2) of Chung et al. (2022). These measures allow us to capture the behavioural dimension of investor confidence, consistent with the literature emphasizing the role of sentiment and bounded rationality in financial markets (Baker and Wurgler, 2007; Hoffmann et al., 2015).

We further construct a complementary news–based uncertainty measure derived from Google Trends (Investor Attention Index). Specifically, we collect search intensity for keywords such as 'Brexit referendum', standardize the resulting series, and use it as a proxy for public attention and narrative–driven sentiment. This measure complements CDS-based indicators by embedding narrative-driven uncertainty into the empirical design.

[Table 1 about here.]

[3]The *move* index measures bond market volatility and reflects the US Treasury term premium, which is the yield difference between long-term and short-term bonds.

The final sample comprises nine countries: the UK and eight European Union nations — Denmark, France, Germany, Italy, the Netherlands, Portugal, Spain, and Sweden, chosen based on data availability or their close ties to the UK. We focus on firms with liquid CDS and sufficient data, resulting in a sample of 121 firms – 26 from the UK and 95 from Europe. Table 2 presents summary statistics that highlight significant variation in credit risk and macro-financial indicators across firms and over time. Additionally, we provide the average pairwise correlations across countries for sovereign and corporate CDS spreads (see Online Appendix). Columns from (1) to (9) denote the average corporate CDS spread, while Columns from (10) to (18) indicate the average sovereign CDS spread. While a positive correlation between sovereign and corporate CDS spreads is evident, the strength of these correlations varies across countries. Notably, countries such as Italy, Portugal, and Spain exhibit a stronger correlation between sovereign and corporate credit risk than others.

[Table 2 about here.]

4. Brexit Timeline: Milestone Events

The outcome of the Brexit referendum surprised financial markets, as pre-vote polls had largely predicted a "Remain" victory (Fisman and Zitzewitz, 2019; Born et al., 2019), making the vote a natural experiment for asset-pricing analysis (Hassan et al., 2024). Crucially, uncertainty did not end with the referendum but persisted through protracted negotiations and political disputes over withdrawal terms (Makrychoriti and Pyrgiotakis, 2024), affecting firms in the UK and across Europe (Bloom et al., 2019; Hassan et al., 2024). Unlike short-lived global shocks (e.g., the 1973 oil crisis or 9/11), Brexit generated sustained, evolving uncertainty that remained elevated years after the vote as the UK delayed finalising its exit (Bloom et al., 2019). We capture this prolonged ambiguity with the Brexit Uncertainty Index (BUI), based on a Decision Makers Panel survey of UK businesses (August 2016–September 2019), which documents persistent uncertainty (Figure 1). We also use a second measure, BUI2 (Chung et al., 2022), derived from textual analysis of eleven leading UK newspapers (2013–2022). BUI2 highlights distinct spikes that align with

major political milestones—referendums, elections, negotiations start, failed meaningful votes, extensions, and the delayed finalization of a deal (Figure 2).

Using peaks in both the BUI and BUI2 indices, together with major Brexit milestones documented in official sources (e.g., Walker, 2018), we identify 15 Brexit-related events spanning 2016–2021. These events are selected where index spikes coincide with documented political or institutional developments; the full list and event windows are reported in Tables 3–4. By combining CDS-based metrics with survey- and text-derived uncertainty indices, our empirical design embeds a behavioural–finance perspective: investor confidence is driven by evolving narratives and sentiment rather than isolated shocks (Baker and Wurgler, 2007; Hoffmann et al., 2015). This multimodal approach captures both market-priced risk and the informational channels through which political narratives alter expectations, improving identification of how Brexit-related discourse and sentiment shaped sovereign–corporate risk transmission.

While Brexit uncertainty unfolded as a continuous process, its effects on credit markets were often non-linear, producing sharp reactions to discrete institutional triggers. By aligning our event windows with the structural peaks of the BUI and BUI2 series, we move from a broad observation of heightened uncertainty to a focused analysis of regime shifts in investor confidence. This alignment isolates moments of acute information asymmetry—when sovereign–corporate risk transmission is most susceptible to structural change. It therefore captures the episodes in which market perceptions of government credibility are most likely to reprice. Consequently, our methodological framework is grounded not only in empirical observation but also in the theoretical literature on continuous uncertainty and regime shifts in investor sentiment (Dzielinski, 2012; Beirne and Fratzscher, 2013).

We classify Brexit events into two categories based on their economic significance. First, we identify events that reinforce the credibility of Brexit implementation, such as those reflecting institutional resolve, political capability, or a clearly defined Brexit path. These events are expected to strengthen investor confidence, resulting in a higher correlation between sovereign and corporate

CDS spreads, as firm–level and country-level credit risks become increasingly linked.[4] Second, we identify events that heighten political and institutional uncertainty, such as political fragmentation, legislative resistance, or signs of weak institutional coordination. These events create ambiguity regarding the timing, scope, or feasibility of Brexit, potentially undermining investor confidence[5].

Figure 1 about here.

Figure 2 about here.

For each event, we assess investor reactions using a market–based approach. The co–movement of sovereign and corporate CDS spreads for UK firms serves as a proxy for investors' trust in government actions. If Brexit increases firms' reliance on the domestic market, sovereign and firm credit risks should become more tightly linked, raising CDS correlations. Thus, an increase in co–movement signals greater confidence in the government's ability to manage the Brexit process, whereas a decline indicates diminished trust and heightened exposure to global risk factors. To bolster this interpretation, we cross-check CDS co–movement patterns against sentiment-based indicators – the Brexit Uncertainty Index (BUI2) and a news-derived Investor Attention Index – thereby connecting market reactions to a behavioural framework of evolving investor confidence.

In summary, our analysis highlights the channels through which political developments reshape investor perceptions of the linkages between sovereign and corporate risk. We emphasize two mechanisms. First, the "Government Guarantee Channel": leaving the EU relaxes state-aid constraints and may strengthen implicit government support for domestic firms, increasing the co-movement of sovereign and corporate CDS spreads when investors perceive stronger guaran-

[4]Event 1: The 2016 referendum result confirming Brexit, Event 3: Formal triggering of Article 50, Event 4: UK General Election and Conservatives government formation, Event 11: Boris Johnson becomes Prime Minister (PM), Event 13: Conservative majority in the December 2019 general election, Event 14: Brexit day (EU ratification) and Event 15:Post Brexit period.

[5]Event 2: PM May's announcement to trigger Article 50 before 2017, Event 5: First round of UK–EU negotiations begins, Event 6: Resignation of Brexit Secretary David Davis, Event 7: Defeat of the Brexit plan in Parliament, Event 8: PM May proposes option to delay Brexit, Event 9: Loss of the second "Meaningful Vote", Event 10: Request for extension of Article 50, Event 12: Further Brexit deal extension.

tees. Second, the "Economic Cycle Channel": Brexit alters firms' access to EU markets and shifts their exposure toward domestic economic conditions; as firms become more dependent on the UK economy, corporate credit risk becomes more sensitive to sovereign risk; when this dependence weakens, the sensitivity to sovereign risk also declines. Together, these channels imply that changes in sovereign–corporate CDS co-movement convey substantive signals about investor beliefs regarding government credibility and the economic consequences of Brexit, rather than mere market noise.

All in all, our methodology not only identifies event-driven market reactions but also integrates sentiment and uncertainty measures, thereby anchoring the empirical design in the theoretical foundations of behavioural finance. By combining market-priced CDS co-movements with survey- and text-based uncertainty indices, we capture both immediate pricing responses and the evolving narratives that shape investor confidence, thereby improving the identification of how political developments alter sovereign–corporate risk transmission.

5. Identification Strategy

Our identification strategy involves two stages. In the first stage, we follow (Acharya et al., 2014) to test our theoretical prediction of the co–movement between the credit risk of the sovereign and corporate CDS spreads around Brexit events, as shown in Table 3 and Table 4. We then use the following regression model:

$$\begin{aligned} \Delta CDS_{ijt} &= \alpha + \beta \Delta SCDS_{jt} + \gamma \sum FirmControls_{it} \\ &+ \theta \sum CountryControls_{jt} + \eta \sum MarketControls_{t} + \nu_i + \delta_t + \varepsilon_{ijt} \end{aligned} \tag{1}$$

We include firm–specific control variables, $\sum FirmControls_{it}$, which encompass the logarithm of total assets (*assets*), return on equity (*roe*), and the equity-to-assets ratio (*equityratio*). These variables account for differences in firm size, profitability, and financial leverage. To control for idiosyncratic factors in CDS spreads, we incorporate the change in idiosyncratic excess re-

turn ($\Delta idiosyncraticexcret$), the change in idiosyncratic excess volatility ($\Delta idiosyncraticexcvol$), and the change in local excess return ($\Delta localexcret$), consistent with the approach in Bedendo and Colla (2015). We also include macroeconomic controls ($\sum CountryControls_t$), such as the GDP growth rate (GDP), the money market rate ($mmrate$), the change in the 5-year Treasury bond risk-free interest rate ($\Delta bond$), and the public debt to GDP ratio ($publicdebt$). To account for broader financial market conditions, we add market-level controls ($\sum MarketControls_t$), including an index for the European CDS market ($itraxx$) and an indicator for global bond market volatility ($move$). Our model is also saturated with firm (δ_i) and weekly time (ν_t) fixed effects to account for unobservable time and firm invariant factors, respectively. In addition, we cluster standard errors at the firm level.

The model in Eq. (1) is applied across multiple time frames. Initially, we analyse the relationship between sovereign and firm CDS spreads over the entire period from February 2013 to March 2021. Then, we estimate the model for the periods before and after the Brexit referendum. We expect a higher β estimate after the Brexit referendum, indicating an increase in the linkage between sovereign and corporate CDS spreads following the UK referendum vote. Then, we drill down into each of the Brexit events in Table 3 and Table 4 to compare the effects with their corresponding expected values reported in the same table. Following this strategy enables us to measure investors' confidence in the UK Government's ability to deliver Brexit successfully after each event.

In the second stage, in line with the first stage discussed above, we rely on an event study-type DID model to examine the causal impact of the Brexit process on the connection between UK firms during each Brexit event reported in Tables 3 and 4 across different treatment periods. If the UK Government maintains credibility during the Brexit process, we anticipate a positive trend, such as a steady increase in the co–movement between sovereign and corporate CDS spreads, following events that reinforce confidence in the completion of Brexit. Conversely, events that raise uncertainty about the success of the Brexit deal are expected to have a negative impact or no significant effect.

Our analysis measures investors' trust in the government's ability to complete Brexit across 15 key events by examining the relationship between sovereign and corporate credit default swap (CDS) spreads, which reflect the creditworthiness of firms and sovereigns (Castellano and D'Ecclesia, 2013; Galil et al., 2014). Using daily data, we focus on event windows spanning three days before and after each event and employ various matching methods, including propensity score matching, to construct carefully matched control samples, thereby improving the identification of Brexit-specific effects.

Subsequently, we employ a Difference-in-Differences (DID) approach to assess the causal impact of each Brexit-related event on the co–movement of sovereign and corporate CDS spreads, which serve as market-based indicators of credit risk and implicit government guarantees (Acharya et al., 2014; Bedendo and Colla, 2015). The DID framework is particularly suitable for our analysis because it captures the causal effect of Brexit-related political uncertainty by comparing changes in the outcome variable (the co–movement of sovereign and corporate CDS spreads) between treated and control groups before and after key political events, under the assumption of parallel trends.

Using an event study-style DID approach to link Brexit events to CDS co-movements enhances the interpretability of causal effects and addresses potential treatment heterogeneity over time. Additionally, we employ shorter event windows in the DID method to more precisely isolate the Brexit effect, thereby reducing confounding factors. This empirical strategy enables us to track the evolution of investor trust, revealing an increased positive sensitivity of corporate credit risk to sovereign CDS spreads following positive Brexit events, and a decline or stagnation around episodes of economic, political, or institutional uncertainty.

We divide the full sample (comprising UK and European firms) into treatment (UK firms) and control (European firms) groups, based on CDS data availability from the Refinitiv & Bloomberg database. The treatment period varies depending on the analysis stage. In the full-period analysis, the treatment period begins after the UK referendum in June 2016. In the event-level analysis, the treatment window is defined around each Brexit-related political event listed in Table 3 and Table 4. For instance, while analysing the Triggering of Article 50 (Event 3 in Table 3), we take three

trading days (−3) before and after (+3) as our treatment period.

$$\begin{aligned}\Delta CDS_{ijt} = \alpha &+ \beta_1 UK_i \times Post_{k,t} \times \Delta SCDS_{j,t} + \beta_2 UK_i + \beta_3 Post_{k,t} + \beta_4 \Delta SCDS_{j,t} \\ &+ \beta_5 (UK_i \times Post_{k,t}) + \beta_6 (UK_i \times \Delta SCDS_{j,t}) + \beta_7 (Post_{k,t} \times \Delta SCDS_{j,t}) \\ &+ \gamma \sum CountryControls_{jt} + \theta \sum FirmControls_{it} + \eta \sum MarketControls_t \\ &+ \nu_i + \psi_t + \varepsilon_{ijt}.\end{aligned} \tag{2}$$

In Eq. (2), the dependent variable, ΔCDS_{ijt}, is the daily change in corporate CDS for a firm i, headquartered in a country j from t to $t-1$. In a DID model, to measure the causal effect of a relevant Brexit sub-period, we create a variable for treated units, UK firms (UK), that equals one for UK firms and zero for all other firms. To account for the effects of different Brexit events, we create a binary variable $Post_k$, which takes the value of 1 for the specific window of the 15 Brexit events in Table 3 and Table 4 and zero otherwise. Brexit day (EU ratification) in January 2020 began the transition period (between January 31, 2020, and December 31, 2020). Given its importance in negotiations regarding future relations between the EU and the UK, we also present a separate analysis for the post Brexit period (January 31, 2020–March 11, 2021), which includes the transition period.

The main variable of interest is $UK_i \times Post_{k,t} \times \Delta SCDS_{j,t}$ in Eq. (2). The coefficient β_1 captures the differential change in the sensitivity of corporate CDS spreads to sovereign CDS spreads for UK firms during the relevant Brexit event window, relative to the European control group. The specification also includes all lower-order terms and two-way interactions among UK_i, $Post_{k,t}$, and $\Delta SCDS_{j,t}$. A positive (negative or insignificant) β_1 denotes an increase (decrease or no change) in the co-movement between firm and sovereign CDS spreads attributable to that Brexit event. For example, a positive (β_1) following the 2016 referendum implies that the referendum raised sovereign–corporate co-movement in the UK relative to the European control group. The model is saturated with firm (ν_i) and time (ψ_t) fixed effects to absorb firm- and time-invariant unobservables.

The DID approach rests on key assumptions—most importantly, parallel trends and the absence of selection bias. To address these concerns, we apply propensity-score matching based on pre-referendum firm characteristics, including *equityratio* and $assets$. This matching procedure ensures comparability between UK and European firms and reduces confounding factors that could otherwise explain observed heterogeneity.

We acknowledge potential threats to inference—most notably heterogeneous treatment effects and serial correlation—and address them through a focused robustness protocol. First, we cluster standard errors at the firm level to account for within-firm serial dependence and persistent idiosyncratic shocks. Second, we implement falsification tests and include daily time fixed effects to absorb common macro news and calendar-driven volatility. Third, to mitigate issues from mixed-frequency data, we apply appropriate aggregation and sampling corrections and verify robustness to alternative sampling schemes.

As part of our robustness tests, we extend the baseline specification by interacting the UK indicator with a Google Trends–based investor attention index in the sovereign CDS model ($UK * \Delta SCDS_{jt} * AttentionIndex$), and by incorporating the BUI2 Index (Chung et al., 2022) in a second specification, $UK * \Delta SCDS_{jt} * BUI2$. Within a broad-window framework, we consider extended windows rather than isolated events, thereby capturing the continuous nature of the Brexit process and revealing that sovereign–firm CDS co-movement is heterogeneously distributed over time. Taken together, these sentiment- and news-derived proxies function as both robustness checks and a theoretical extension, underscoring that Brexit uncertainty operates as a continuous process shaped jointly by structural credit-risk channels and evolving behavioural narratives.

Recognizing that political uncertainty often accumulates rather than arriving as isolated shocks, we validate our results with a *Zero-Gap Process Analysis* combined with an *Inverse Probability Weighting* (IPW) estimator. This approach moves beyond narrow event windows by tracing the sovereign–corporate risk nexus continuously across the entire Brexit timeline, thereby capturing market dynamics during prolonged deadlock and interim negotiations that discrete studies may miss. To prevent bias arising from differences between UK and EU firms, we embed the IPW

estimator within the multi-year specification, weighting the control group to match treated firms on an extensive set of firm-level characteristics and macro-financial covariates. By maintaining comparability and statistical balance across the 16 contiguous process windows, these robustness checks strengthen the credibility of our findings.

[Table 3 about here.]

[Table 4 about here.]

6. Results

Before presenting the baseline results, we provide a graphical overview of how sovereign CDS spreads evolved in response to the Brexit events. We compare the UK sovereign CDS spread with the average for European countries on a monthly basis, as shown in Figure 3. This figure exhibits the divergence in UK spreads, indicating an event-specific change not shared by the broader EU. It also highlights the distinctiveness of investors' reactions to UK policy measures.

Figure 3 about here.

6.1. Baseline Model

Table 5 presents the baseline results of the co–movement between sovereign and corporate credit risks for UK firms using Eq. (1). Our goal is to assess whether the relationship between sovereign and corporate credit spreads of UK firms changes after the UK's referendum vote. Column (1) displays the relationship between sovereign and corporate CDS spreads before the 2016 referendum vote, while column (2) presents this relationship after the UK referendum. All columns include controls for firm–specific and weekly time–fixed effects, with standard errors clustered at the firm level. The findings indicate a positive and statistically significant association between sovereign and corporate CDS spreads. As anticipated, this relationship intensified after the 2016 referendum, demonstrating that UK firms became more sensitive to sovereign risk.

[Table 5 about here.]

Next, we analyse how each Brexit event specifically affected UK firms, as shown in Tables 3 and 4, rather than examining the entire post-referendum period. Table 6 presents the econometric results for 15 distinct Brexit events, using the correlation periods outlined in those tables. These results reveal that the coefficient of $Post * \Delta SCDS$ varied across different Brexit events, with findings consistent with the pre- and post-referendum results presented in Table 5. Column (0) displays the effect of the pre-referendum period, showing a positive and relatively stable coefficient for $\Delta SCDS$ compared to the post-UK referendum period. Column (1) illustrates the influence of the referendum vote, indicating a significant rise in the association between sovereign and corporate risk, as evidenced by a positive, statistically significant coefficient for $Post * \Delta SCDS$. Subsequent events exhibit varying effects on the nexus between sovereign and corporate CDS spreads. For instance, column (2) reports the results from Former PM May's announcement that Article 50 would be triggered before 2017, showing a statistically significant negative $Post * \Delta SCDS$, reflecting heightened uncertainty about the timing of Article 50's triggering. Column (3) shows the result from the triggering of Article 50, and the coefficient of $Post * \Delta SCDS$ is positive, implying an increase in the co–movement between sovereign and corporate credit risk. Column (4) shows the effect of the former PM May forming a government, and $Post * \Delta SCDS$ is statistically significant and positive, signalling a strengthening nexus between sovereign and corporate credit risk. Column (5) shows the effect of the first round of UK-EU exit negotiations beginning, and the coefficient of $Post * \Delta SCDS$ is statistically insignificant, suggesting a steady state in the investors' positioning during the negotiation period. Column (6) highlights the results from David Davis' resignation as Secretary of State, and the coefficient on $Post * \Delta SCDS$ is statistically significant and negative, implying a decrease in the nexus between sovereign and corporate credit risk. Columns from (7) to (10) correspond to events that either disrupted investor trust or delayed the Brexit process, including the defeat of the Brexit plan in the House of Commons (column 7), PM May proposing an option to delay Brexit (column 8), Former PM May loses second vote (column 9) and Former PM May requesting another extension until June 2019 (column 10). The coefficient on $Post * \Delta SCDS$ is statistically significant and negative, indicating a decrease in the nexus be-

tween sovereign and corporate credit risk, or a weakening of investor trust. In columns (11) and (13) (i.e., Boris Johnson's appointment as new PM and UK General Election day, respectively), the coefficient of $Post * \Delta SCDS$ is statistically significant and positive, signalling an increase in the co–movement between sovereign and corporate credit risk. In column (12) (i.e., the extension of the Brexit deal), the $Post * \Delta SCDS$ coefficient is insignificant and negative, suggesting a decrease in the co–movement between sovereign and corporate CDS spreads. In columns (14) and (15) (i.e., the Brexit day (EU ratification) and the post Brexit period, including the transition period), the coefficient of $Post * \Delta SCDS$ is significant and positive, implying a sustained and positive sovereign–corporate CDS linkage. Also, in line with the post-UK referendum coefficient of $\Delta SCDS$ in Table 5, there is a persistent strong linkage between sovereign and corporate CDS spread after Brexit was formally achieved. Thus, the coefficient of $Post * \Delta SCDS$ is positive (negative or no impact) during the corresponding Brexit events, with lower (higher) uncertainty about the UK's Brexit goal. Our dynamic pricing of government credibility aligns with the literature, providing evidence on the increased sovereign credit risk due to political and policy uncertainty related to Brexit (e.g., Dao et al., 2019; Fernandes and Winters, 2021).

[Table 6 about here.]

[Table 7 about here.]

6.2. Event Study Combined with DID Model

We employ an event-study DID framework to identify the causal impact of Brexit events on the co-movement of sovereign and corporate CDS spreads. This design improves causal interpretability and mitigates concerns about treatment heterogeneity over long horizons. The DID approach compares changes in sovereign–corporate co-movement between treated and control groups before and after major political events, relying on the parallel-trends assumption. To isolate the immediate causal effect of Brexit and reduce confounding, we use relatively short event windows within the DID specification.

Before applying the DID estimator, we verify the parallel-trends assumption. We test the pre-treatment equality of means for corporate changes ΔCDS, sovereign changes $\Delta SCDS$, and their difference $\Delta CDS - \Delta SCDS$ before the UK referendum (23 June 2016). Table 7 reports these tests for the period 2013–June 2016. Across all years, the mean differences between UK and EU firms are small and statistically insignificant (p-values > 0.10), indicating no pre-treatment divergence in credit-risk changes. These results imply that the treated (UK) and control (EU) groups are statistically indistinguishable before the referendum, supporting the parallel-trends condition and the validity of our DID design.

We estimate the DID model in Eq. (2) (Table 8) to assess whether the sovereign–corporate CDS nexus for UK firms diverges from that of European firms following each Brexit event (Tables 3 and 4). The coefficient on the triple interaction $UK \times Post \times \Delta SCDS$ is the primary parameter of interest: it captures how UK corporate CDS spreads respond differently to changes in UK sovereign CDS spreads after a given event, relative to EU firms. This term isolates the causal effect of each event on investor perceptions of the corporate–sovereign risk relationship in the UK. We expect the sign and significance of this coefficient to vary with the nature of the event: episodes that increase confidence in the Brexit outcome should raise co-movement, whereas events associated with heightened uncertainty or political gridlock may attenuate or reverse it. To improve identification, we implement short event windows to limit confounding influences and complement the DID with robustness checks reported in the Online Appendix.

[Table 8 about here.]

Table 8 reports DID estimates of sovereign–corporate CDS co-movement around 15 Brexit-related events, each using a three-day window. The coefficient on the triple interaction $UK \times Post \times \Delta SCDS$ captures the differential response of corporate CDS to sovereign CDS for UK firms relative to EU firms after each event, thereby indicating whether political developments strengthened or weakened the linkage between firm and sovereign credit risk. Significant positive estimates for key episodes—most notably the 2016 referendum (column 1), the activation of Article 50 (column 3),

Johnson's appointment as Prime Minister (column 11), the Conservatives' general-election majority (column 13), and Brexit day (column 14)—imply increased sovereign–corporate interconnectedness, consistent with greater market confidence in government credibility. By contrast, negative or insignificant coefficients in columns (2), (6)-(10) and (12), associated with resignations, delays, or failed votes, reflect diminished investor trust and weaker risk transmission between sovereigns and firms.

While our baseline specification focuses on discrete Brexit events, we extend the analysis in the robustness section by incorporating sentiment-based indices (the Brexit Uncertainty Index and a Google-Trends–based Investor Attention Index) and continuous uncertainty measures. These specifications address the concern that Brexit uncertainty evolved as a continuous process rather than a series of isolated shocks. The extended results confirm that the observed CDS co-movement patterns are specific to the UK's Brexit trajectory rather than driven by global shocks. Together, the interaction terms provide strong evidence that markets appeared to incorporate signals about UK government credibility in real time, with investors adjusting firm-level credit-risk expectations as the Brexit timeline unfolded. Our findings are consistent with prior studies showing that sovereign events influence firm CDS spreads via sovereign-risk channels (e.g., Bedendo and Colla, 2015; Augustin et al., 2018) and with research documenting heterogeneous sectoral reactions to the referendum (e.g., Ramiah et al., 2017; Davies and Studnicka, 2018). Unlike studies that emphasize long-run macroeconomic effects, our analysis highlights high-frequency market responses to discrete political milestones.

First, we document stronger co-movement between sovereign and corporate CDS spreads after the 2016 referendum, consistent with economic-cycle and government-guarantee channels and supporting hypothesis (H_1). Second, correlation analysis shows that this linkage varies across key Brexit milestones, reflecting shifts in investor confidence in the UK government and supporting (H_2). Third, the direction and magnitude of event effects differ: some events strengthen the sovereign–corporate nexus by raising expectations of a successful Brexit, while others—those that generate political or institutional uncertainty—attenuate it, consistent with (H_3). Fourth, our

post-Brexit analysis (through the transition period ending 31 December 2020) finds a stronger nexus between sovereign and corporate CDS spreads, indicating greater corporate exposure to sovereign solvency risk. Finally, short-window tests aligned with the Brexit Uncertainty Index provide a market-based proxy for investor confidence during prolonged political uncertainty.

Although our analysis focuses on the Brexit process, the findings can be applied to other geopolitical and regional transitions, including the renegotiation of major trade agreements such as NAFTA. Just as Brexit events affected investor confidence in UK institutions, uncertainty around trade negotiations in North America could similarly influence sovereign–corporate risk pricing. For example, during NAFTA renegotiations, firms in Mexico and Canada might have experienced similar CDS market reactions driven by perceptions of US political stability and commitment. This broader relevance underscores the usefulness of CDS co–movement as a forward-looking indicator of investor confidence in governments during times of political uncertainty (Longstaff et al., 2011; Bansal and Shaliastovich, 2013; Augustin et al., 2018).

6.2.1. DID Results with Propensity Score Matching

In this stage of the analysis, we apply a propensity score matching (PSM) method to estimate the causal effect of Brexit-related events on the co–movement between sovereign and corporate CDS spreads. Specifically, we match UK firms (treated group) with EU firms (control group) based on their pre-treatment characteristics, particularly total assets and the equity ratio, using nearest-neighbour one-to-one matching without replacement. This approach ensures that the matched EU firms closely resemble UK firms in their balance sheet structures, thereby mitigating selection bias and ensuring comparability across groups. Compared with the baseline DID model, which assumes parallel trends between the treatment and control groups, the propensity score-adjusted model further corrects for observable differences by reweighting the control group to better match the treated group.

The comparison of results shows that the magnitude and statistical significance of the triple interaction term ($UK * Post * \Delta SCDS$) are generally consistent with the DID estimates reported in Table 8. However, in certain event windows, the PSM approach yields more accurate estimates

with smaller standard errors, indicating improved covariate balance. Notably, for politically disruptive events (such as lost parliamentary votes or Brexit extensions), the PSM estimates tend to reveal more pronounced adverse effects on the co–movement between sovereign and corporate risk. This approach likely reflects that matched EU firms serve as a more accurate counterfactual for UK firms in the absence of Brexit. Overall, while the DID framework provides a straightforward identification strategy, the PSM method improves causal inference by conditioning on observed firm–level covariates, increasing the robustness of the results.

[Table 9 about here.]

7. Robustness Checks

To verify the robustness of our finding, we run the following checks: (1) we utilize a recent index from Oxford's COVID–19 government response tracker (*OxCGRT*), which collects data on government policy measures and responses to the COVID–19 pandemic. This approach enables us to track government actions throughout the pandemic and confirm that our results are still valid after considering COVID–19-related policies; (2) we examine whether the geographic ownership of the company—which may differ from its domicile— impacts our results; (3) we conduct a falsification test in which we account for concurrent significant events in the control group (EU countries) that could influence our co–movement measure between sovereign and corporate CDS spreads; (4) we absorb daily fixed effect rather than weekly time fixed effects; (5) we include alternative macroeconomic controls, including inflation and current account balance; (6) we exclude yearly control variables from the estimation to address mixed data frequency; (7) we repeat the event study by using different event windows ([-2,3] and [-2,2]); and (8) we employ alternative inverse probability weight estimators;and (9) we transition from discrete event windows to continuous 'Process Windows' covering the entire 2,260-day period to address the multi-year and continuous nature of the Brexit process. This check ensures that our results are not sensitive to the choice of specific dates and captures the sustained risk co–movement during interim periods of political deadlock; (10) we run further sensitivity checks and placebo tests by expanding the non-EU control sample

and treating Australia as a Pseudo Treated Unit while UK firms are excluded from the the analysis; and we incorporate investor sentiment indicators to our analysis by utilizing weekly Investor Attention Index derived from Google Trends data and a monthly Brexit Uncertainty Index (BUI2) constracted by Chung et al. (2022).

7.1. The Effect of Governments' Response to the COVID–19 Pandemic

Since the COVID–19 pandemic coincided with the post Brexit period (between January 31, 2020, and March 11, 2021), we use the COVID–19 response tracker to control for potential confounding pandemic policies. For this purpose, we use Oxford's COVID–19 Government Response Tracker (OxCGRT) (Hale et al., 2021), which collects systematic information on government policy measures to tackle the pandemic[6].

Using Oxford's Government Response Index, we account for how government COVID–19 measures influence the correlation between sovereign and corporate CDS spreads by considering the severity of those measures. This tracker documents differences in government actions across countries, with higher values indicating stricter responses and lower values indicating less strict responses. Calculating the change in the COVID-19 response tracker ($\Delta CovidResponse$), we find that results are similar to those obtained from the DID setting in Table 8 (see Online Appendix). Since the OxCGRT begins in January 2020 and has no impact on earlier Brexit events (0-13), we reinvestigate the effects only using Brexit day (EU ratification) and the post Brexit period.

Overall, controlling for the government's responses to COVID–19 does not alter our main findings. The co–movement between sovereign and corporate CDS spreads peaked on Brexit day (EU ratification) and remained positive throughout the post Brexit period.

[6]This daily index is available at the country level from January 31, 2020, covering more than 180 countries and coded into 23 indicators, including school closures, travel restrictions, and vaccination policies. Each policy is recorded on a scale reflecting its strictness, and the scores are aggregated into a suite of policy indices. The dataset is therefore crucial for understanding how governments consistently responded to the pandemic and for informing decision-makers and citizens.

7.2. Geographic Ownership Bias

Our study clusters firms by country of residence. However, the firms' geographic holdings may differ from this classification, as institutional investors domiciled abroad can be the company's dominant holders. For example, in our sample, although firms are classified as UK firms based on their country of residence, a substantial share of their institutional ownership is associated with investors domiciled in the United States, reaching 61% in some cases. This can introduce a geographic ownership bias, influencing investors' expectations of country risk or the likelihood of government guarantees.

To account for the potential impact of investors' geographic ownership on the nexus between sovereign and corporate credit risk, we obtain firm–level ownership data from Bloomberg and exclude firms whose dominant holders do not match their countries of residence. Specifically, we retain only firms for which the majority holding (>50%) originates from the same country as the firm's domicile, thereby focusing on entities primarily exposed to domestic sovereign risk. This adjustment allows us to refine the definition of firms in our sample not only by their country of residence but also by their dominant institutional investors. Out of 121 firms, we identify 15 firms whose country of residence does not match the geographic holdings criteria[7]. We therefore replicate our main specification using the remaining 106 firms that satisfy the geographic ownership criterion[8]. Results remain in line with our main findings from the DID setting reported in Table 8 (see Online Appendix).

7.3. Falsification Test

An important threat to identification is that significant political events in control countries may have affected sovereign–corporate CDS co-movement for EU firms. To address this, we control for comparable political events that coincided with the Brexit timeline. Specifically, we account for: (1) Italy's constitutional referendum (December 2016) and Prime Minister Matteo Renzi's subsequent

[7] We exclude firms whose dominant geographic holders are domiciled in a foreign country with a majority holding (>50%).

[8] Geographic ownership of dominant investors matches the firms' country of domicile.

resignation; (2) the Dutch general election in March 2017, which produced a hung parliament and protracted coalition talks with gains for the nationalist PVV; (3) the French presidential election (April–May 2017); (4) the German federal election and difficult government formation (September 2017); (5) the Italian general election and lengthy government formation (March–June 2018); (6) the Swedish general election, which produced a hung parliament and gains for the Sweden Democrats (September 2018); and (7) two Spanish general elections (June 2016 and April 2019), which produced government shifts and later a hung parliament.

A common feature of these events is political deadlock and hung parliaments, which could (i) reduce governments' willingness or ability to support large domestic firms (within EU state-aid constraints or via fiscal stimulus) or (ii) generate sovereign-risk fluctuations that do not transmit to corporate credit risk. Either mechanism could depress corporate–sovereign co-movement in the control group, thereby producing spurious positive treatment effects.

To test this, we run a falsification exercise that alters the control-group composition while preserving the UK treatment group. In the baseline analysis, the control group comprised eight countries. After accounting for contemporaneous political events, we adjust the control set as follows: for event (1) we exclude the Italy, and Spain (reducing the control group to six countries); for event (2) we exclude the Netherlands (reducing control group to seven), for event (3) we exclude France, Italy, Germany, and the Netherlands (reducing the control group to four); for event (6) we exclude Sweden (reducing the control group to seven); for events (7)–(10) we make no changes; for event (11) we exclude Spain (reducing the control group to seven); and for events (12)–(15) we make no changes.

Results from this falsification test, reported in the Online Appendix, confirm our main findings after accounting for simultaneous political events in the control countries.

7.4. Controlling for Daily Time Fixed Effects

In our empirical framework, we include weekly time–fixed effects. The reason is to avoid redundancy in financial market variables, such as iTraxx (*itraxx*) or the *move* index (*move*). These indices are likely to affect the sovereign and corporate credit risk nexus, as *itraxx* is an index of

the European CDS market, and *move* is a volatility index derived from the bond market. Thus, we would like to account for their additional impact on the estimates. Still, confounding factors may affect the sovereign–corporate nexus even after controlling for weekly time–fixed effects. For this purpose, we employ daily fixed effects and conduct a robustness check. The results of this analysis are reported in the Online Appendix and are consistent with previous findings.

7.5. Inclusion of Additional Macroeconomic Controls

Macroeconomic conditions are closely connected to fluctuations in both sovereign and corporate credit risk. Omitting key macroeconomic indicators, such as inflation and the current account deficit, from the analysis could bias the results. These variables also capture important external trade linkages. Accordingly, we re-estimate Eq. 2 including these additional macroeconomic controls. The results remain consistent with and reinforce our main findings. Full details of this analysis are available in the Online Appendix.

7.6. Addressing the Mixed Data Frequency

Because the variables of interest (ΔCDS and $\Delta SCDS$) are measured at a daily frequency, whereas some macroeconomic controls (e.g., *GDP*, *publicdebt*, *mmrate*) are available only at lower frequencies (yearly), the model may face a mixed-frequency challenge. To address this, we re-estimate the model without macroeconomic controls. Results from this analysis are reported in the Online Appendix. They are consistent with our main findings, suggesting that firm–level and market-specific factors primarily drive the observed co-movements.

7.7. Alternative Event Windows

We also analyse the effect of Brexit-related events on the co–movement between sovereign and corporate CDS spreads using a propensity score-matched event study with a difference-in-differences framework. We follow a similar empirical approach, but use different short event windows, with a particular focus on the period [-2,+2] and [-2,+3]. The results are consistent with the baseline analysis. Findings from this study are reported in the Online Appendix.

7.8. Inverse Probability Weights Estimators

Because some firms experience multiple treatment periods, the traditional two–way fixed–effects (TWFE) estimator can be biased when treatment effects vary over time and across units (Goodman-Bacon, 2021), and it may produce negative weights. To address this, we estimate group-time average treatment effects using inverse–probability weighting (IPW) as in (Callaway and Sant'Anna, 2021), which is designed for staggered treatment timing. This method estimates cohort– and period-specific effects and aggregates them appropriately; our results are robust to this alternative estimator.

We implement a DID framework using IPW to examine Brexit–related impacts on sovereign–corporate CDS co–movement. The magnitude and significance of the triple interaction ($UK \times Post \times \Delta SCDS$) are broadly consistent across the standard DID and the propensity score-adjusted IPW models (Tables 8 and 9). In several event windows, the IPW estimates have smaller standard errors, reflecting improved covariate balance. Full results are reported in the Online Appendix.

The triple interaction ($UK \times Post \times \Delta SCDS$) varies across event windows (Events 1–15; Tables 3 and 4). During politically disruptive episodes-such as deal extensions or failed parliamentary votes-the IPW estimates show more pronounced adverse effects on sovereign–corporate co–movement, suggesting that the matched EU firms provide a closer counterfactual for UK firms in the absence of Brexit. Overall, the DID identification leverages variation across time and groups, while the IPW adjustment strengthens causal inference by accounting for observed firm–level covariates. Several events (e.g., Events 1, 3, 4, 11, 13, 14, 15) produce positive, statistically significant effects, indicating increased co-movement; other politically turbulent events (e.g., Events 2, 5–10, 12) yield negative or insignificant effects, consistent with reduced co-movement and greater risk differentiation.

7.9. Brexit as a Continuous Process: Zero–Gap Analysis

To address the concern that treating Brexit as discrete events may oversimplify the negotiation process, we implement a Zero-Gap Phase Analysis. We partition the sample into 16 consecutive phases (*Phase* 0 to *Phase* 15) that correspond to the events and interim periods in our primary

timeline (see Online Appendix). In this continuous phase analysis, *Phase* 0 starts on January 1, 2015, rather than February 1, 2013, to maintain a balanced zero–gap timeline immediately preceding the referendum and to ensure comparability across consecutive Brexit phases. Moving from isolated windows to a continuous timeline allows us to capture the chronic uncertainty that characterized the multi–year Brexit process.

To reduce the risk of arbitrary control-group selection, we extend the IPW scheme from our baseline model to this continuous specification. Firms are matched on fundamentals—size (*assets*), profitability (*roe*), and leverage (*equityratio*)–so that UK-specific risk transmission is isolated from broader market shocks by comparison with a dynamically balanced counterfactual of EU firms.

Figure 4 presents coefficient estimates with 95% confidence intervals for each phase. The continuous specification is consistent with our discrete event results: UK corporate CDS sensitivity undergoes a sustained structural shift after the 2016 referendum (see Figure 4). The Zero-Gap plot demonstrates that the sovereign–corporate risk nexus is not merely a transitory response to isolated shocks. Notably, we observe statistically significant transmission during interim phases (6, 7, and 9) even when the Brexit Uncertainty Index (BUI) shows no major peaks, indicating that sentiment indices capture headline uncertainty. At the same time, the risk-pricing regime remains sensitive to the underlying, chronic negotiation process. Full regression coefficients for each phase are reported in the Online Appendix.

7.10. Further Sensitivity Checks and Placebo Test

To address concerns about global confounders and selection bias, we implement several methodological enhancements that contrast the UK's idiosyncratic risk trajectory with an expanded control group and a pseudo-treated counterfactual (Australia), while employing advanced weighting techniques for causal identification.

First, to test sensitivity to control–group composition, we expand the sample to include Norway, Switzerland, and Australia, excluding the USA, Canada, and Japan because their safe–haven behavior during the Brexit windows produced substantially stable CDS trajectories that would violate the parallel–trends assumption. To account for firm-level heterogeneity, we apply

Entropy Balancing (Hainmueller, 2012), calibrating weights to match the 2015 pre-referendum first moments of return on assets (*roa*), equity to total assets (*equityratio*), and total assets (*assets*). Results from this reweighted sample, reported in the Online Appendix, are highly consistent with the primary findings in Table 8, confirming the structural nature of risk escalation and the robustness of sovereign–corporate co-movement across critical events.

Second, we conduct a placebo exercise by excluding UK firms and treating Australia as the pseudo-treated group. Using Entropy Balancing to match Australian firms to the original control set (Denmark, France, Germany, Italy, the Netherlands, Portugal, Spain, Sweden, Norway, Switzerland) on the same 2015 covariates, we map outcomes across the 16 Brexit phases (Online Appendix). The UK sample exhibits a pronounced spike at the 2016 referendum (Phase 1), whereas the Australian placebo coefficient is not statistically significant, indicating the referendum was an idiosyncratic domestic shock. During the negotiation deadlock (Phases 4–9), the UK peak follows David Davis's resignation, while Australia remains unresponsive, showing no global spillover from the UK's negotiating crises. UK firms also display significant sensitivity to the defeat of the Brexit Plan (Phase 10) and to Johnson's premiership (Phase 12), whereas Australian coefficients are near zero and insignificant. On Brexit day (Phase 15), the UK shows significant positive co-movement while Australia exhibits a significant negative coefficient, suggesting divergent, relief-driven global dynamics versus UK-specific structural pricing. Finally, the Brexit Uncertainty Index (BUI) interaction is highly significant for UK firms but effectively zero for Australia. Collectively, these results indicate that the documented shocks to the sovereign–corporate nexus are not attributable to global financial noise but are uniquely and causally linked to the UK's Brexit trajectory (see Online Appendix).

7.11. Integration of Investor Sentiment Indicators

While CDS spreads reflect market efficiency to some extent, behavioural inefficiencies can emerge during periods of intense political uncertainty (Acharya et al., 2014; Baker et al., 2016). We therefore treat CDS spreads as a reasonable proxy for investor confidence, capturing both credit risk and sentiment, while acknowledging that additional sentiment measures would strengthen the analysis.

To this end, we interact sentiment measures with a UK dummy and employ two indicators at different temporal scales: (i) the monthly Brexit Uncertainty Index (BUI2) (Chung et al., 2022), which captures news-based policy uncertainty; and (ii) a weekly Investor Attention Index constructed from standardised Google Trends data, which captures high-frequency behavioural shifts. The weekly index and the monthly BUI together provide complementary, real-time, and broader perspectives on evolving uncertainty, aligning our approach with behavioural–finance studies that emphasize both rational and emotional drivers of market outcomes (Baker et al., 2016; Paterson et al., 2024). Results reported in the Online Appendix show that the sovereign–corporate CDS co-movement remains significant after including these investor sentiment variables, confirming that CDS spreads reflect both credit risk and sentiment-driven behavior.

8. Conclusions

Brexit was a long and complex process, shaped by negotiations between the UK and the EU over future trade relations as well as intense political debate within the UK. A central question is whether investors trusted the UK Government's ability to deliver the Brexit deal. Our analysis shows that this trust fluctuated over time, responding to both favorable and unfavorable developments throughout the process. To examine this dynamic, we divide the Brexit timeline into 15 key events and measure investors' trust using an objective approach based on the co-movement between sovereign and corporate CDS spreads, comparing observed reactions with the expected impact of each event.

Our findings reveal that, overall, investors viewed the UK Government as credible throughout the Brexit process—from the 2016 referendum to the end of the post-Brexit period in March 2021—although this perception fluctuated in response to key Brexit developments. We document a significant increase in the correlation between sovereign and corporate CDS spreads following the referendum, indicating that firms became more sensitive to sovereign risk associated with Brexit. Investor trust continued to vary over time, particularly around the 15 major Brexit events we identified. Our results show that positive developments toward achieving Brexit objectives increase the

co-movement between sovereign and corporate CDS spreads. Such events suggest that UK firms benefit from implicit public guarantees and remain closely tied to the domestic economic cycle, thereby strengthening investor confidence. In contrast, events that hindered progress on Brexit led to a decline or stagnation in this co-movement, signaling reduced trust and weaker expectations of public support, and implying looser connections to the UK economy.

Overall, our results show that investors perceived the UK Government as credible in its efforts to deliver Brexit, and that they adjusted their expectations well before the Brexit day (EU ratification). These shifts in investor trust align with evidence from the political uncertainty literature, which finds that policy signals meaningfully shape investor sentiment and credit spreads (Kelly et al., 2016).

To validate the structural permanence of these findings, a broad set of robustness checks reinforces our conclusions. We address potential control–group bias through multiple matching methods, incorporate government responses during the COVID–19 pandemic, examine geographic ownership bias, implement falsification tests to rule out confounding effects, include extended macroeconomic controls such as inflation and output, absorb daily fixed effects, and test alternative event-study windows. By complementing CDS-based measures with sentiment indices and news-derived uncertainty proxies, our study moves beyond a purely empirical design by supplementing the event-based analysis with a Zero-Gap process approach and incorporating the behavioural dimension of investor confidence and validating the results through IPW–weighted graphical evidence. The study provides a granular, multi–layered representation of Brexit as a chronic process. By conceptualizing Brexit uncertainty as continuous and explicitly integrating its behavioural dimension, the study advances a theoretical understanding of how political shocks are transmitted simultaneously through economic fundamentals and investor sentiment. This dual perspective (structural credit–risk transmission and behavioural narratives) strengthens the theoretical foundation of our findings, showing that investor sentiment is a critical channel through which political uncertainty shapes financial markets.

Our findings offer new insights for policymakers. The sovereign–corporate credit–risk

nexus, which reflects the perceived credibility of government actions, can directly influence corporate credit risk and its associated costs. During periods of political uncertainty, governments seeking to preserve financial market stability may benefit from clear communication and credible policy signals. Our results further suggest that sovereign creditworthiness can serve as an indirect transmission mechanism through which political uncertainty affects firm-level credit risk, implying that fiscal support policies or political coordination during periods of uncertainty can function as stabilizing tools. The empirical evidence also shows that financial markets jointly incorporate political signals when pricing sovereign and corporate risk. Accordingly, our findings support the rationale for regulatory emphasis on fiscal discipline and transparent policymaking, particularly during prolonged periods of political uncertainty such as Brexit.

Although this study uses the UK's Brexit process as its primary example, our empirical framework can be applied broadly to other political shocks, both within a single country and across countries. Understanding how investor confidence in government actions evolves has implications well beyond Brexit, including events such as U.S. debt-ceiling negotiations, the potential withdrawal from trade agreements as with NAFTA, future EU referenda, and emerging-market policy shifts. These findings also contribute to the broader literature on political uncertainty, the pricing of sovereign credit risk, implicit government guarantees, and financial market stability (Kelly et al., 2016; Fernandes and Winters, 2021).

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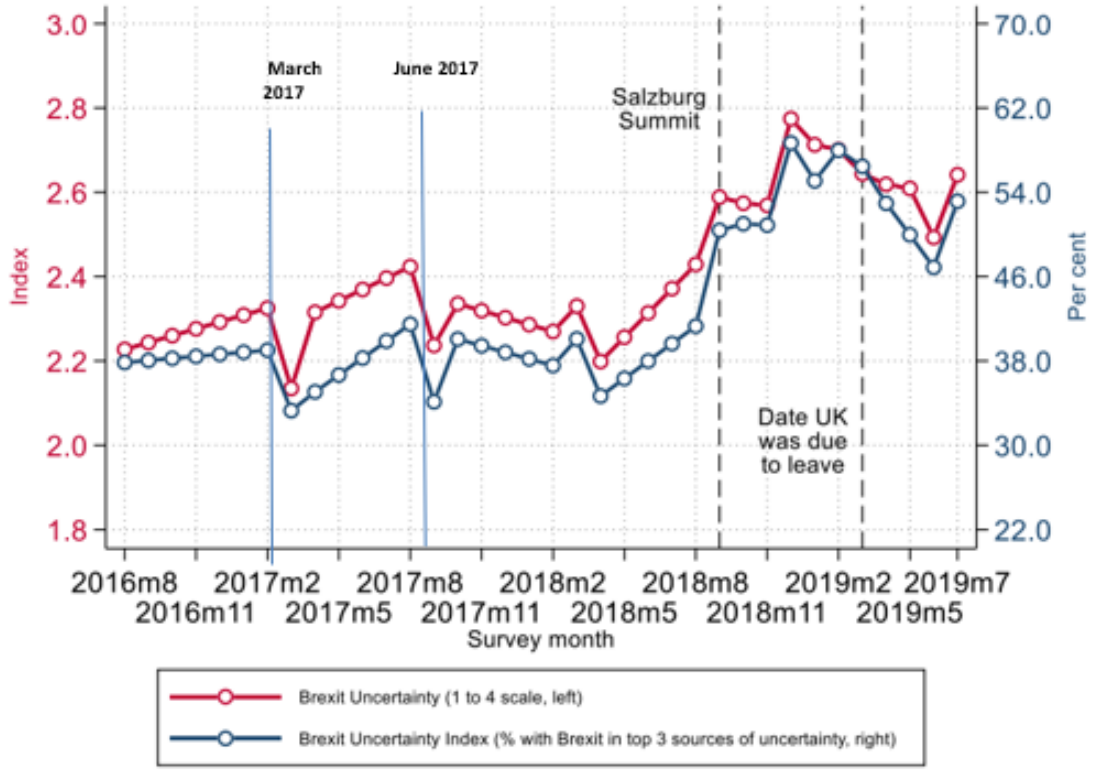

Source: Decision Maker Panel and authors' calculations.

Notes: The results are based on the question '*How much has the result of the EU referendum affected the level of uncertainty affecting your business?*'. The first index shows average responses to the uncertainty question, ranging from 1 to 4. The second index shows the percentage of respondents that view Brexit as one of the top 3 sources of uncertainty. Values are interpolated for months before August 2018 when the question about uncertainty was not asked. All values are weighted.

Figure 1: The Brexit Uncertainty Index (BUI), tracking economic and political uncertainty in the UK from August 2016 to September 2019. The index captures the surge in uncertainty following the EU referendum, with peaks corresponding to key political developments. Source: Bloom et al. (2019).

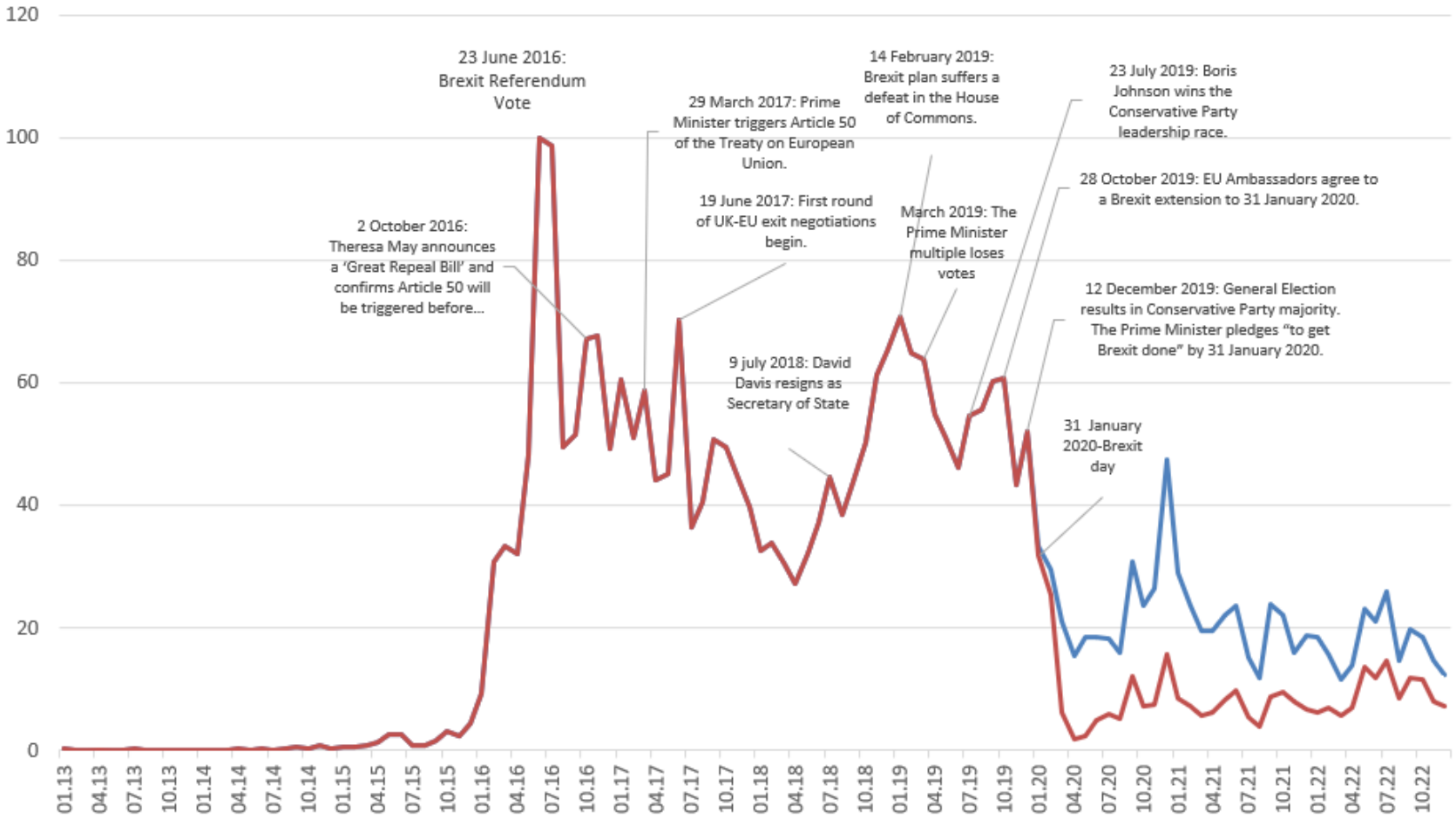

Figure 2: Extended Brexit Uncertainty Index (BUI2), measuring firm–level Brexit–related uncertainty from 2019 onwards. The index suggests that economic and political uncertainty persisted well beyond the Brexit day (EU ratification), reflecting ongoing business concerns about trade, regulation, and future UK–EU relations. Source: (Chung et al., 2022).

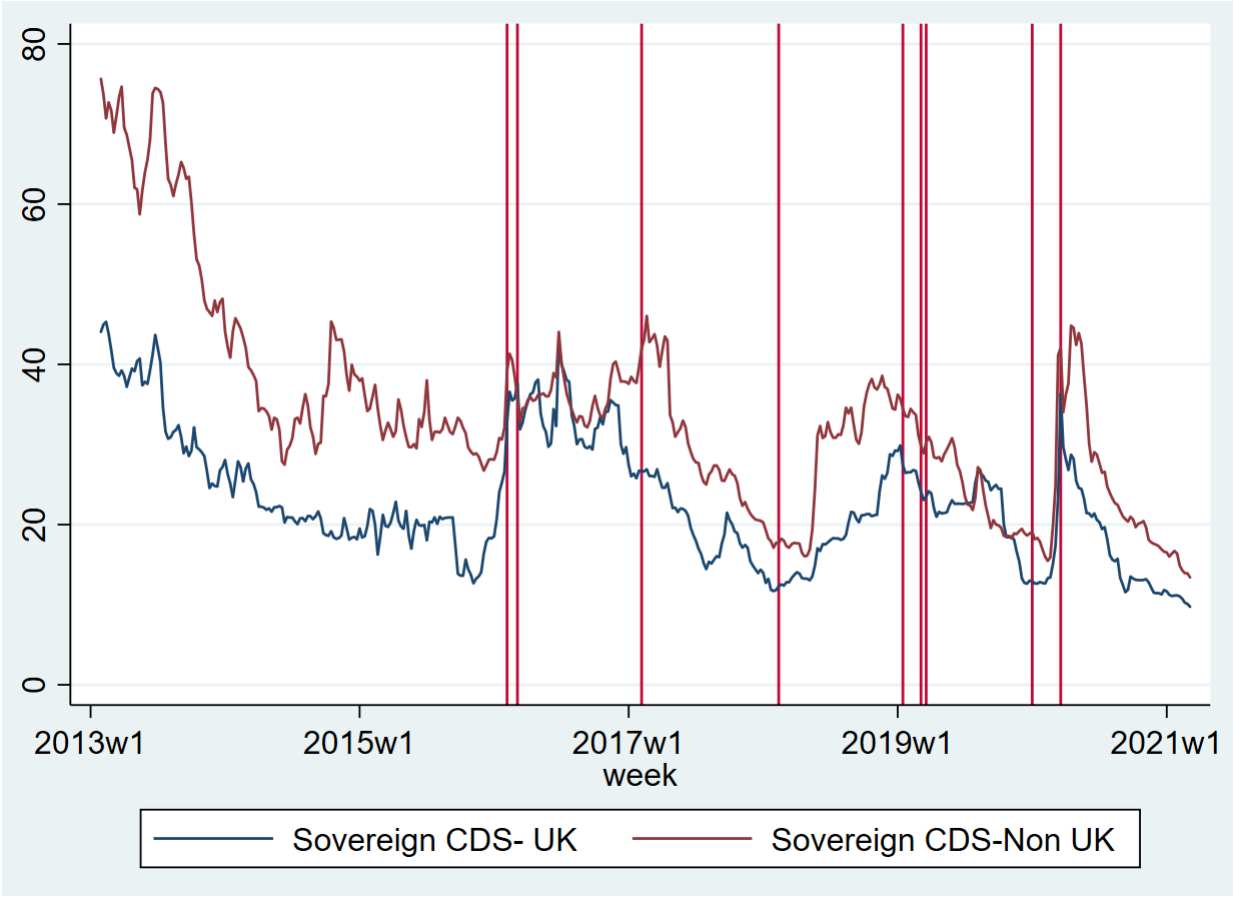

Figure 3: Comparison of average sovereign Credit Default Swap (CDS) spreads between the UK and EU countries. This figure shows the market perceptions of sovereign credit risk over time, highlighting periods of divergence that may reflect political or economic uncertainty, including Brexit–related events.

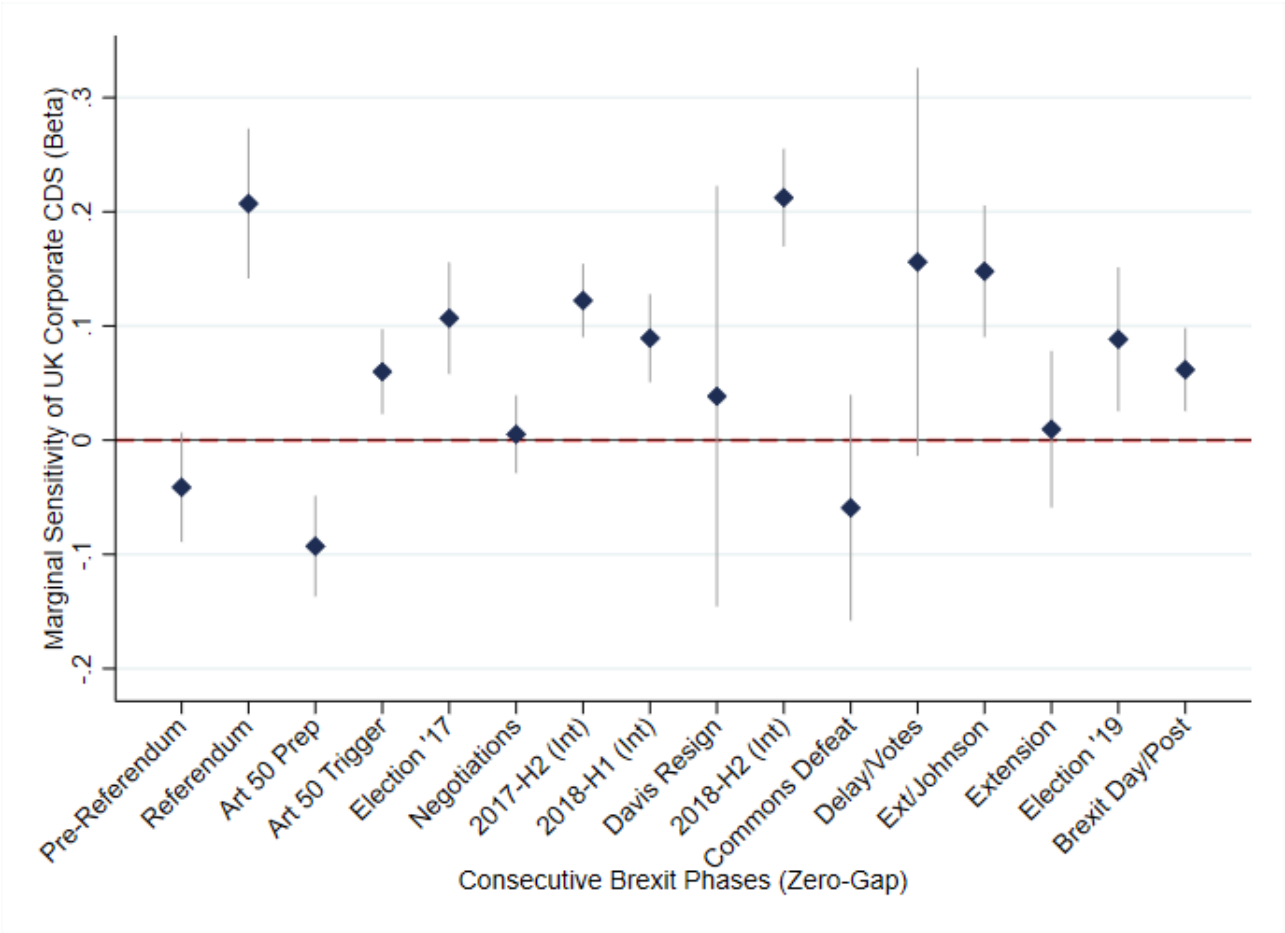

Figure 4: Consecutive Brexit Phases (Zero–Gap Timeline Analysis)

Notes: This figure visualizes the estimated coefficients of the triple interaction term ($Phase_n \times UK \times \Delta SCDS$) across the 16 phases of the continuous Brexit process. To address concerns about oversimplification, we use a Zero–Gap framework that accounts for every trading day, including interim periods of institutional silence. The mapping of continuous phases (0–15) to Brexit Events (0–15) in Table 3 and Table 4 is reported in the Online Appendix. All estimations are conducted using an Inverse Probability Weighting (IPW) scheme to ensure a dynamically balanced counterfactual, effectively isolating UK–specific risk transmission from firm–level heterogeneity. Vertical bars represent 95% confidence intervals.

Table 1
Variable Definitions.

Variable	Description	Source
ΔCDS	Daily change in corporate credit default swap spreads	Refinitiv & Bloomberg
$\Delta SCDS$	Daily change in sovereign credit default swap spreads	Refinitiv & Bloomberg
$\Delta bond$	Daily change in reference 5-year treasury bond interest rates	Refinitiv
$assets$	Natural logarithm of total assets	Refinitiv
$equityratio$	Total equity to total asset ratio	Refinitiv
roe	Return on equity value	Refinitiv
$\Delta idiosyncraticexcret$	Firm's stock return in excess of the return in the domestic stock price index (Euro Stoxx 50) as in Bedendo and Colla (2015).	Bloomberg, Our Calculation
$\Delta idiosyncraticexcvol$	Change in the firm's (annualized) idiosyncratic volatility, computed as rolling standard deviation of the firm's excess stock returns over the past 180 days as in Bedendo and Colla (2015)	Bloomberg, Our Calculation
$\Delta localexcret$	Log return in the domestic Dow Jones Total Market index in excess of the log return in the EuroStoxx 50 index as in Bedendo and Colla (2015)	Bloomberg
$itraxx$	An index for traded CDS spreads in the European financial market	Refinitiv
$move$	An index for the expected volatility in the U.S. Treasury bond market	Refinitiv
GDP	Year on year change (yoy) in real GDP growth	IMF
$publicdebt$	Public debt to GDP ratio	IMF
$mmrate$	Money market interest rate in the economy	IMF
$inflation$	Inflation rate: annual percent change in consumer prices	IMF
$currentaccount$	Current account balance in percent of GDP	IMF
UK	Dummy variable equal to 1 if the country of domicile of a firm is United Kingdom, 0 otherwise	Our calculation
$Post$	Dummy variable equal to 1 if the period is equal to relevant Brexit stage, 0 otherwise	Our calculation
$CovidResponse$	COVID-19 overall government response index	Hale et al. (2021)

Note: This table defines variables, their descriptions, calculation methods, and data sources used in the model specifications. All ratios are winsorized at the 1st and 99th percentiles.

Table 2
Summary Statistics

Whole					
	N	Mean	Std. Dev.	p25	p75
ΔCDS	127850	0	0.029	-0.014	0.012
$\Delta SCDS$	127850	0	0.043	-0.005	0.001
$\Delta bond$	127850	0.027	0.706	0	0
$assets$	127850	24.863	1.635	23.80	25.834
$equityratio$	127850	0.006	0.007	0.002	0.007
roe	127850	0.015	0.023	0.007	0.016
$\Delta idiosyncraticexcret$	127850	0	0.014	-0.007	0.007
$\Delta idiosyncraticexcvol$	127850	0.013	0.004	0.01	0.015
$\Delta localexcret$	126152	0	0.009	-0.005	0.005
$itraxx$	127786	69.461	17.233	56.751	76.270
$move$	127733	65.097	14.820	53.736	74.3
GDP	127850	0.471	3.260	0.60	2.15
$publicdebt$	127850	88.147	23.165	72.190	98.35
$mmrate$	127850	0.012	0.390	-0.330	0.220
$inflation$	127850	1.069	0.815	0.4	1.7
$currentaccount$	127850	1.633	4.539	-2.053	6.32
UK	127850	0.226	0.419	0	0
$CovidResponse$	127850	6.612	19.826	0	0
UK					
	N	Mean	Std. Dev.	p25	p75
ΔCDS	28957	0	0.027	-0.013	0.011
$\Delta SCDS$	28957	0.001	0.05	-0.005	0.003
$\Delta bond$	28957	-0.001	0.202	-0.033	0.028
$assets$	28957	24.156	1.724	22.995	25.111
$equityratio$	28957	0.007	0.007	0.002	0.007
roe	28957	0.031	0.040	0.009	0.037
$\Delta idiosyncraticexcret$	28957	0	0.015	-0.008	0.008
$\Delta idiosyncraticexcvol$	28957	0.014	0.004	0.012	0.016
$\Delta localexcret$	28572	0	0.009	-0.005	0.005
$itraxx$	28957	69.086	17.107	56.424	75.773
$move$	28932	64.910	14.916	53.522	73.971
GDP	28957	0.574	3.594	1.340	2.140
$publicdebt$	28957	88.462	6.569	85.720	86.920
$mmrate$	28957	0.576	0.130	0.500	0.720
$inflation$	28957	1.572	0.924	0.7	2.5
$currentaccount$	28957	-4.131	0.973	-5.022	-2.934
UK	28957	1	0	1	1
$CovidResponse$	28957	7.392	21.253	0	0
Rest					
	N	Mean	Std. Dev.	p25	p75
ΔCDS	98893	0	0.030	-0.001	0.012
$\Delta SCDS$	98893	0	0.041	0	0.001
$\Delta bond$	98893	-0.007	0.279	-0.002	0.041
$assets$	98893	25.071	1.549	24.825	25.968
$equityratio$	98893	0.006	0.006	0.004	0.007
roe	98893	0.011	0.011	0.011	0.015
$\Delta Idiosyncraticexcret$	98893	0	0.013	0	0.007
$\Delta idiosyncraticexcvol$	98893	0.013	0.004	0.012	0.015
$\Delta localexcret$	97580	0	0.009	0	0.005
$itraxx$	98829	69.57	17.268	67.585	76.525
$move$	98801	65.151	14.791	63.01	74.39
GDP	98893	0.441	3.155	1.290	2.150
$publicdebt$	98893	88.055	26.098	94.830	98.36
$mmrate$	98893	-0.153	0.267	-0.290	-0.020
$inflation$	98893	0.922	0.716	0.8	1.4
$currentaccount$	98893	3.32	3.713	2.439	7.233
UK	98893	0	0	0	0
$CovidResponse$	98893	6.383	19.383	0	0

Note: This table presents summary statistics for the full sample, UK and the rest of the firms used in the model specifications. Variable definitions are detailed in Table 1.

Table 3
Brexit Events (Event 0 – Event 7)

#	Brexit Events	Beginning Date	Correlation Period	Treatment Period	Expected Effect
0	Pre-referendum		1 February 2013–19 June 2016		
1	2016 referendum vote	23 June 2016	20 June 2016 –28 June 2016	Post=1 if 20 June 2016 – 28 June 2016 Post=0 if 1 February 2013 - 19 June 2016 Post=. if 29 June 2016 - 11 March 2021	Positive
2	PM May announces Article 50 will be triggered before 2017	2 October 2016	28 Sep 2016 - 6 October 2016	Post=1 if 28 Sep 2016 - 6 October 2016 Post=0 if 1 February 2013 - 19 June 2016 Post=. if 20 June 2016 - 27 Sep 2016 Post=. if 7 October 2016 - 11 March 2021	Negative/Insignificant
3	Triggering of Article 50.	16 March 2017	13 March 2017 - 21 March 2017	Post=1 if 13 March 2017 - 21 March 2017 Post=0 if 1 February 2013 - 19 June 2016 Post=. if 20 June 2016 - 12 March 2017 Post=. if 22 March 2017 - 11 March 2021	Positive
4	The UK General Election and Conservative Government Formation	8 June 2017	5 June 2017 - 13 June 2017	Post=1 if 5 June 2017 - 13 June 2017 Post=0 if 1 February 2013 - 19 June 2016 Post=. if 20 June 2016 - 4 June 2017 Post=. if 14 June 2017 - 11 March 2021	Positive
5	First round of UK-EU exit negotiations begins	19 June 2017	14 June 2017 - 22 June 2017	Post=1 if 14 June 2017 - 22 June 2017 Post=0 if 1 February 2013 - 19 June 2016 Post=. if 20 June 2016 - 13 June 2017 Post=. if 23 June 2017 - 11 March 2021	Negative/Insignificant
6	David Davis resigns as Secretary of State for Exiting the European Union	9 July 2018	4 July 2018 - 12 July 2018	Post=1 if 4 July 2018 - 12 July 2018 Post=0 if 1 February 2013- 19 June 2016 Post=. if 20 June 2016 - 3 July 2018 Post=. if 13 July 2018 - 11 March 2021	Negative/ Insignificant
7	Brexit plan suffers a defeat in the House of Commons	14 February 2019	10 February 2019 - 19 February 2019	Post=1 if 10 February 2019 - 19 February 2019 Post=0 if 1 February 2013- 19 June 2016 Post=. if 20 June 2016 - 9 Feb 2019 Post=. if 20 Feb 2019 - 11 March 2021	Negative/ Insignificant

Note: This table reports the starting dates of Brexit events, correlation periods, and treatment periods used in the models in Eq. (1) and Eq. (2). The selection of Brexit events follows the Brexit uncertainty index literature (Bloom et al., 2019; Chung et al., 2022) and official government disclosures (Walker, 2018). Post=. indicates the observations falling outside the defined pre-period and event window (set to missing) from the respective model.

Table 4
Brexit Events (Event 8-Event 15)

#	Brexit Events	Beginning Date	Correlation Period	Treatment Period	Expected Effect
8	PM May proposes option to delay Brexit	26 February 2019	21 Feb 2019 - 1 March 2019	Post=1 if 21 Feb 2019 - 1 March 2019 Post=0 if 1 February 2013 - 19 June 2016 Post=. if 20 June 2016 - 20 Feb 2019 Post=. if 2 March 2019 - 11 March 2021	Negative/ Insignificant
9	Former PM May loses the second Meaningful Vote	13 March 2019	8 March 2019 - 18 March 2019	Post=1 if 8 March 2019 - 18 March 2019 Post=0 if 1 February 2013 - 19 June 2016 Post=. if 20 June 2016 - 7 March 2019 Post=. if 19 March 2019 - 11 March 2021	Negative/ Insignificant
10	The Former PM May requesting a further extension to the Article 50 process to the end of June 2019	5 April 2019	2 April 2019 - 9 April 2019	Post=1 if 2 April 2019 - 9 April 2019 Post=0 if 1 February 2013 - 19 June 2016 Post=. if 20 June 2016 - 1 April 2019 Post=. if 10 April 2019 - 11 March 2021	Negative/ Insignificant
11	Boris Johnson formally takes over as Prime Minister	24 July 2019	19 July 2019 - 27 July 2019	Post=1 if 19 July 2019 - 27 July 2019 Post=0 if 1 February 2013 - 19 June 2016 Post=. if 20 June 2016 - 18 July 2019 Post=. if 28 July 2019 - 11 March 2021	Positive
12	Extension of Brexit Deal	19 October 2019	15 October 2019 - 22 October 2019	Post=1 if 15 October 2019 - 22 October 2019 Post=0 if 1 February 2013 - 19 June 2016 Post=. if 20 June 2016 - 14 October 2019 Post=. if 23 October 2019 - 11 March 2021	Negative/ Insignificant
13	UK General Election day results in Conservative Party majority.	12 December 2019	8 December 2019 - 16 December 2019	Post=1 if 8 December 2019 - 16 December 2019 Post=0 if 1 February 2013 - 19 June 2016 Post=. if 20 June 2016 - 7 December 2019 Post=. if 17 December 2019 - 11 March 2021	Positive
14	Brexit day (EU ratification)	30 January 2020	25 January 2020 - 4 February 2020	Post=1 if 25 January 2020-4 February 2020 Post=0 if 1 February 2013 - 19 June 2016 Post=. if 20 June 2016 - 24 January 2020 Post=. if 5 February 2020 - 11 March 2021	Positive
15	Post Brexit period	31 December 2020	31 December 2020 - 11 March 2021	Post=1 if 31 December 2020 - 11 March 2021 Post=0 if 1 February 2013 - 19 June 2016 Post=. if 20 June 2016 - 30 January 2020	Positive

Note: This table reports the starting dates of Brexit events, correlation periods, and treatment periods used in the models in Eqs. (1) and Eq. (2). The selection of Brexit events follows the Brexit uncertainty index literature (Bloom et al., 2019; Chung et al., 2022) and official government disclosures (Walker, 2018). Post=. indicates the observations falling outside the defined pre-period and event window (set to missing) from the respective model.

Table 5
Sovereign and Corporate CDS Spread Linkage Before and After the 2016 UK referendum

	(1) ΔCDS Pre_referendum	(2) ΔCDS Pre_referendum	(3) ΔCDS Post_referendum	(4) ΔCDS Post_referendum
$\Delta SCDS$	0.0140***	0.0172***	0.0643***	0.0352***
	(0.0038)	(0.0043)	(0.0036)	(0.0044)
$\Delta bond$	-0.0978***	-0.0399***	-0.0036***	0.0019**
	(0.0132)	(0.0097)	(0.0006)	(0.0009)
publicdebt	-0.0006**		-0.0019***	
	(0.0002)		(0.0005)	
GDP	-0.0000		-0.0039***	
	(0.0015)		(0.0010)	
mmrate	0.0073		-0.0058**	
	(0.0151)		(0.0023)	
assets	0.0047**	0.0044**	-0.0024**	-0.0015**
	(0.0018)	(0.0018)	(0.0009)	(0.0006)
roe	-0.0052	-0.0051	0.0078	0.0034
	(0.0078)	(0.0083)	(0.0089)	(0.0081)
equityratio	0.1295	0.1251	-0.1362	-0.1368***
	(0.0865)	(0.0911)	(0.1060)	(0.0483)
$\Delta idiosyncraticexcret$	0.1301*	-0.0057	-0.0253	-0.0944***
	(0.0734)	(0.0573)	(0.0330)	(0.0197)
$\Delta idiosyncraticexcvol$	0.2057	0.2193	1.0824	0.0738
	(1.1325)	(1.0818)	(1.5283)	(1.5164)
$\Delta localexcret$	0.1045***	0.2341***	0.3367***	0.3620***
	(0.0182)	(0.0233)	(0.0259)	(0.0356)
itraxx	-0.0000*	-0.0021***	-0.0001**	-0.0029***
	(0.0000)	(0.0002)	(0.0000)	(0.0002)
move	-0.0000*	-0.0000	-0.0000	-0.0011***
	(0.0000)	(0.0001)	(0.0000)	(0.0001)
Constant	-0.0604	0.0550	0.2368***	0.2830***
	(0.0538)	(0.0528)	(0.0504)	(0.0184)
Observations	12,199	12,199	16,758	16,758
R-squared	0.0307	0.2443	0.0284	0.3266
Firm FE	YES	YES	YES	YES
Time FE	NO	YES	NO	YES
Cluster	Firm	Firm	Firm	Firm

Note: This table reports the estimation results of the co-movement between sovereign ($\Delta SCDS$) and corporate credit default swap spreads (ΔCDS) for UK firms based on Eq. (1). The sample period spans from 1 February 2013 to 11 March 2021 and is divided into two sub-periods: Columns (1) and (2) cover the pre-2016 referendum period from 1 February 2013 to 19 June 2016, while Columns (3) and (4) cover the post-2016 referendum period from 20 June 2016 to 11 March 2021, as shown in Tables 3 and 4. All regressions include firm fixed effects, while Columns (2) and (4) also include weekly time fixed effects. Standard errors are clustered at the firm level. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Table 6
Corporate–Sovereign Credit Risk Linkages for UK Firms During Brexit Event Windows

	(0) ΔCDS	(1) ΔCDS	(2) ΔCDS	(3) ΔCDS	(4) ΔCDS	(5) ΔCDS	(6) ΔCDS	(7) ΔCDS	(8) ΔCDS	(9) ΔCDS	(10) ΔCDS	(11) ΔCDS	(12) ΔCDS	(13) ΔCDS	(14) ΔCDS	(15) ΔCDS
$Post * \Delta SCDS$		0.1042**	-0.0408***	0.1354***	0.0543***	0.1005	-12.7056***	-0.3397	-0.2756***	-1.2759***	-1.4078***	10.3159**	-0.4525	0.8279***	9.5972***	0.0667***
		(0.0445)	(0.0110)	(0.0262)	(0.0170)	(0.0597)	(3.0702)	(0.8054)	(0.0754)	(0.2521)	(0.4652)	(3.8186)	(1.8669)	(0.0947)	(1.9885)	(0.0150)
$\Delta SCDS$	0.0171***	0.0171***	0.0171***	0.0171***	0.0171***	0.0167***	0.0171***	0.0171***	0.0170***	0.0171***	0.0171***	0.0171***	0.0170***	0.0171***	0.0171***	0.0169***
	(0.0043)	(0.0043)	(0.0043)	(0.0043)	(0.0043)	(0.0043)	(0.0043)	(0.0043)	(0.0043)	(0.0043)	(0.0043)	(0.0043)	(0.0043)	(0.0043)	(0.0043)	(0.0043)
$\Delta bond$	-0.0398***	-0.0398***	-0.0388***	-0.0401***	-0.0391***	-0.0212***	-0.0398***	-0.0399***	-0.0399***	-0.0400***	-0.0413***	-0.0392***	-0.0337***	-0.0403***	-0.0406***	0.0024**
	(0.0097)	(0.0097)	(0.0094)	(0.0097)	(0.0097)	(0.0064)	(0.0097)	(0.0097)	(0.0098)	(0.0097)	(0.0098)	(0.0095)	(0.0102)	(0.0096)	(0.0097)	(0.0009)
$assets$	0.0044**	0.0045**	0.0049***	0.0042**	0.0041**	0.0038**	0.0040**	0.0044***	0.0036**	0.0031*	0.0039**	0.0040**	0.0033*	0.0039**	0.0047**	0.0014**
	(0.0018)	(0.0018)	(0.0016)	(0.0017)	(0.0017)	(0.0017)	(0.0017)	(0.0016)	(0.0015)	(0.0016)	(0.0016)	(0.0017)	(0.0017)	(0.0014)	(0.0018)	(0.0007)
roe	-0.0050	-0.0046	-0.0066	-0.0045	-0.0042	-0.0036	-0.0043	-0.0055	-0.0035	-0.0027	-0.0035	-0.0059	-0.0029	-0.0043	-0.0056	-0.0042
	(0.0081)	(0.0083)	(0.0087)	(0.0078)	(0.0076)	(0.0080)	(0.0074)	(0.0073)	(0.0076)	(0.0070)	(0.0076)	(0.0070)	(0.0076)	(0.0075)	(0.0078)	(0.0049)
$equityratio$	0.1278	0.1330	0.1302	0.1318	0.1302	0.1438*	0.1088	0.1007	0.0975	0.0764	0.1163	0.0705	0.1098	0.0953	0.1262	-0.0216
	(0.0886)	(0.0910)	(0.0923)	(0.0865)	(0.0909)	(0.0808)	(0.0938)	(0.0929)	(0.0909)	(0.0810)	(0.0953)	(0.0898)	(0.0845)	(0.0890)	(0.0923)	(0.0913)
$\Delta idiosyncraticexcret$	-0.0051	-0.0037	-0.0071	-0.0050	-0.0065	-0.0036	-0.0055	-0.0072	-0.0048	-0.0044	-0.0076	-0.0057	-0.0052	-0.0068	-0.0055	-0.0283
	(0.0574)	(0.0565)	(0.0581)	(0.0570)	(0.0571)	(0.0565)	(0.0572)	(0.0568)	(0.0560)	(0.0570)	(0.0571)	(0.0553)	(0.0570)	(0.0567)	(0.0569)	(0.0394)
$\Delta idiosyncraticexcvol$	0.2213	0.2616	0.1371	0.1842	0.2560	0.2800	0.2188	0.2726	0.4901	0.1934	0.1616	-0.0836	0.1716	0.0902	0.2429	-0.4777
	(1.0802)	(1.0457)	(1.0936)	(1.0841)	(1.0872)	(1.0848)	(1.0680)	(1.1852)	(1.1271)	(1.0874)	(1.0819)	(1.0575)	(1.0925)	(1.0651)	(1.0734)	(0.9833)
$\Delta localexcret$	0.2339***	0.2338***	0.2354***	0.2347***	0.2337***	0.2369***	0.2339***	0.2343***	0.2344***	0.2341***	0.2360***	0.2326***	0.2323***	0.2338***	0.2302***	0.3023***
	(0.0234)	(0.0233)	(0.0235)	(0.0233)	(0.0234)	(0.0236)	(0.0234)	(0.0233)	(0.0235)	(0.0234)	(0.0235)	(0.0229)	(0.0235)	(0.0234)	(0.0233)	(0.0214)
Constant	0.0552	0.0519	0.0445	0.0581	0.0603	0.0728	0.0634	0.0554	0.0730	0.0859*	0.0655	0.0647	0.0812	0.0661	0.0458	0.1809***
	(0.0531)	(0.0533)	(0.0492)	(0.0508)	(0.0501)	(0.0497)	(0.0513)	(0.0473)	(0.0446)	(0.0480)	(0.0479)	(0.0503)	(0.0494)	(0.0446)	(0.0518)	(0.0206)
Observations	12,173	12,251	12,303	12,251	12,251	12,303	12,251	12,251	12,303	12,277	12,251	12,277	12,251	12,251	12,251	15,651
R-squared	0.2443	0.2666	0.2437	0.2447	0.2440	0.2423	0.2445	0.2444	0.2443	0.2483	0.2442	0.2439	0.2429	0.2508	0.2446	0.2746
Firm FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Time FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Cluster	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm

Notes: This table reports results of the co–movement between sovereign and corporate CDS spread for UK firms (26 out of 121 firms) using the correlation periods in the Tables 3 and 4 based on Eq. (1). Standard errors are clustered at the firm level. Firm-level and market-level control variables are included but not reported for brevity. The full table is available upon request. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Table 7
Parallel Trends Test: Mean Changes in Sovereign and Corporate CDS Spreads
Pre-2016 referendum

Year	Mean EU	Mean UK	Mean Difference	P-Value
		ΔCDS		
2013	-0.021	-0.0011	-0.0010	0.5731
2014	-0.0003	-0.0003	0.0000	0.9971
2015	0.0011	-0.0002	0.0013	0.5169
January-June 2016	0.0009	-0.0004	0.0013	0.7683
		$\Delta SCDS$		
2013	-0.0016	-0.0006	-0.0010	0.6869
2014	-0.0001	-0.0030	0.0029	0.3375
2015	-0.0015	0.0022	-0.0037	0.0899
January-June 2016	0.0025	0.0027	-0.0002	0.9325
		$\Delta CDS - \Delta SCDS$		
2013	-0.0005	-0.0005	-0.0000	0.9851
2014	-0.0002	-0.0027	-0.0029	0.1844
2015	0.0025	-0.0024	0.0049	0.1019
January-June 2016	-0.0016	-0.0031	0.0015	0.6803

Notes: This table provides the results of mean comparison (equality tests) assessing the parallel trend assumption before the Brexit referendum in June 2016. Specifically, we compare average changes in i) corporate CDS spread (ΔCDS), ii) sovereign CDS spread ($\Delta SCDS$), and iii) difference between sovereign and corporate CDS spread, i.e., ($\Delta CDS - \Delta SCDS$) for UK firms (treated) and EU firms (control group). The sample period covers the years from 2013 to June 2016.

Table 8
Difference–in–Differences Analysis of Sovereign and Corporate CDS Spread Linkages Around Brexit

	(1) ΔCDS	(2) ΔCDS	(3) ΔCDS	(4) ΔCDS	(5) ΔCDS	(6) ΔCDS	(7) ΔCDS	(8) ΔCDS	(9) ΔCDS	(10) ΔCDS	(11) ΔCDS	(12) ΔCDS	(13) ΔCDS	(14) ΔCDS	(15) ΔCDS
$UK * Post * \Delta SCDS$	0.7471***	0.0412	0.1486***	0.1211***	0.0941	-0.1000	-2.1063***	-0.2414***	-0.7769***	-1.9992***	9.8745***	-0.9512	0.9171***	8.3198***	0.0909***
	(0.0522)	(0.0279)	(0.0343)	(0.0218)	(0.0612)	(0.2061)	(0.7798)	(0.0775)	(0.2634)	(0.4614)	(3.4686)	(1.8319)	(0.0934)	(1.6460)	(0.0184)
$\Delta SCDS$	0.1376***	0.1376***	0.1375***	0.1376***	0.1376***	0.1376***	0.1376***	0.1376***	0.1376***	0.1376***	0.1376***	0.1376***	0.1376***	0.1376***	0.1360***
	(0.0149)	(0.0149)	(0.0149)	(0.0149)	(0.0149)	(0.0149)	(0.0149)	(0.0149)	(0.0149)	(0.0149)	(0.0149)	(0.0149)	(0.0149)	(0.0149)	(0.0145)
$UK * Post$	-0.0648***	0.0000	-0.0189***	0.0041	0.0076***	0.0109***	0.0002	0.0088***	0.0047	-0.0121***	-0.0088***	-0.0012	0.0078***	0.0074**	0.0032***
	(0.0060)	(0.0016)	(0.0021)	(0.0026)	(0.0019)	(0.0022)	(0.0023)	(0.0024)	(0.0029)	(0.0045)	(0.0027)	(0.0024)	(0.0022)	(0.0030)	(0.0006)
$Post * \Delta SCDS$	0.0419*	-0.0586**	-0.0156	-0.1433***	-0.0711**	-0.2216***	0.4220**	-0.1463***	-0.1930***	-0.0625*	0.1165	-0.3010**	-0.0813***	-0.1027*	-0.0543***
	(0.0231)	(0.0259)	(0.0274)	(0.0153)	(0.0320)	(0.0232)	(0.1776)	(0.0269)	(0.0347)	(0.0346)	(0.0881)	(0.1383)	(0.0211)	(0.0524)	(0.0154)
$UK * \Delta SCDS$	-0.1190***	-0.1188***	-0.1189***	-0.1188***	-0.1188***	-0.1188***	-0.1188***	-0.1188***	-0.1188***	-0.1188***	-0.1188***	-0.1188***	-0.1188***	-0.1188***	-0.1181***
	(0.0154)	(0.0154)	(0.0154)	(0.0154)	(0.0154)	(0.0154)	(0.0154)	(0.0154)	(0.0154)	(0.0154)	(0.0154)	(0.0154)	(0.0154)	(0.0154)	(0.0150)
$\Delta bond$	0.0010*	0.0012**	0.0012**	0.0012**	0.0013**	0.0011**	0.0012**	0.0012**	0.0012**	0.0012**	0.0012**	0.0013**	0.0012**	0.0013**	0.0007
	(0.0005)	(0.0005)	(0.0005)	(0.0005)	(0.0005)	(0.0005)	(0.0005)	(0.0005)	(0.0005)	(0.0005)	(0.0005)	(0.0005)	(0.0005)	(0.0005)	(0.0005)
$publicdebt$	0.0001	-0.0000	0.0001	-0.0000	0.0000	-0.0000	0.0000	0.0000	-0.0000	0.0000	0.0001	0.0000	-0.0000	0.0000	0.0001***
	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0000)
GDP	0.0004***	0.0004**	0.0005***	0.0004**	0.0004**	0.0004**	0.0004**	0.0004**	0.0004**	0.0004**	0.0004**	0.0004**	0.0004**	0.0004**	0.0004**
	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)
$mmrate$	-0.0021**	-0.0022**	-0.0022**	-0.0023**	-0.0023**	-0.0024**	-0.0023**	-0.0023**	-0.0023**	-0.0023**	-0.0023**	-0.0023**	-0.0024**	-0.0023**	-0.0023**
	(0.0011)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)
$assets$	0.0017*	0.0020**	0.0019**	0.0019**	0.0015*	0.0017**	0.0019**	0.0014*	0.0012	0.0021**	0.0017*	0.0015*	0.0016*	0.0017**	0.0017***
	(0.0009)	(0.0009)	(0.0009)	(0.0008)	(0.0008)	(0.0008)	(0.0009)	(0.0008)	(0.0008)	(0.0008)	(0.0009)	(0.0008)	(0.0008)	(0.0009)	(0.0004)
roe	-0.0126*	-0.0109	-0.0116*	-0.0108	-0.0109*	-0.0106	-0.0114*	-0.0119*	-0.0106*	-0.0119*	-0.0125*	-0.0116*	-0.0106	-0.0116*	-0.0129*
	(0.0065)	(0.0069)	(0.0065)	(0.0065)	(0.0064)	(0.0065)	(0.0066)	(0.0066)	(0.0064)	(0.0065)	(0.0066)	(0.0064)	(0.0068)	(0.0069)	(0.0068)
$equityratio$	-0.0210	0.0113	0.0075	0.0103	0.0130	-0.0009	-0.0005	-0.0135	-0.0061	0.0059	-0.0181	-0.0031	0.0050	0.0048	0.0394
	(0.0388)	(0.0364)	(0.0396)	(0.0366)	(0.0388)	(0.0378)	(0.0383)	(0.0412)	(0.0372)	(0.0388)	(0.0415)	(0.0378)	(0.0383)	(0.0416)	(0.0566)
$\Delta idiosyncraticexcret$	-0.0313*	-0.0353**	-0.0332**	-0.0349**	-0.0337**	-0.0355**	-0.0344**	-0.0326**	-0.0335**	-0.0344**	-0.0338**	-0.0348**	-0.0340**	-0.0343**	-0.0490***
	(0.0159)	(0.0162)	(0.0159)	(0.0159)	(0.0158)	(0.0159)	(0.0159)	(0.0157)	(0.0159)	(0.0160)	(0.0158)	(0.0159)	(0.0158)	(0.0159)	(0.0135)
$\Delta idiosyncraticexcvol$	0.4641	0.2415	0.3044	0.2858	0.2569	0.2826	0.3274	0.4029	0.2359	0.2220	0.2252	0.2916	0.2869	0.3261	-0.9959
	(0.6627)	(0.6708)	(0.6679)	(0.6693)	(0.6673)	(0.6642)	(0.6787)	(0.6728)	(0.6874)	(0.6693)	(0.6715)	(0.6678)	(0.6658)	(0.6633)	(0.6161)
$\Delta localexret$	-0.1881***	-0.1850***	-0.1776***	-0.1866***	-0.1861***	-0.1857***	-0.1865***	-0.1869***	-0.1855***	-0.1871***	-0.1880***	-0.1859***	-0.1851***	-0.1888***	-0.0496
	(0.0388)	(0.0387)	(0.0387)	(0.0388)	(0.0389)	(0.0388)	(0.0388)	(0.0388)	(0.0387)	(0.0390)	(0.0389)	(0.0387)	(0.0387)	(0.0388)	(0.0312)
$itraxx$	-0.0005**	-0.0005**	-0.0005**	-0.0005**	-0.0005**	-0.0005**	-0.0005**	-0.0005**	-0.0005**	-0.0005**	-0.0005**	-0.0005**	-0.0005**	-0.0005**	-0.0009***
	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0001)
$move$	-0.0005***	-0.0005***	-0.0006***	-0.0005***	-0.0005***	-0.0005***	-0.0005***	-0.0005***	-0.0005***	-0.0005***	-0.0005***	-0.0005***	-0.0005***	-0.0005***	-0.0009***
	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0000)
Constant	0.0294	0.0283	0.0265	0.0303	0.0393	0.0359	0.0282	0.0390	0.0496*	0.0222	0.0295	0.0392	0.0416	0.0341	0.0845***
	(0.0284)	(0.0282)	(0.0278)	(0.0272)	(0.0269)	(0.0272)	(0.0279)	(0.0276)	(0.0269)	(0.0272)	(0.0283)	(0.0267)	(0.0270)	(0.0283)	(0.0179)
Observations	55,430	55,678	55,430	55,426	55,663	55,427	55,429	55,663	55,513	55,428	55,472	55,431	55,429	55,394	69,424
R-squared	0.1642	0.1612	0.1612	0.1614	0.1613	0.1617	0.1617	0.1624	0.1621	0.1612	0.1610	0.1610	0.1625	0.1612	0.2042
Firm FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Time FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Cluster	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm

Notes: This table reports the results from the Difference-in-Differences (DID) model based on Eq. (2), examining the impact of Brexit-related political events on the co–movement between sovereign and corporate CDS spreads. The variable of interest is $UK \times Post \times \Delta SCDS$, an interaction term composed of $\Delta SCDS$, UK and treatment periods ($Post$) for the relevant Brexit events reported in Table 3 and Table 4, which measures the change in how sensitive UK corporate CDS spreads are to changes in UK sovereign CDS spreads compared to EU firms after each Brexit event. Each column corresponds to a separate short (3-day) event window for one of the 15 identified Brexit-related events. All regressions include firm– and time–fixed effects and standard errors clustered at the firm level. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Table 9
Corporate–Sovereign CDS Spread Linkages Around Brexit Events: A Propensity Score Matching Approach

	(1) ΔCDS	(2) ΔCDS	(3) ΔCDS	(4) ΔCDS	(5) ΔCDS	(6) ΔCDS	(7) ΔCDS	(8) ΔCDS	(9) ΔCDS	(10) ΔCDS	(11) ΔCDS	(12) ΔCDS	(13) ΔCDS	(14) ΔCDS	(15) ΔCDS
$UK * Post * \Delta SCDS$	0.7015***	-0.1523**	0.1748***	0.1268***	0.1142	-0.3314	-1.7412*	-0.2179*	-1.0231***	-1.8910***	12.4340***	-0.2031	0.4960**	7.7048***	0.0997***
	(0.0807)	(0.0660)	(0.0559)	(0.0312)	(0.0905)	(0.3198)	(0.8699)	(0.1233)	(0.3051)	(0.4665)	(3.7129)	(1.8544)	(0.1945)	(1.6837)	(0.0317)
$UK * Post$	-0.0546***	0.0238***	-0.0208***	0.0023	0.0063**	0.0115***	-0.0002	0.0110***	0.0044	-0.0076	-0.0084**	0.0048	0.0081***	0.0073*	0.0048***
	(0.0089)	(0.0038)	(0.0025)	(0.0033)	(0.0024)	(0.0028)	(0.0032)	(0.0032)	(0.0033)	(0.0053)	(0.0033)	(0.0031)	(0.0029)	(0.0041)	(0.0009)
$\Delta SCDS$	0.1475***	0.1475***	0.1475***	0.1476***	0.1475***	0.1475***	0.1476***	0.1475***	0.1476***	0.1475***	0.1475***	0.1475***	0.1476***	0.1475***	0.1464***
	(0.0255)	(0.0255)	(0.0255)	(0.0255)	(0.0255)	(0.0255)	(0.0255)	(0.0255)	(0.0255)	(0.0255)	(0.0255)	(0.0255)	(0.0255)	(0.0255)	(0.0248)
$Post * \Delta SCDS$	-0.0221	-0.1262***	-0.0275	-0.1330***	-0.0838	-0.2355***	0.5217	-0.1484	-0.1219	-0.0870	0.2974*	-0.6603***	0.3272*	0.0055	-0.0547*
	(0.0504)	(0.0469)	(0.0562)	(0.0262)	(0.0669)	(0.0400)	(0.3602)	(0.0976)	(0.1442)	(0.0529)	(0.1569)	(0.2123)	(0.1715)	(0.0966)	(0.0290)
$UK * \Delta SCDS$	-0.1292***	-0.1292***	-0.1292***	-0.1292***	-0.1292***	-0.1292***	-0.1292***	-0.1292***	-0.1292***	-0.1292***	-0.1291***	-0.1292***	-0.1293***	-0.1292***	-0.1284***
	(0.0258)	(0.0257)	(0.0257)	(0.0257)	(0.0257)	(0.0257)	(0.0257)	(0.0257)	(0.0257)	(0.0257)	(0.0257)	(0.0257)	(0.0257)	(0.0258)	(0.0250)
$\Delta bond$	0.0010	0.0015	0.0015	0.0015	0.0017	0.0013	0.0015	0.0014	0.0015	0.0015	0.0015	0.0016	0.0015	0.0016	0.0012*
	(0.0011)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0011)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0007)
$publicdebt$	0.0002*	0.0001	0.0002	0.0001	0.0001	0.0001	0.0001	0.0002*	0.0001	0.0002*	0.0002**	0.0001	0.0001	0.0001	0.0001
	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)
GDP	0.0003	0.0003	0.0003	0.0003	0.0003	0.0003	0.0002	0.0003	0.0002	0.0003	0.0003	0.0003	0.0002	0.0003	0.0004
	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)
$mmrate$	-0.0066***	-0.0062***	-0.0066***	-0.0061***	-0.0062***	-0.0062***	-0.0062***	-0.0064***	-0.0062***	-0.0065***	-0.0066***	-0.0062***	-0.0060***	-0.0060***	-0.0052***
	(0.0017)	(0.0017)	(0.0017)	(0.0017)	(0.0017)	(0.0018)	(0.0018)	(0.0018)	(0.0017)	(0.0017)	(0.0017)	(0.0017)	(0.0017)	(0.0018)	(0.0020)
$assets$	0.0025**	0.0025**	0.0024**	0.0027***	0.0022**	0.0024**	0.0024**	0.0024***	0.0022**	0.0027***	0.0025**	0.0022**	0.0022**	0.0023**	0.0019***
	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0009)	(0.0009)	(0.0009)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0005)
roe	-0.0020	-0.0021	-0.0005	-0.0011	-0.0005	-0.0002	-0.0006	-0.0007	0.0001	-0.0011	-0.0017	-0.0005	-0.0000	0.0004	-0.0102
	(0.0066)	(0.0069)	(0.0065)	(0.0065)	(0.0065)	(0.0067)	(0.0066)	(0.0067)	(0.0065)	(0.0064)	(0.0065)	(0.0064)	(0.0070)	(0.0071)	(0.0083)
$equityratio$	0.0233	0.0520	0.0544	0.0499	0.0552	0.0430	0.0449	0.0349	0.0383	0.0509	0.0426	0.0435	0.0391	0.0371	0.0919
	(0.0424)	(0.0398)	(0.0430)	(0.0390)	(0.0429)	(0.0396)	(0.0398)	(0.0421)	(0.0385)	(0.0413)	(0.0408)	(0.0408)	(0.0413)	(0.0454)	(0.0674)
$\Delta idiosyncraticexcret$	-0.0034	-0.0078	-0.0053	-0.0064	-0.0063	-0.0065	-0.0083	-0.0046	-0.0047	-0.0066	-0.0057	-0.0069	-0.0063	-0.0054	-0.0281
	(0.0281)	(0.0284)	(0.0280)	(0.0280)	(0.0279)	(0.0280)	(0.0279)	(0.0276)	(0.0280)	(0.0281)	(0.0275)	(0.0279)	(0.0279)	(0.0280)	(0.0218)
$\Delta idiosyncraticexcvol$	0.3924	0.0652	0.1245	0.0906	0.0718	0.0934	0.1881	0.3353	0.0074	0.0553	-0.0326	0.0786	0.0719	0.1953	-0.9671
	(0.8831)	(0.9027)	(0.9027)	(0.9003)	(0.8974)	(0.9073)	(0.9346)	(0.9144)	(0.9377)	(0.8990)	(0.8988)	(0.9001)	(0.8928)	(0.9029)	(0.8643)
$\Delta localexcret$	-0.0399	-0.0378	-0.0320	-0.0387	-0.0382	-0.0374	-0.0384	-0.0388	-0.0377	-0.0381	-0.0399	-0.0392	-0.0378	-0.0428	0.0656
	(0.0539)	(0.0538)	(0.0534)	(0.0539)	(0.0539)	(0.0539)	(0.0539)	(0.0539)	(0.0537)	(0.0543)	(0.0541)	(0.0537)	(0.0538)	(0.0539)	(0.0435)
$itraxx$	-0.0011***	-0.0011***	-0.0011***	-0.0011***	-0.0011***	-0.0011***	-0.0011***	-0.0011***	-0.0011***	-0.0011***	-0.0011***	-0.0011***	-0.0011***	-0.0011***	-0.0013***
	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0002)
$move$	-0.0003***	-0.0003***	-0.0004***	-0.0004***	-0.0003***	-0.0004***	-0.0004***	-0.0004***	-0.0003***	-0.0003***	-0.0003***	-0.0004***	-0.0003***	-0.0003***	-0.0009***
	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)
Constant	0.0320	0.0389	0.0387	0.0362	0.0447	0.0436	0.0444	0.0371	0.0486	0.0301	0.0318	0.0476	0.0496	0.0442	0.1099***
	(0.0394)	(0.0397)	(0.0396)	(0.0390)	(0.0389)	(0.0392)	(0.0388)	(0.0377)	(0.0374)	(0.0381)	(0.0391)	(0.0377)	(0.0378)	(0.0397)	(0.0243)
Observations	25,775	25,775	25,770	25,772	25,879	25,772	25,774	25,886	25,821	25,773	25,804	25,775	25,774	25,766	32,681
R-squared	0.1773	0.1700	0.1702	0.1697	0.1696	0.1700	0.1700	0.1710	0.1712	0.1698	0.1700	0.1699	0.1729	0.1699	0.2169
Firm FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Time FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Cluster	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm

Note: This table reports DID estimates of the impact of Brexit-related events (Events 1–15) on the sensitivity of corporate CDS spreads to changes in sovereign CDS spread using a Propensity Score Matching (PSM) approach. UK firms (treated) are matched one-to-one with EU firms (control) based on pre-treatment firm characteristics (total assets and equity ratio) to improve covariate balance. The main variable of interest is the triple interaction term $UK \times Post \times \Delta SCDS$, capturing the differential sensitivity of UK firms' CDS spreads to changes in UK sovereign CDS spreads, relative to European firms, after each Brexit event (Events 1–15) listed in Table 3 and Table 4. Each column corresponds to a separate 3-day event window surrounding one of the 15 identified Brexit events. All regressions include firm– and time–fixed effects, with standard errors clustered at the firm level. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Online Appendix: Investor Confidence in Complex Government Action: The Brexit case

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1. Appendix A: Institutional Setting: Brexit Process

Brexit is a shortened form of "Britain's exit" from the European Union (EU). The history behind the formation of the EU dates back to the Treaty of Rome in 1957, through which the European Economic Community (EEC) was established to create a common market among member states and reduce trade barriers. This agreement was a major stepping stone in the creation of the EU. Originally founded by six countries (Belgium, France, Germany, Italy, Luxembourg and the Netherlands), the EU at the time of writing (2026) is composed of 27 countries following the exit of the UK (Dennison and Carl, 2016).

The UK referendum on 23 June 2016 was a turning point in the relationship between the UK and the EU. The victory of "leave" voters by 51.9% to "remain" voters by 48.1% triggered the Brexit process, reflecting the UK's decision to withdraw from the EU by January 31, 2020. Brexit day (EU Ratification) also marked the beginning of the transition period, during which negotiations continued on various topics regarding the future of EU-UK relations. This period ended on 31 December 2020. This result was largely unexpected (Born et al., 2019). Odds ahead of the referendum vote implied the reverse, i.e., to remain in the EU. The latest update of the Financial Times Brexit polls tracker before the referendum showed 48% support for remain and 46% support for leave (FinancialTimes, 2016).

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The first Brexit event that we analyse in our paper is the UK's 2016 referendum vote (1). Different from previous research, we follow a dynamic approach and identify various crucial events of the Brexit process that were influential and, in many cases, also unexpected. We summarize crucial Brexit events in chronological order in Tables 3 and 4. Below, we report a short summary of each of the Brexit events investigated in our paper.

1) 2016 Referendum vote

In 2013, Prime Minister (PM) David Cameron proposed holding a referendum if the Conservatives won the elections. Since the Conservatives won the election, the UK held the referendum [1] on 23 June 2016 and Britons voted to leave the EU. The referendum vote (#1 in Table 3) is not the only event in the Brexit process that produces an unexpected result. On the contrary, the referendum vote triggered subsequent crucial Brexit events that also shaped the Brexit process and most of which were also unexpected. As this study focuses on the pivotal events in the Brexit process, those events constitute our "treatment" dates to examine the causal effect of the Brexit process. Following the result of "leave" from the UK referendum vote, former PM David Cameron accepted the defeat and resigned on June 24, 2016, as he led the party to keep UK in the EU and Theresa May became the new PM on July 13, 2016. Since those two events occur within a short period of the referendum date, we do not include those periods in this study.

2) PM May announces Article 50 will be triggered before 2017

On October 2, 2016 (#2 in Table 3), former PM Theresa May announced that she would trigger Article 50 by the end of March 2017. This announcement generally had a negative impact on the markets and created uncertainty.

3) Triggering of Article 50

On 16 March 2017 (#3 in Table 3), the European Union (Notification of Withdrawal) Act 2017 received Royal Assent, granting the Prime Minister the legal authority to notify the EU of

[1] The question that appeared on ballot papers in the referendum was "*Should the United Kingdom remain a member of the European Union or leave the European Union?*"

the UK's intention to withdraw under Article 50 of the Treaty on European Union[2]. Although the UK formally invoked Article 50 on 29 March 2017, this study uses 16 March 2017 as the event date because the Act cleared the legal path for the subsequent Article 50 notification. Although official negotiations started with the UK's invocation of Article 50, the Brexit process was still not straightforward.

4) The UK General Election and Conservative Government Formation

On 8 June 2017, the UK general election was held, and the Conservatives subsequently formed a government (#4 in Table 3). The resolution of the election and the resulting government formation generally had a positive impact on the markets.

5) First round of UK-EU exit negotiations begins

On 19 June 2017, the first round of UK-EU exit negotiations began (#5 in Table 3). The first round of negotiations between the UK and the EU had begun, but the start of these negotiations did not reflect positively on the markets due to uncertainties and confusion.

6) David Davis resigns as Secretary of State for Exiting the European Union

On 9 July 2018, David Davis resigned as Secretary of State for Exiting the EU (#6 in Table 3). The resignation of David Davis, the head of Brexit negotiations, raised concerns about the government's consistency in the Brexit process and had a negative impact on the markets.

7) Brexit Plan suffers defeat in the House of Commons

On 14 February 2019, PM Theresa May lost the first meaningful vote in the House of Commons[3] rejecting the deal and the UK Government was defeated by 432 votes to 202. The loss of a 'Meaningful Vote' indicated no confidence in the Government. However, the following day the Prime Minister wins a vote of confidence in the Government. After PM May presented the Government's 'Plan B' Brexit deal on 21 January 2019, the Government's Brexit plan suffered a

[2]Article 50 states that any member may leave the EU according to its legal and constitutional requirements.

[3]The UK public elects 650 Members of Parliament (MPs) to represent their interests and concerns in the House of Commons. MPs consider and propose new laws, and can scrutinise government policies by asking ministers questions about current issues either in the Commons Chamber or in Committees.

defeat in the House of Commons on 14 February 2019 (#7 in Table 3). Since PM May's first loss of a "meaningful vote" was followed by a vote of confidence in the Government, which may have offset the effect of the initial defeat, we consider the Brexit plan's defeat in the House of Commons instead of the loss of the first meaningful vote.

8) PM May proposes option to delay Brexit

On 26 February 2019, Prime Minister May announced that Parliament would be given a vote on a potential extension of Article 50 to avoid a no-deal scenario. This unexpected policy shift created uncertainty and had a negative impact on the markets (#8 in Table 4).

9) Former PM May loses 'Meaningful Vote 2'

On 13 March 2019, May's loss of the second meaningful vote raised serious doubts about the government's ability to reach a Brexit deal, which had a negative impact on the markets (#9 in Table 4).

10) PM May requests further extension to Article 50 process

On 5 April 2019, PM May requested a further extension to the Article 50 process. This increased uncertainty over the UK's future relations with the EU and thus had a negative impact on the markets (#10 in Table 4).

11) Boris Johnson takes over as PM.

On 24 July 2019, following the resignation of former PM May, Boris Johnson became Prime Minister (#11 in Table 4) and promised to exit the EU by October 31, 2019.

12) Extension of Brexit Deal

On 19 October 2019, although PM Johnson had promised to exit the EU by October 31, 2019, he sent a request for a further Brexit extension to European Council President Donald Tusk. Although the extension was formally approved on October 29, 2019, we use October 19, 2019 as the event date because the request itself generated relevant market uncertainty (#12 in Table 4).

13) UK General Election Day

The UK General Election Day on 12 December 2019 is an important date in Brexit history: in addition to winning 43.6% of the popular vote, it is considered as the highest

percentage for any party since 1979. The victory of the Conservative Party on 12 December 2019 gave PM Boris Johnson a mandate to formally accomplish the departure of the UK from the EU by January 31, 2020 (#13 in Table 4).

14) Brexit day (EU ratification)

On 30 January 2020 (#14 in Table 4), one day before the official Brexit day on 31 January 2020, the European Council completed the ratification of the Withdrawal Agreement. Although the UK's formal exit occurred on 31 January 2020, the legislative ratification on 30 January generated immediate informational shocks in financial markets. Therefore, this study employs 30 January 2020, rather than 31 January 2020, to isolate and analyze the clean economic effects of Brexit day. Furthermore, since COVID-19 spread across Europe in February, utilizing this precise window provides a shorter, focused event period that captures the Brexit day effect with minimal exposure to pandemic-related compounding biases.

15) Post Brexit period

Brexit day on 31 January 2020 initiated an 11-month transition period officially ending on 31 December 2020 (#15 in Table 4). The transition period maintained the relationship between the UK and the EU largely as before Brexit, while allowing both parties to work on their future relationship. Therefore, the post Brexit period is significant in terms of the Brexit process, as it covers the transition and post Brexit periods between 31 January 2020 and 11 March 2021.

2. Appendix B: Robustness Checks

2.1. The Effect of Governments' COVID-19 Response

Table B1
Controlling for government policy response during the COVID-19 era.

	Event (14) ΔCDS	Event (14) ΔCDS	Event (15) ΔCDS	Event (15) ΔCDS
$UK * Post * \Delta SCDS$	8.3198***	8.1431***	0.0909***	0.0910***
	(1.6460)	(1.6494)	(0.0184)	(0.0190)
$UK * Post$	0.0074**	0.0082***	0.0032***	0.0032***
	(0.0030)	(0.0031)	(0.0006)	(0.0006)
$\Delta SCDS$	0.1376***	0.1376***	0.1360***	0.1360***
	(0.0149)	(0.0149)	(0.0145)	(0.0145)
$Post * \Delta SCDS$	-0.1027*	-0.1015*	-0.0543***	-0.0543***
	(0.0524)	(0.0513)	(0.0154)	(0.0154)
$UK * \Delta SCDS$	-0.1188***	-0.1188***	-0.1181***	-0.1181***
	(0.0154)	(0.0154)	(0.0150)	(0.0150)
$Covidresponse$		-0.0007*		0.0000
		(0.0004)		(0.0000)
$\Delta bond$	0.0013**	0.0013**	0.0007	0.0007
	(0.0005)	(0.0005)	(0.0005)	(0.0005)
$publicdebt$	0.0000	0.0000	0.0001***	0.0001***
	(0.0001)	(0.0001)	(0.0000)	(0.0000)
GDP	0.0004**	0.0004**	0.0004**	0.0004**
	(0.0002)	(0.0002)	(0.0002)	(0.0002)
$mmrate$	-0.0023**	-0.0023**	-0.0023**	-0.0023**
	(0.0010)	(0.0010)	(0.0010)	(0.0010)
Constant	0.0341	0.0324	0.0845***	0.0845***
	(0.0283)	(0.0282)	(0.0179)	(0.0179)
Observations	55,394	55,394	69,424	69,424
Controls	Yes	Yes	Yes	Yes
R-squared	0.1612	0.1612	0.2042	0.2042
Firm FE	YES	YES	YES	YES
Time FE	YES	YES	YES	YES
Cluster	Firm	Firm	Firm	Firm

Notes: This table reports results from the robustness checks by including the government policy response tracker (*Covidresponse*) of Hale et al. (2021) to control for COVID-19-related policy effects, based on Eq. (2). Columns (2) and (4) show results from the DID setting for the treatment periods of Brexit day (EU ratification) and Post Brexit period, as defined in Tables 3 and 4. Firm-level and financial market control variables are also included but not reported for brevity. The full table is available upon request. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

2.2. Geographic Ownership Bias

Table B2
Results from Geographic Ownership Bias

	(1) ΔCDS	(2) ΔCDS	(3) ΔCDS	(4) ΔCDS	(5) ΔCDS	(6) ΔCDS	(7) ΔCDS	(8) ΔCDS	(9) ΔCDS	(10) ΔCDS	(11) ΔCDS	(12) ΔCDS	(13) ΔCDS	(14) ΔCDS	(15) ΔCDS
$UK * Post * \Delta SCDS$	0.7442***	0.0233	0.1402***	0.1365***	0.0956	-17.0786***	-3.2497***	-0.2385**	-0.7533**	-2.3387***	9.3553**	0.8036	0.9817***	8.3472***	0.0835***
	(0.0556)	(0.0310)	(0.0368)	(0.0238)	(0.0623)	(3.3638)	(0.6757)	(0.0922)	(0.2888)	(0.5688)	(4.1520)	(1.9369)	(0.1095)	(1.9629)	(0.0204)
$\Delta SCDS$	0.1261***	0.1261***	0.1260***	0.1261***	0.1261***	0.1261***	0.1260***	0.1260***	0.1261***	0.1260***	0.1260***	0.1260***	0.1261***	0.1261***	0.1255***
	(0.0148)	(0.0148)	(0.0148)	(0.0148)	(0.0148)	(0.0148)	(0.0148)	(0.0148)	(0.0148)	(0.0148)	(0.0148)	(0.0148)	(0.0148)	(0.0148)	(0.0145)
$UK * Post$	-0.0660***	-0.0002	-0.0186***	0.0025	0.0075***	0.0189***	-0.0018	0.0089***	0.0038	-0.0136**	-0.0089***	-0.0014	0.0087***	0.0070**	0.0034***
	(0.0067)	(0.0019)	(0.0021)	(0.0030)	(0.0020)	(0.0024)	(0.0021)	(0.0027)	(0.0032)	(0.0053)	(0.0031)	(0.0027)	(0.0026)	(0.0033)	(0.0007)
$Post * \Delta SCDS$	0.0441*	-0.0478*	-0.0050	-0.1393***	-0.0801**	-0.1753***	0.4617**	-0.1444***	-0.1789***	-0.0218	0.1177	-0.4087***	-0.0696***	-0.1422**	-0.0481***
	(0.0229)	(0.0273)	(0.0289)	(0.0163)	(0.0309)	(0.0248)	(0.1876)	(0.0289)	(0.0337)	(0.0342)	(0.0944)	(0.1169)	(0.0215)	(0.0554)	(0.0157)
$UK * \Delta SCDS$	-0.1030***	-0.1030***	-0.1031***	-0.1029***	-0.1030***	-0.1029***	-0.1029***	-0.1029***	-0.1029***	-0.1029***	-0.1030***	-0.1029***	-0.1030***	-0.1030***	-0.1057***
	(0.0153)	(0.0153)	(0.0153)	(0.0153)	(0.0153)	(0.0153)	(0.0153)	(0.0153)	(0.0153)	(0.0153)	(0.0153)	(0.0153)	(0.0153)	(0.0153)	(0.0150)
$\Delta bond$	0.0005	0.0007	0.0007	0.0008	0.0008	0.0008	0.0007	0.0007	0.0007	0.0008	0.0007	0.0008	0.0007	0.0008	0.0004
	(0.0006)	(0.0005)	(0.0005)	(0.0005)	(0.0005)	(0.0005)	(0.0005)	(0.0006)	(0.0005)	(0.0005)	(0.0005)	(0.0005)	(0.0005)	(0.0005)	(0.0006)
$publicdebt$	0.0000	-0.0000	0.0000	-0.0001	-0.0000	-0.0000	-0.0000	-0.0000	-0.0001	-0.0000	0.0000	-0.0000	-0.0001	-0.0000	0.0001***
	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0000)
GDP	0.0004**	0.0004**	0.0005**	0.0004**	0.0004**	0.0004**	0.0004**	0.0004**	0.0004**	0.0004**	0.0004**	0.0004**	0.0004*	0.0004**	0.0003*
	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)
$mmrate$	-0.0023**	-0.0025**	-0.0024**	-0.0026**	-0.0025**	-0.0026**	-0.0025**	-0.0025**	-0.0026**	-0.0025**	-0.0025**	-0.0026**	-0.0026**	-0.0026**	-0.0025**
	(0.0011)	(0.0011)	(0.0011)	(0.0011)	(0.0011)	(0.0011)	(0.0011)	(0.0011)	(0.0011)	(0.0011)	(0.0011)	(0.0011)	(0.0011)	(0.0011)	(0.0011)
Constant	0.0278	0.0242	0.0212	0.0260	0.0337	0.0334	0.0288	0.0404	0.0459	0.0223	0.0243	0.0369	0.0410	0.0280	0.0631***
	(0.0310)	(0.0309)	(0.0308)	(0.0302)	(0.0297)	(0.0304)	(0.0308)	(0.0303)	(0.0297)	(0.0298)	(0.0307)	(0.0292)	(0.0299)	(0.0312)	(0.0198)
Observations	48,031	48,248	48,031	48,028	48,238	47,924	48,029	48,237	48,100	48,028	48,065	48,031	48,029	48,000	60,333
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R-squared	0.1631	0.1607	0.1610	0.1609	0.1609	0.1612	0.1614	0.1621	0.1617	0.1607	0.1605	0.1606	0.1621	0.1607	0.2041
Firm FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Time FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Cluster	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm

Notes: This table reports results from the DID approach based on Eq. (2), as defined in Tables 3 and 4. The analysis controls for firms' geographic ownership, proxied by their country of residence, as discussed in the robustness section. The variable of interest is $UK \times Post \times \Delta SCDS$, and captures the interaction among $\Delta SCDS$, the UK indicator, and the treatment-period indicator ($Post$) using the periods defined in Tables 3 and 4. Firm-level and financial market control variables are included but not reported for brevity. The full table is available upon request.

2.3. Falsification Test

Table B3
Results from the Falsification Test

	(1) ΔCDS	(2) ΔCDS	(3) ΔCDS	(4) ΔCDS	(5) ΔCDS	(6) ΔCDS	(7) ΔCDS	(8) ΔCDS	(9) ΔCDS	(10) ΔCDS	(11) ΔCDS	(12) ΔCDS	(13) ΔCDS	(14) ΔCDS	(15) ΔCDS
$UK * Post * \Delta SCDS$	0.7468***	-0.0228	0.1692***	0.1211***	0.0941	0.0080	-2.1063***	-0.2414***	-0.7769***	-1.9992***	9.5627***	-0.9512	0.9171***	8.3198***	0.0909***
	(0.0549)	(0.0261)	(0.0402)	(0.0218)	(0.0612)	(0.2051)	(0.7798)	(0.0775)	(0.2634)	(0.4614)	(3.4847)	(1.8319)	(0.0934)	(1.6460)	(0.0184)
$\Delta SCDS$	0.0710***	0.0710***	0.1919***	0.1376***	0.1376***	0.1529***	0.1376***	0.1376***	0.1376***	0.1376***	0.1104***	0.1376***	0.1376***	0.1376***	0.1360***
	(0.0078)	(0.0078)	(0.0456)	(0.0149)	(0.0149)	(0.0156)	(0.0149)	(0.0149)	(0.0149)	(0.0149)	(0.0133)	(0.0149)	(0.0149)	(0.0149)	(0.0145)
$UK * Post$	-0.0642***	0.0001	-0.0148***	0.0041	0.0076***	0.0128***	0.0002	0.0088***	0.0047	-0.0121***	-0.0076***	-0.0012	0.0078***	0.0074**	0.0032***
	(0.0062)	(0.0017)	(0.0039)	(0.0026)	(0.0019)	(0.0023)	(0.0023)	(0.0024)	(0.0029)	(0.0045)	(0.0028)	(0.0024)	(0.0022)	(0.0030)	(0.0006)
$Post * \Delta SCDS$	0.0316	0.0083	-0.0112	-0.1433***	-0.0711**	-0.2386***	0.4220**	-0.1463***	-0.1930***	-0.0625*	0.1167	-0.3010**	-0.0813***	-0.1027*	-0.0543***
	(0.0241)	(0.0243)	(0.0335)	(0.0153)	(0.0320)	(0.0235)	(0.1776)	(0.0269)	(0.0347)	(0.0346)	(0.0911)	(0.1383)	(0.0211)	(0.0524)	(0.0154)
$UK * \Delta SCDS$	-0.0535***	-0.0534***	-0.1755***	-0.1188***	-0.1188***	-0.1335***	-0.1188***	-0.1188***	-0.1188***	-0.1188***	-0.0919***	-0.1188***	-0.1188***	-0.1188***	-0.1181***
	(0.0088)	(0.0089)	(0.0458)	(0.0154)	(0.0154)	(0.0161)	(0.0154)	(0.0154)	(0.0154)	(0.0154)	(0.0138)	(0.0154)	(0.0154)	(0.0154)	(0.0150)
$\Delta bond$	0.0006	0.0009	-0.0025	0.0012**	0.0013**	0.0015***	0.0012**	0.0012**	0.0012**	0.0012**	0.0011**	0.0013**	0.0012**	0.0013**	0.0007
	(0.0006)	(0.0006)	(0.0020)	(0.0005)	(0.0005)	(0.0006)	(0.0005)	(0.0005)	(0.0005)	(0.0005)	(0.0005)	(0.0005)	(0.0005)	(0.0005)	(0.0005)
publicdebt	0.0001	-0.0000	-0.0003	-0.0000	0.0000	0.0001	0.0000	0.0000	-0.0000	0.0000	0.0001	0.0000	-0.0000	0.0000	0.0001***
	(0.0001)	(0.0001)	(0.0002)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0000)
GDP	-0.0002	-0.0002	0.0007***	0.0004**	0.0004**	0.0002	0.0004**	0.0004**	0.0004**	0.0004**	0.0006**	0.0004**	0.0004**	0.0004**	0.0004**
	(0.0004)	(0.0004)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0003)	(0.0002)	(0.0002)	(0.0002)	(0.0002)
mmrate	-0.0030***	-0.0031***	-0.0010	-0.0023**	-0.0023**	-0.0071***	-0.0023**	-0.0023**	-0.0023**	-0.0023**	-0.0021**	-0.0023**	-0.0024**	-0.0023**	-0.0023**
	(0.0011)	(0.0010)	(0.0009)	(0.0010)	(0.0010)	(0.0014)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)
Constant	0.0362	0.0389	0.0454	0.0303	0.0393	0.0330	0.0282	0.0390	0.0496*	0.0222	0.0263	0.0392	0.0416	0.0341	0.0845***
	(0.0313)	(0.0317)	(0.0426)	(0.0272)	(0.0269)	(0.0287)	(0.0279)	(0.0276)	(0.0269)	(0.0272)	(0.0288)	(0.0267)	(0.0270)	(0.0283)	(0.0179)
Observations	42,330	42,519	20,147	55,426	55,663	53,289	55,429	55,663	55,513	55,428	51,018	55,431	55,429	55,394	69,424
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R-squared	0.1406	0.1364	0.2035	0.1614	0.1613	0.1688	0.1617	0.1624	0.1621	0.1612	0.1456	0.1610	0.1625	0.1612	0.2042
Firm FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Time FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Cluster	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm

Notes: This table reports results from the DID approach based on Eq. (2), using the treatment periods in Tables 3 and 4, while applying a falsification test. This analysis accounts for concurrent events occurring within the EU and changes the control group accordingly. The variable of interest is $UK \times Post \times \Delta SCDS$, captures the interaction among $\Delta SCDS$, the UK indicator, and the treatment-period indicator ($Post$). Firm-level and financial market control variables are included but not reported for brevity. The full table is available upon request.

2.4. Controlling for Daily Time Fixed Effects

Table B4
Results from Robustness Checks - Controlling for Daily Fixed Effects.

	(1) ΔCDS	(2) ΔCDS	(3) ΔCDS	(4) ΔCDS	(5) ΔCDS	(6) ΔCDS	(7) ΔCDS	(8) ΔCDS	(9) ΔCDS	(10) ΔCDS	(11) ΔCDS	(12) ΔCDS	(13) ΔCDS	(14) ΔCDS	(15) ΔCDS
$UK * Post * \Delta SCDS$	1.0907***	-0.3580***	0.2610***	0.0649**	0.0605	-0.1081	-3.3587***	-0.0396	-0.4640	-2.5977***	6.8685*	-3.1742	0.6197***	4.9653**	0.0360**
	(0.0591)	(0.0560)	(0.0528)	(0.0253)	(0.0610)	(0.2065)	(1.0101)	(0.1018)	(0.3177)	(0.5273)	(3.8231)	(2.2960)	(0.1041)	(2.0460)	(0.0179)
$UK * Post$	-0.0990***	0.0342***	-0.0232***	0.0056**	0.0071***	0.0107***	-0.0019	0.0099***	0.0074**	-0.0158***	-0.0073**	-0.0009	0.0004	0.0071**	0.0031***
	(0.0073)	(0.0042)	(0.0030)	(0.0026)	(0.0019)	(0.0022)	(0.0025)	(0.0025)	(0.0032)	(0.0049)	(0.0028)	(0.0024)	(0.0023)	(0.0030)	(0.0006)
$\Delta SCDS$	0.1324***	0.1324***	0.1324***	0.1324***	0.1324***	0.1324***	0.1324***	0.1324***	0.1324***	0.1324***	0.1324***	0.1324***	0.1324***	0.1324***	0.1323***
	(0.0119)	(0.0119)	(0.0119)	(0.0119)	(0.0119)	(0.0119)	(0.0119)	(0.0119)	(0.0119)	(0.0119)	(0.0119)	(0.0119)	(0.0119)	(0.0119)	(0.0119)
$Post * \Delta SCDS$	-0.0030	-0.0629***	-0.0025	-0.1334***	-0.0692**	-0.2340***	0.5011**	-0.2082***	-0.1852***	-0.0572	0.0281	-0.3416**	-0.1371***	-0.0055	-0.1170***
	(0.0188)	(0.0216)	(0.0238)	(0.0141)	(0.0314)	(0.0246)	(0.2049)	(0.0397)	(0.0345)	(0.0415)	(0.0994)	(0.1506)	(0.0169)	(0.0499)	(0.0144)
$UK * \Delta SCDS$	-0.1036***	-0.1036***	-0.1036***	-0.1036***	-0.1036***	-0.1035***	-0.1036***	-0.1035***	-0.1036***	-0.1035***	-0.1036***	-0.1036***	-0.1036***	-0.1035***	-0.1035***
	(0.0120)	(0.0120)	(0.0120)	(0.0120)	(0.0120)	(0.0120)	(0.0120)	(0.0120)	(0.0120)	(0.0120)	(0.0120)	(0.0120)	(0.0120)	(0.0120)	(0.0120)
$\Delta bond$	0.0006	0.0006	0.0007	0.0006	0.0007	0.0005	0.0006	0.0006	0.0006	0.0006	0.0006	0.0006	0.0006	0.0007	0.0006
	(0.0005)	(0.0005)	(0.0005)	(0.0005)	(0.0005)	(0.0005)	(0.0005)	(0.0005)	(0.0005)	(0.0005)	(0.0005)	(0.0005)	(0.0005)	(0.0005)	(0.0005)
publicdebt	0.0000	-0.0000	0.0000	-0.0001	-0.0000	-0.0000	-0.0000	0.0000	-0.0001	0.0000	0.0001	-0.0000	-0.0001	-0.0000	0.0001***
	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0000)
GDP	0.0004**	0.0004**	0.0004**	0.0004**	0.0004**	0.0004**	0.0004**	0.0004**	0.0003**	0.0004**	0.0004**	0.0003**	0.0003**	0.0004**	0.0003**
	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)
mmrate	-0.0023**	-0.0025**	-0.0024**	-0.0026***	-0.0026**	-0.0026***	-0.0026**	-0.0025**	-0.0026***	-0.0025**	-0.0025**	-0.0026**	-0.0026***	-0.0026**	-0.0026***
	(0.0011)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)
Constant	-0.0445*	-0.0436*	-0.0491**	-0.0430*	-0.0344	-0.0392*	-0.0458*	-0.0349	-0.0252	-0.0517**	-0.0452*	-0.0350	-0.0319	-0.0401*	-0.0484***
	(0.0238)	(0.0232)	(0.0229)	(0.0222)	(0.0217)	(0.0219)	(0.0231)	(0.0220)	(0.0216)	(0.0217)	(0.0234)	(0.0221)	(0.0219)	(0.0228)	(0.0117)
Observations	55,430	55,436	55,430	55,426	55,663	55,427	55,429	55,663	55,513	55,428	55,472	55,431	55,429	55,394	69,424
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R-squared	0.2306	0.2220	0.2235	0.2219	0.2216	0.2222	0.2222	0.2228	0.2224	0.2217	0.2215	0.2215	0.2235	0.2219	0.3146
Firm FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Time FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Cluster	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm

Notes: This table provides results from the DID approach based on Eq. (2), as defined in Tables 3 and 4, while controlling for daily fixed effects instead of weekly fixed effects. The variable of interest is $UK \times Post \times \Delta SCDS$, captures the interaction of $\Delta SCDS$, the UK indicator, and the treatment-period indicator ($Post$). Firm-level and financial market control variables are included but not reported for brevity. The full table is available upon request.

2.5. Inclusion of Additional Macroeconomic Controls

Table B5
Results from Robustness Checks - Additional Macroeconomic Variables.

	(1) ΔCDS	(2) ΔCDS	(3) ΔCDS	(4) ΔCDS	(5) ΔCDS	(6) ΔCDS	(7) ΔCDS	(8) ΔCDS	(9) ΔCDS	(10) ΔCDS	(11) ΔCDS	(12) ΔCDS	(13) ΔCDS	(14) ΔCDS	(15) ΔCDS
$UK * Post * \Delta SCDS$	0.7020***	-0.1522**	0.1748***	0.1270***	0.1149	-0.3305	-1.7388*	-0.2172*	-1.0210***	-1.8952***	12.4661***	-0.1983	0.4959**	7.7074***	0.0999***
	(0.0807)	(0.0660)	(0.0558)	(0.0310)	(0.0904)	(0.3197)	(0.8695)	(0.1233)	(0.3052)	(0.4667)	(3.7172)	(1.8549)	(0.1937)	(1.6839)	(0.0318)
$UK * Post$	-0.0548***	0.0236***	-0.0203***	0.0028	0.0067***	0.0121***	0.0011	0.0122***	0.0057*	-0.0064	-0.0076**	0.0061*	0.0094***	0.0091**	0.0061***
	(0.0089)	(0.0038)	(0.0027)	(0.0034)	(0.0024)	(0.0028)	(0.0030)	(0.0034)	(0.0033)	(0.0053)	(0.0037)	(0.0033)	(0.0028)	(0.0043)	(0.0011)
$\Delta SCDS$	0.1475***	0.1475***	0.1475***	0.1476***	0.1475***	0.1475***	0.1476***	0.1475***	0.1476***	0.1475***	0.1475***	0.1475***	0.1476***	0.1475***	0.1464***
	(0.0255)	(0.0255)	(0.0255)	(0.0255)	(0.0255)	(0.0255)	(0.0255)	(0.0255)	(0.0255)	(0.0255)	(0.0255)	(0.0255)	(0.0255)	(0.0255)	(0.0248)
$Post * \Delta SCDS$	-0.0225	-0.1263***	-0.0275	-0.1332***	-0.0846	-0.2359***	0.5189	-0.1492	-0.1230	-0.0832	0.3006*	-0.6643***	0.3273*	-0.0006	-0.0549*
	(0.0506)	(0.0469)	(0.0560)	(0.0260)	(0.0668)	(0.0405)	(0.3593)	(0.0976)	(0.1442)	(0.0522)	(0.1567)	(0.2143)	(0.1706)	(0.0949)	(0.0291)
$UK * \Delta SCDS$	-0.1292***	-0.1292***	-0.1292***	-0.1292***	-0.1292***	-0.1292***	-0.1292***	-0.1292***	-0.1292***	-0.1292***	-0.1291***	-0.1292***	-0.1292***	-0.1292***	-0.1284***
	(0.0257)	(0.0257)	(0.0257)	(0.0257)	(0.0257)	(0.0257)	(0.0257)	(0.0257)	(0.0257)	(0.0257)	(0.0257)	(0.0257)	(0.0257)	(0.0257)	(0.0250)
$\Delta bond$	0.0011	0.0016	0.0015	0.0016	0.0018*	0.0014	0.0016	0.0014	0.0015	0.0016	0.0016	0.0017	0.0016	0.0017	0.0012*
	(0.0011)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0011)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0007)
$publicdebt$	0.0002*	0.0001	0.0002	0.0001	0.0001	0.0001	0.0001	0.0002*	0.0001	0.0002*	0.0002**	0.0001	0.0001	0.0001	0.0001
	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0000)
GDP	0.0003	0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	0.0002	0.0001	0.0002	0.0002	0.0002	0.0002	0.0003	0.0003
	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)
$mmrate$	-0.0070***	-0.0070***	-0.0074***	-0.0069***	-0.0067***	-0.0070***	-0.0073***	-0.0075***	-0.0074***	-0.0074***	-0.0072***	-0.0071***	-0.0070***	-0.0068***	-0.0063***
	(0.0023)	(0.0022)	(0.0022)	(0.0022)	(0.0022)	(0.0022)	(0.0022)	(0.0023)	(0.0022)	(0.0023)	(0.0023)	(0.0022)	(0.0021)	(0.0022)	(0.0020)
$currentaccount$	-0.0003	-0.0004	-0.0003	-0.0004	-0.0003	-0.0004	-0.0004	-0.0003	-0.0004	-0.0003	-0.0003	-0.0004	-0.0004	-0.0004*	-0.0003
	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)
$inflation$	0.0001	-0.0000	-0.0000	-0.0000	0.0001	-0.0000	-0.0001	-0.0002	-0.0001	-0.0001	-0.0000	-0.0001	-0.0001	0.0001	-0.0001
	(0.0005)	(0.0005)	(0.0005)	(0.0005)	(0.0005)	(0.0005)	(0.0004)	(0.0005)	(0.0005)	(0.0005)	(0.0005)	(0.0005)	(0.0005)	(0.0005)	(0.0004)
Constant	0.0303	0.0377	0.0378	0.0352	0.0432	0.0426	0.0432	0.0366	0.0477	0.0292	0.0307	0.0464	0.0481	0.0420	0.1101***
	(0.0382)	(0.0381)	(0.0380)	(0.0373)	(0.0375)	(0.0378)	(0.0372)	(0.0367)	(0.0359)	(0.0371)	(0.0380)	(0.0365)	(0.0364)	(0.0380)	(0.0235)
Observations	25,775	25,775	25,770	25,772	25,879	25,772	25,774	25,886	25,821	25,773	25,804	25,775	25,774	25,766	32,681
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R-squared	0.1773	0.1701	0.1702	0.1698	0.1696	0.1700	0.1700	0.1710	0.1713	0.1699	0.1700	0.1700	0.1730	0.1699	0.2169
Firm FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Time FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Cluster	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm

Notes: This table reports results from the DID approach based on Eq. (2), using the treatment periods in Tables 3 and 4, while including additional macroeconomic variables (i.e., inflation and current account balance). The variable of interest is $UK \times Post \times \Delta SCDS$ is an interaction term of $\Delta SCDS$, the UK indicator and the treatment-period indicator ($Post$). The estimations are conducted over 15 different Brexit event windows (Columns 1–15), as defined in Tables 3 and 4. Firm-level and financial market control variables are also included but not reported for brevity. The full table is available upon request.

Table B6
Results from the Robustness Checks - Addressing Mixed-Frequency Data.

	(1) ΔCDS	(2) ΔCDS	(3) ΔCDS	(4) ΔCDS	(5) ΔCDS	(6) ΔCDS	(7) ΔCDS	(8) ΔCDS	(9) ΔCDS	(10) ΔCDS	(11) ΔCDS	(12) ΔCDS	(13) ΔCDS	(14) ΔCDS	(15) ΔCDS
$UK * Post * \Delta SCDS$	0.6977***	-0.1526**	0.1696***	0.1258***	0.1159	-0.2517	-1.7668**	-0.2094*	-1.0215***	-1.9197***	12.7016***	-0.2319	0.4774**	7.6522***	0.1040***
	(0.0814)	(0.0655)	(0.0556)	(0.0308)	(0.0901)	(0.3192)	(0.8694)	(0.1242)	(0.3036)	(0.4671)	(3.6969)	(1.8520)	(0.1933)	(1.6854)	(0.0316)
$\Delta SCDS$	0.1455***	0.1455***	0.1455***	0.1455***	0.1455***	0.1455***	0.1455***	0.1455***	0.1455***	0.1455***	0.1455***	0.1455***	0.1455***	0.1455***	0.1446***
	(0.0248)	(0.0248)	(0.0248)	(0.0248)	(0.0248)	(0.0248)	(0.0248)	(0.0248)	(0.0248)	(0.0248)	(0.0248)	(0.0248)	(0.0248)	(0.0248)	(0.0241)
$UK * Post$	-0.0565***	0.0218***	-0.0219***	0.0011	0.0051**	0.0082***	-0.0041	0.0075**	0.0004	-0.0111**	-0.0119***	0.0010	0.0042	0.0055	0.0013**
	(0.0089)	(0.0037)	(0.0026)	(0.0034)	(0.0022)	(0.0025)	(0.0030)	(0.0029)	(0.0033)	(0.0050)	(0.0032)	(0.0028)	(0.0025)	(0.0040)	(0.0005)
$Post * \Delta SCDS$	-0.0160	-0.1248***	-0.0223	-0.1328***	-0.0854	-0.2278***	0.5243	-0.1578	-0.1239	-0.0634	0.3148*	-0.6564***	0.3467**	0.0591	-0.0541*
	(0.0509)	(0.0460)	(0.0558)	(0.0254)	(0.0663)	(0.0387)	(0.3559)	(0.0987)	(0.1433)	(0.0524)	(0.1580)	(0.2120)	(0.1699)	(0.1086)	(0.0288)
$UK * \Delta SCDS$	-0.1274***	-0.1274***	-0.1274***	-0.1274***	-0.1274***	-0.1273***	-0.1273***	-0.1274***	-0.1274***	-0.1274***	-0.1274***	-0.1273***	-0.1274***	-0.1274***	-0.1270***
	(0.0250)	(0.0250)	(0.0250)	(0.0250)	(0.0250)	(0.0250)	(0.0250)	(0.0250)	(0.0250)	(0.0250)	(0.0250)	(0.0250)	(0.0250)	(0.0250)	(0.0243)
$\Delta bond$	0.0013	0.0018*	0.0017*	0.0018*	0.0019*	0.0016	0.0018*	0.0017	0.0018*	0.0018*	0.0018*	0.0019*	0.0018*	0.0018*	0.0015**
	(0.0011)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0007)
itraxx	-0.0011***	-0.0011***	-0.0011***	-0.0011***	-0.0011***	-0.0011***	-0.0011***	-0.0011***	-0.0011***	-0.0011***	-0.0011***	-0.0011***	-0.0011***	-0.0011***	-0.0014***
	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0002)
move	-0.0003***	-0.0004***	-0.0004***	-0.0004***	-0.0004***	-0.0004***	-0.0004***	-0.0004***	-0.0004***	-0.0004***	-0.0004***	-0.0004***	-0.0004***	-0.0004***	-0.0008***
	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)
Constant	0.1092***	0.1095***	0.1107***	0.1093***	0.1093***	0.1096***	0.1095***	0.1095***	0.1094***	0.1093***	0.1098***	0.1095***	0.1087***	0.1088***	0.1538***
	(0.0232)	(0.0233)	(0.0235)	(0.0233)	(0.0232)	(0.0233)	(0.0232)	(0.0232)	(0.0232)	(0.0232)	(0.0232)	(0.0232)	(0.0232)	(0.0232)	(0.0163)
Observations	26,597	26,597	26,592	26,594	26,701	26,597	26,596	26,708	26,643	26,595	26,626	26,597	26,596	26,595	35,356
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R-squared	0.1724	0.1654	0.1655	0.1651	0.1650	0.1653	0.1654	0.1663	0.1666	0.1652	0.1653	0.1655	0.1657	0.1660	0.2012
Firm FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Time FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Cluster	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm

Notes: This table reports results from the DID approach with propensity score matching based on Eq. (2), using the treatment periods in Tables 3 and 4, while addressing mixed-frequency data by excluding yearly control variables. The variable of interest is $UK \times Post \times \Delta SCDS$, captures the interaction among $\Delta SCDS$, the UK indicator, and the treatment-period indicator ($Post$). The estimations are conducted over 15 different Brexit event windows, as defined in Tables 3 and 4. Firm-level and financial market control variables are included but not reported for brevity. The full table is available upon request.

2.7. Alternative Event Window [-2, +3]

Table B7

Results from the Robustness Checks - Alternative Event Window [-2, +3].

	(1) ΔCDS	(2) ΔCDS	(3) ΔCDS	(4) ΔCDS	(5) ΔCDS	(6) ΔCDS	(7) ΔCDS	(8) ΔCDS	(9) ΔCDS	(10) ΔCDS	(11) ΔCDS	(12) ΔCDS	(13) ΔCDS	(14) ΔCDS	(15) ΔCDS
$UK * Post * \Delta SCDS$	0.6996***	0.0309	0.1646***	0.1238***	0.1619	-14.5431***	-1.6280*	-0.1882	-1.2022***	-1.8734***	12.8478***	0.1805	0.4902**	7.2510***	0.0941***
	(0.0804)	(0.0567)	(0.0564)	(0.0311)	(0.0934)	(3.0388)	(0.8738)	(0.1285)	(0.2854)	(0.4685)	(3.9349)	(0.1969)	(0.1944)	(1.7127)	(0.0319)
$UK * Post$	-0.0546***	0.0069***	-0.0205***	0.0024	0.0099***	0.0195***	0.0000	0.0140***	-0.0073**	-0.0073	-0.0080**	0.0012	0.0079***	0.0074*	0.0050***
	(0.0089)	(0.0018)	(0.0025)	(0.0033)	(0.0030)	(0.0034)	(0.0032)	(0.0036)	(0.0035)	(0.0053)	(0.0036)	(0.0037)	(0.0029)	(0.0041)	(0.0009)
$\Delta SCDS$	0.1454***	0.1454***	0.1454***	0.1454***	0.1454***	0.1454***	0.1454***	0.1454***	0.1454***	0.1454***	0.1454***	0.1454***	0.1455***	0.1454***	0.1448***
	(0.0256)	(0.0256)	(0.0256)	(0.0256)	(0.0256)	(0.0256)	(0.0255)	(0.0255)	(0.0256)	(0.0256)	(0.0256)	(0.0255)	(0.0256)	(0.0256)	(0.0249)
$Post * \Delta SCDS$	-0.0193	-0.1348***	-0.0229	-0.1306***	-0.1169	-0.1932***	0.5121	-0.1947*	-0.3504***	-0.0809	0.2969*	-0.3355*	0.3228*	0.0024	-0.0538*
	(0.0507)	(0.0475)	(0.0559)	(0.0264)	(0.0703)	(0.0385)	(0.3593)	(0.1041)	(0.1186)	(0.0519)	(0.1601)	(0.1998)	(0.1718)	(0.0970)	(0.0293)
$UK * \Delta SCDS$	-0.1270***	-0.1270***	-0.1271***	-0.1271***	-0.1271***	-0.1270***	-0.1270***	-0.1270***	-0.1270***	-0.1270***	-0.1270***	-0.1270***	-0.1271***	-0.1270***	-0.1285***
	(0.0258)	(0.0258)	(0.0258)	(0.0258)	(0.0258)	(0.0258)	(0.0258)	(0.0258)	(0.0258)	(0.0258)	(0.0258)	(0.0258)	(0.0258)	(0.0258)	(0.0250)
$\Delta bond$	0.0011	0.0016	0.0016	0.0016	0.0017	0.0017	0.0016	0.0016	0.0016	0.0016	0.0016	0.0017	0.0016	0.0017	0.0014*
	(0.0011)	(0.0011)	(0.0011)	(0.0011)	(0.0010)	(0.0010)	(0.0010)	(0.0011)	(0.0011)	(0.0011)	(0.0011)	(0.0010)	(0.0010)	(0.0010)	(0.0007)
$publicdebt$	0.0002	0.0001	0.0002	0.0001	0.0001	0.0001	0.0001	0.0001	0.0002*	0.0002	0.0002*	0.0001	0.0001	0.0001	0.0001
	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)
GDP	0.0004	0.0003	0.0003	0.0004	0.0003	0.0003	0.0003	0.0003	0.0004	0.0004	0.0004	0.0003	0.0003	0.0004	0.0004
	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)
$mmrate$	-0.0065***	-0.0061***	-0.0064***	-0.0060***	-0.0061***	-0.0062***	-0.0061***	-0.0063***	-0.0065***	-0.0063***	-0.0065***	-0.0060***	-0.0059***	-0.0060***	-0.0054***
	(0.0017)	(0.0018)	(0.0017)	(0.0017)	(0.0018)	(0.0018)	(0.0018)	(0.0018)	(0.0017)	(0.0018)	(0.0018)	(0.0018)	(0.0018)	(0.0018)	(0.0020)
Constant	0.0224	0.0293	0.0290	0.0264	0.0356	0.0341	0.0346	0.0249	0.0265	0.0203	0.0193	0.0431	0.0398	0.0341	0.1022***
	(0.0387)	(0.0392)	(0.0393)	(0.0388)	(0.0387)	(0.0387)	(0.0383)	(0.0374)	(0.0391)	(0.0374)	(0.0387)	(0.0369)	(0.0375)	(0.0395)	(0.0242)
Observations	25,468	25,524	25,463	25,465	25,517	25,410	25,467	25,523	25,458	25,466	25,466	25,467	25,467	25,459	32,268
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R-squared	0.1779	0.1703	0.1709	0.1703	0.1702	0.1708	0.1706	0.1719	0.1717	0.1704	0.1706	0.1704	0.1736	0.1704	0.2210
Firm FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Time FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Cluster	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm

Notes: This table provides results from the DID approach with propensity score matching based on Eq. (2), as defined in Tables 3 and 4, with an alternative event window of [-2, +3]. The variable of interest is $UK \times Post \times \Delta SCDS$, captures the interaction among $\Delta SCDS$, the UK indicator, and the treatment-period indicator ($Post$). Firm-level and financial market control variables are included but not reported for brevity. The full table is available upon request.

2.7. Alternative Event Window [-2, +2]

Table B8
Results from the Robustness Checks - Alternative Event Window [-2, +2].

	(1) ΔCDS	(2) ΔCDS	(3) ΔCDS	(4) ΔCDS	(5) ΔCDS	(6) ΔCDS	(7) ΔCDS	(8) ΔCDS	(9) ΔCDS	(10) ΔCDS	(11) ΔCDS	(12) ΔCDS	(13) ΔCDS	(14) ΔCDS	(15) ΔCDS
$UK * Post * \Delta SCDS$	0.7015***	-0.1523**	0.1748***	0.1262***	-0.3886	-15.0764***	-1.7412*	-0.1730	-1.2392***	-1.8910***	12.9879***	-0.2031	0.4960**	7.7048***	0.0997***
	(0.0807)	(0.0660)	(0.0559)	(0.0312)	(1.0815)	(3.0619)	(0.8699)	(0.1385)	(0.2874)	(0.4665)	(3.9469)	(1.8544)	(0.1945)	(1.6837)	(0.0317)
$\Delta SCDS$	0.1475***	0.1475***	0.1475***	0.1479***	0.1475***	0.1476***	0.1476***	0.1475***	0.1475***	0.1475***	0.1475***	0.1475***	0.1476***	0.1475***	0.1464***
	(0.0255)	(0.0255)	(0.0255)	(0.0255)	(0.0255)	(0.0255)	(0.0255)	(0.0255)	(0.0255)	(0.0255)	(0.0255)	(0.0255)	(0.0255)	(0.0255)	(0.0248)
$UK * Post$	-0.0546***	0.0238***	-0.0208***	0.0021	0.0084***	0.0197***	-0.0002	0.0157***	-0.0076**	-0.0076	-0.0081**	0.0048	0.0081***	0.0073*	0.0048***
	(0.0089)	(0.0038)	(0.0025)	(0.0033)	(0.0026)	(0.0033)	(0.0032)	(0.0040)	(0.0035)	(0.0053)	(0.0036)	(0.0031)	(0.0029)	(0.0041)	(0.0009)
$Post * \Delta SCDS$	-0.0221	-0.1262***	-0.0275	-0.1331***	-0.0745	-0.1937***	0.5217	-0.2187**	-0.3491***	-0.0870	0.2868*	-0.6603***	0.3272*	0.0055	-0.0547*
	(0.0504)	(0.0469)	(0.0562)	(0.0261)	(0.0779)	(0.0385)	(0.3602)	(0.1081)	(0.1187)	(0.0529)	(0.1593)	(0.2123)	(0.1715)	(0.0966)	(0.0290)
$UK * \Delta SCDS$	-0.1292***	-0.1292***	-0.1292***	-0.1288***	-0.1292***	-0.1292***	-0.1292***	-0.1292***	-0.1292***	-0.1292***	-0.1291***	-0.1292***	-0.1293***	-0.1292***	-0.1284***
	(0.0258)	(0.0257)	(0.0257)	(0.0257)	(0.0257)	(0.0257)	(0.0257)	(0.0257)	(0.0257)	(0.0257)	(0.0257)	(0.0257)	(0.0257)	(0.0258)	(0.0250)
$\Delta bond$	0.0010	0.0015	0.0015	0.0015	0.0016	0.0016	0.0015	0.0015	0.0016	0.0015	0.0015	0.0016	0.0015	0.0016	0.0012*
	(0.0011)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0011)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0010)	(0.0007)
publicdebt	0.0002*	0.0001	0.0002	0.0001	0.0001	0.0001	0.0001	0.0001	0.0002**	0.0002*	0.0002**	0.0001	0.0001	0.0001	0.0001
	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)
GDP	0.0003	0.0003	0.0003	0.0003	0.0003	0.0002	0.0002	0.0003	0.0003	0.0003	0.0003	0.0003	0.0002	0.0003	0.0004
	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)
mmrate	-0.0066***	-0.0062***	-0.0066***	-0.0057***	-0.0063***	-0.0063***	-0.0062***	-0.0063***	-0.0066***	-0.0065***	-0.0066***	-0.0062***	-0.0060***	-0.0060***	-0.0052***
	(0.0017)	(0.0017)	(0.0017)	(0.0017)	(0.0017)	(0.0017)	(0.0018)	(0.0018)	(0.0017)	(0.0017)	(0.0017)	(0.0017)	(0.0017)	(0.0018)	(0.0020)
Constant	0.0320	0.0389	0.0387	0.0343	0.0428	0.0440	0.0444	0.0386	0.0363	0.0301	0.0292	0.0476	0.0496	0.0442	0.1099***
	(0.0394)	(0.0397)	(0.0396)	(0.0388)	(0.0394)	(0.0391)	(0.0388)	(0.0382)	(0.0395)	(0.0381)	(0.0393)	(0.0377)	(0.0378)	(0.0397)	(0.0243)
Observations	25,775	25,775	25,770	25,828	25,771	25,717	25,774	25,775	25,765	25,773	25,773	25,775	25,774	25,766	32,681
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R-squared	0.1773	0.1700	0.1702	0.1704	0.1698	0.1702	0.1700	0.1713	0.1711	0.1698	0.1700	0.1699	0.1729	0.1699	0.2169
Firm FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Time FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Cluster	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm

Notes: This table provides results from the DID approach with propensity score matching based on Eq. (2), as defined in Tables 3 and 4 with an alternative event window of [-2, +2]. The variable of interest is $UK \times Post \times \Delta SCDS$, captures interaction among $\Delta SCDS$, the UK indicator and the treatment-period indicator (*Post*). The estimations are conducted over 15 different Brexit event windows (Columns 1–15), as defined in Tables 3 and 4. Firm-level and financial market control variables are also included but not reported for brevity. The full table is available upon request.

2.8. Inverse Probability Weights Estimator

Table B9
Results from the Robustness Checks - Inverse Probability Weights Estimator.

	(1) ΔCDS	(2) ΔCDS	(3) ΔCDS	(4) ΔCDS	(5) ΔCDS	(6) ΔCDS	(7) ΔCDS	(8) ΔCDS	(9) ΔCDS	(10) ΔCDS	(11) ΔCDS	(12) ΔCDS	(13) ΔCDS	(14) ΔCDS	(15) ΔCDS
$UK * Post * \Delta SCDS$	1.0978***	0.0220	0.2521***	0.0637**	0.0884	-20.8967***	-3.1722***	-0.0277	-0.5797*	-3.0009***	9.6723*	0.2183	0.6580***	6.3462***	0.0336*
	(0.0579)	(0.0291)	(0.0541)	(0.0271)	(0.0708)	(4.2677)	(1.0725)	(0.1108)	(0.3404)	(0.5930)	(5.2185)	(0.1322)	(0.1086)	(2.1325)	(0.0200)
$UK * Post$	-0.1001***	-0.0004	-0.0219***	0.0048**	0.0073***	0.0227***	-0.0014	0.0102***	0.0079**	-0.0189***	-0.0084***	0.0006	0.0012	0.0089**	0.0047***
	(0.0074)	(0.0018)	(0.0035)	(0.0024)	(0.0019)	(0.0027)	(0.0026)	(0.0026)	(0.0036)	(0.0050)	(0.0032)	(0.0027)	(0.0029)	(0.0039)	(0.0008)
$\Delta SCDS$	0.1305***	0.1304***	0.1304***	0.1304***	0.1304***	0.1304***	0.1304***	0.1304***	0.1304***	0.1304***	0.1304***	0.1304***	0.1304***	0.1304***	0.1327***
	(0.0131)	(0.0131)	(0.0131)	(0.0131)	(0.0131)	(0.0131)	(0.0131)	(0.0131)	(0.0131)	(0.0131)	(0.0131)	(0.0131)	(0.0131)	(0.0131)	(0.0133)
$Post * \Delta SCDS$	-0.0029	-0.0644***	-0.0169	-0.1338***	-0.0718**	-0.1575***	0.4716*	-0.1956***	-0.1587***	0.0091	0.0319	-0.3582***	-0.1283***	-0.0104	-0.1202***
	(0.0198)	(0.0244)	(0.0269)	(0.0151)	(0.0315)	(0.0287)	(0.2583)	(0.0390)	(0.0396)	(0.0471)	(0.1006)	(0.1280)	(0.0195)	(0.0535)	(0.0159)
$UK * \Delta SCDS$	-0.1007***	-0.1006***	-0.1007***	-0.1006***	-0.1007***	-0.1006***	-0.1006***	-0.1006***	-0.1007***	-0.1006***	-0.1006***	-0.1006***	-0.1006***	-0.1006***	-0.1029***
	(0.0127)	(0.0127)	(0.0127)	(0.0127)	(0.0127)	(0.0127)	(0.0127)	(0.0127)	(0.0127)	(0.0127)	(0.0127)	(0.0127)	(0.0127)	(0.0127)	(0.0130)
$\Delta bond$	-0.0001	-0.0000	-0.0000	-0.0001	0.0001	-0.0000	-0.0001	-0.0002	-0.0001	-0.0001	-0.0001	-0.0000	-0.0001	-0.0000	0.0001
	(0.0006)	(0.0006)	(0.0006)	(0.0006)	(0.0006)	(0.0006)	(0.0006)	(0.0006)	(0.0006)	(0.0006)	(0.0006)	(0.0006)	(0.0006)	(0.0006)	(0.0005)
publicdebt	0.0000	-0.0001	-0.0000	-0.0001	-0.0001	-0.0001	-0.0000	-0.0000	-0.0001	-0.0000	0.0000	-0.0001	-0.0001*	-0.0001	0.0001***
	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0000)
GDP	0.0004**	0.0004**	0.0004**	0.0004**	0.0004**	0.0004**	0.0004**	0.0004**	0.0003**	0.0004**	0.0004**	0.0003**	0.0003**	0.0004**	0.0004**
	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)
mmrate	-0.0042***	-0.0042***	-0.0043***	-0.0043***	-0.0043***	-0.0043***	-0.0043***	-0.0044***	-0.0043***	-0.0043***	-0.0044***	-0.0044***	-0.0042***	-0.0043***	-0.0049***
	(0.0013)	(0.0012)	(0.0012)	(0.0011)	(0.0012)	(0.0012)	(0.0012)	(0.0012)	(0.0012)	(0.0012)	(0.0012)	(0.0012)	(0.0011)	(0.0012)	(0.0013)
Constant	-0.0675***	-0.0668***	-0.0676***	-0.0619***	-0.0558**	-0.0554**	-0.0667***	-0.0544***	-0.0469**	-0.0708***	-0.0692***	-0.0456**	-0.0502**	-0.0589***	-0.0494***
	(0.0231)	(0.0217)	(0.0224)	(0.0220)	(0.0215)	(0.0216)	(0.0224)	(0.0208)	(0.0198)	(0.0208)	(0.0214)	(0.0214)	(0.0205)	(0.0222)	(0.0110)
Observations	54,781	55,029	54,781	54,777	55,014	54,660	54,780	55,014	54,864	54,779	54,823	54,900	54,780	54,745	68,802
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R-squared	0.2444	0.2316	0.2329	0.2322	0.2318	0.2325	0.2325	0.2327	0.2335	0.2319	0.2318	0.2316	0.2354	0.2324	0.3270
Firm FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Time FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Cluster	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm

Notes: This table provides results from the DID approach based on Eq. (2), as defined in Tables 3 and 4. The analysis is conducted on propensity-score-matched samples, applying the inverse probability weights estimators proposed by Callaway and Sant'Anna (2021). The variable of interest is $UK \times Post \times \Delta SCDS$ captures the differential effect of Brexit-related events on the co-movement between sovereign and corporate CDS spreads in the UK relative to matched EU firms. The estimations are conducted over 15 different Brexit event windows, as defined in Tables 3 and 4. Daily fixed effects are included in the model. Firm-level and financial market control variables are included but not reported for brevity. The full table is available upon request.

2.9. Brexit as a Continuous Process: Zero-Gap Analysis

Table B10
Results from the robustness checks - Brexit as a Continuous Process: Zero-Gap Analysis

Variables	(1) ΔCDS
$Phase0 * UK * \Delta SCDS$	-0.0412
	(0.0242)
$Phase1 * UK * \Delta SCDS$	0.2072***
	(0.0332)
$Phase2 * UK * \Delta SCDS$	-0.0928***
	(0.0223)
$Phase3 * UK * \Delta SCDS$	0.0600***
	(0.0188)
$Phase4 * UK * \Delta SCDS$	0.1068***
	(0.0247)
$Phase5 * UK * \Delta SCDS$	0.0052
	(0.0172)
$Phase6 * UK * \Delta SCDS$	0.1223***
	(0.0162)
$Phase7 * UK * \Delta SCDS$	0.0893***
	(0.0195)
$Phase8 * UK * \Delta SCDS$	0.0385
	(0.0930)
$Phase9 * UK * \Delta SCDS$	0.2124***
	(0.0216)
$Phase10 * UK * \Delta SCDS$	-0.0592
	(0.0499)
$Phase11 * UK * \Delta SCDS$	0.1560
	(0.0858)
$Phase12 * UK * \Delta SCDS$	0.1479***
	(0.0291)
$Phase13 * UK * \Delta SCDS$	0.0096
	(0.0346)
$Phase14 * UK * \Delta SCDS$	0.0884***
	(0.0318)
$Phase15 * UK * \Delta SCDS$	0.0617***
	(0.0184)
$BUI2$	0.0004***
	(0.0001)
$BUI2 * UK$	-0.0000
	(0.0000)
Constant	0.1018***
	(0.0167)
Observations	126,152
R-squared	0.2265
Firm FE	YES
Time FE	YES
Cluster	Firm

Notes: This table presents robustness check results for the Brexit process treated as a continuous process through a Zero-Gap Analysis. To address the concern of oversimplification over the Brexit event study analysis, the entire sample period is partitioned into 16 consecutive phases (*Phase*0 to *Phase*15), ensuring every trading day is accounted for without temporal gaps (see Table B11 for phase descriptions). The analysis is conducted using an Inverse Probability Weights (IPW) estimators to mitigate concerns regarding arbitrary control group selection and firm-level heterogeneity. Firms are matched based on size (*assets*), profitability (*roe*), and leverage (*equityratio*). *Phase* 0 (1 Jan 2015–18 June 2016) serves as the pre-referendum baseline for the zero–gap analysis; this start date is chosen to maintain a balanced continuous timeline immediately preceding the referendum and to ensure comparability across consecutive Brexit phases. The interaction terms capture the marginal sensitivity of UK corporate CDS spreads to sovereign risk relative to the matched EU counterfactual. Notably, significant coefficients in interim periods (*Phases*6, 7, 9) reveal persistent risk transmission even in the absence of major headline events, as visualized in Figure 4. The model additionally controls for the Brexit Uncertainty Index $BUI2 \times UK$ interaction to account for sentiment-driven uncertainty. Firm and weekly fixed effects are included. Firm-level and financial market control variables are included but not reported for brevity. Standard errors are clustered at the firm level. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively. The full table is available upon request.

Table B11
Mapping of Brexit Events to Zero-Gap Analysis Phases

Phase	Event Reference	Ev.#	Description / Milestone	Date Range
P0	Baseline	0	Pre-Referendum Period	1 January 2015 – 18 June 2016
P1	Referendum Vote	1	Post-vote immediate impact	19 June 2016 – 30 June 2016
P2	Art. 50 Announce.	2	PM May's party conference speech	1 July 2016 – 12 October 2016
P3	Art. 50 Trigger	3	Formal legal exit process start	13 October 2016 – 1 June 2017
P4	2017 UK Election	4	Govt. Formation post-Election	2 June 2017 – 13 June 2017
P5	Negot. Begin	5	Official UK-EU negotiations start	14 June 2017 – 31 July 2017
P6	Interim I	-	Process analysis (2017-H2)	1 August 2017 – 1 January 2018
P7	Interim II	-	Process analysis (2018-H1)	2 January 2018 – 19 June 2018
P8	Davis Resign.	6	Resign. of Brexit Secretary	20 June 2018 – 9 August 2018
P9	Interim III	-	Process analysis (2018-H2)	10 August 2018 – 1 January 2019
P10	Deal Defeat	7	Rejection of withdrawal deal	2 January 2019 – 21 February 2019
P11	Meaningful Votes	8, 9	Parliamentary votes and delays	22 February 2019 – 18 March 2019
P12	Johnson PM	10, 11	New PM and extension request	19 March 2019 – 1 October 2019
P13	Deal Extension	12	Deadline moved to October 2019	2 October 2019 – 1 December 2019
P14	2019 Election	13	Conservative majority government	2 December 2019 – 30 December 2019
P15	Post-Exit	14, 15	Transition until March 2021	31 December 2019 – 31 March 2021

Notes: This table defines the chronological boundaries for the Zero-Gap Analysis, partitioning the entire multi-year Brexit trajectory into 16 consecutive, non-overlapping phases as presented in the Online Appendix. By mapping discrete political milestones alongside interim negotiation periods, this framework ensures a gap-free timeline that captures the continuous nature of uncertainty dynamics, directly addressing the limitations of isolated event-window specifications. All indicators are binary (1 within the specified date range, 0 otherwise).

2.10. Further Sensitivity Checks and Placebo Test

Table B12
Results from the robustness checks - Evidence from an Expanded Non-EU Control Sample

	(1) ΔCDS	(2) ΔCDS	(3) ΔCDS	(4) ΔCDS	(5) ΔCDS	(6) ΔCDS	(7) ΔCDS	(8) ΔCDS	(9) ΔCDS	(10) ΔCDS	(11) ΔCDS	(12) ΔCDS	(13) ΔCDS	(14) ΔCDS	(15) ΔCDS
$UK \times Post \times \Delta SCDS$	0.4597***	-0.0039	0.1384***	0.1149***	0.0688	-0.1626	-1.4381*	-0.1969***	-0.9961***	-1.9076***	10.6915***	-1.1311	0.6786***	7.6902***	0.0636***
	(0.0527)	(0.0254)	(0.0436)	(0.0237)	(0.0467)	(0.2084)	(0.7823)	(0.0722)	(0.2441)	(0.4451)	(3.6045)	(1.8083)	(0.0618)	(1.7164)	(0.0154)
$UK \times Post$	-0.0336***	-0.0004	-0.0157***	0.0025	0.0058***	0.0099***	0.0009	0.0085***	0.0018	-0.0105**	-0.0081***	-0.0030	0.0042*	0.0084***	0.0032***
	(0.0054)	(0.0016)	(0.0021)	(0.0024)	(0.0018)	(0.0024)	(0.0023)	(0.0023)	(0.0025)	(0.0045)	(0.0026)	(0.0024)	(0.0023)	(0.0031)	(0.0006)
$\Delta SCDS$	0.1071***	0.1069***	0.1069***	0.1069***	0.1069***	0.1069***	0.1069***	0.1069***	0.1069***	0.1069***	0.1069***	0.1069***	0.1070***	0.1069***	0.1059***
	(0.0134)	(0.0134)	(0.0134)	(0.0134)	(0.0134)	(0.0134)	(0.0134)	(0.0134)	(0.0134)	(0.0134)	(0.0134)	(0.0134)	(0.0134)	(0.0134)	(0.0131)
$Post \times \Delta SCDS$	0.0209	-0.0333	0.0151	-0.1194***	-0.0741**	-0.2036***	0.3915**	-0.1222***	-0.1178***	-0.0037	0.0909	-0.1635*	-0.0676***	-0.1345***	-0.0514***
	(0.0318)	(0.0243)	(0.0356)	(0.0194)	(0.0285)	(0.0252)	(0.1903)	(0.0278)	(0.0341)	(0.0351)	(0.0832)	(0.0969)	(0.0157)	(0.0485)	(0.0128)
$UK \times \Delta SCDS$	-0.0897***	-0.0894***	-0.0894***	-0.0894***	-0.0894***	-0.0894***	-0.0894***	-0.0894***	-0.0895***	-0.0894***	-0.0894***	-0.0894***	-0.0895***	-0.0895***	-0.0890***
	(0.0138)	(0.0138)	(0.0138)	(0.0138)	(0.0138)	(0.0138)	(0.0138)	(0.0138)	(0.0138)	(0.0138)	(0.0138)	(0.0138)	(0.0138)	(0.0138)	(0.0134)
bond	-0.0013	0.0001	0.0001	0.0000	0.0005	-0.0000	-0.0000	-0.0003	-0.0001	-0.0001	0.0000	0.0002	-0.0002	0.0001	0.0022**
	(0.0017)	(0.0015)	(0.0015)	(0.0015)	(0.0015)	(0.0015)	(0.0015)	(0.0016)	(0.0015)	(0.0016)	(0.0015)	(0.0015)	(0.0015)	(0.0015)	(0.0009)
publicdebt	0.0000	-0.0000	0.0000	-0.0000	0.0000	-0.0000	0.0000	0.0000	-0.0000	0.0000	0.0001	-0.0000	-0.0000	-0.0000	0.0001***
	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0000)
GDP	0.0009***	0.0008***	0.0009***	0.0008***	0.0009***	0.0008***	0.0009***	0.0009***	0.0008***	0.0009***	0.0009***	0.0008***	0.0008***	0.0008***	0.0004***
	(0.0002)	(0.0002)	(0.0002)	(0.0001)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0001)	(0.0002)	(0.0001)
Constant	0.0468	0.0471	0.0486	0.0551*	0.0594*	0.0549*	0.0442	0.0573*	0.0636**	0.0496	0.0389	0.0623*	0.0590**	0.0517	0.0949***
	(0.0319)	(0.0306)	(0.0308)	(0.0308)	(0.0303)	(0.0312)	(0.0301)	(0.0299)	(0.0293)	(0.0313)	(0.0307)	(0.0316)	(0.0285)	(0.0319)	(0.0143)
Observations	64,947	65,231	64,942	64,940	65,221	64,941	64,944	65,224	65,053	64,944	65,020	64,945	64,944	64,941	84,379
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R-squared	0.1659	0.1592	0.1600	0.1594	0.1594	0.1598	0.1599	0.1607	0.1622	0.1596	0.1595	0.1593	0.1620	0.1597	0.2054
Firm FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Time FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Cluster	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm

Notes: This table provides results from the DID approach based on Eq. (2) using the treatment periods in Tables 3 and 4. To ensure the counterfactual is representative, the control group is expanded to include developed non-EU economies (Norway, Switzerland, and Australia). To neutralize selection bias, we employ Entropy Balancing of (Hainmueller, 2012), calibrating weights to match the first moments of pre-referendum firm-level variables return on assets (*roa*), total equity to assets ratio (*equityratio*, and natural logarithm of total assets *assets*) as of 2015. The key variable of interest is $UK \times Post \times \Delta SCDS$, capturing the differential effect of Brexit events on the co-movement between sovereign and corporate CDS spreads. Columns (1)–(15) correspond to the specific event windows defined in Tables 3 and 4. All models include firm and weekly fixed effects. Standard errors, clustered at the firm level, are reported in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively. Firm-level and financial market control variables are included but not reported for brevity. The full table is available upon request.

Table B13
Results from robustness checks: Zero-Gap Analysis (Australia as Pseudo-Treated Unit)

Variables	(1) ΔCDS
$Phase0 \times Australia \times \Delta SCDS$	0.0597***
	(0.0143)
$Phase1 \times Australia \times \Delta SCDS$	0.0495
	(0.0457)
$Phase2 \times Australia \times \Delta SCDS$	-0.0586***
	(0.0199)
$Phase3 \times Australia \times \Delta SCDS$	0.0246
	(0.0158)
$Phase4 \times Australia \times \Delta SCDS$	0.0818
	(0.1093)
$Phase5 \times Australia \times \Delta SCDS$	0.0106
	(0.0397)
$Phase6 \times Australia \times \Delta SCDS$	-0.0058
	(0.0268)
$Phase7 \times Australia \times \Delta SCDS$	0.0249
	(0.0390)
$Phase8 \times Australia \times \Delta SCDS$	0.0754***
	(0.0264)
$Phase9 \times Australia \times \Delta SCDS$	0.0141
	(0.0160)
$Phase10 \times Australia \times \Delta SCDS$	0.0219
	(0.1098)
$Phase11 \times Australia \times \Delta SCDS$	0.0036
	(0.0482)
$Phase12 \times Australia \times \Delta SCDS$	0.0087
	(0.0159)
$Phase13 \times Australia \times \Delta SCDS$	0.0722
	(0.0484)
$Phase14 \times Australia \times \Delta SCDS$	0.0432
	(0.0847)
$Phase15 \times Australia \times \Delta SCDS$	-0.0752***
	(0.0173)
$BUI2$	0.0000
	(0.0000)
$BUI2 \times Australia$	-0.0000
	(0.0000)
Constant	0.0287***
	(0.0071)
Observations	126,961
R-squared	0.2525
Firm FE	YES
Time FE	YES
Cluster	Firm

Notes: This table presents the results of a placebo test to validate the causal findings of the main Brexit analysis. In this specification, UK firms are excluded from the sample, and Australian firms are assigned as the pseudo-treated group. This model employs the same Zero-Gap Analysis (partitioned into 16 consecutive phases) as in Table B10 and Entropy Balancing weighting based on size, leverage and return on assets using 2015 sample average. Interaction of Brexit Uncertainty Index (BUI2) of Bloom et al. (2019) with a dummy (equals to 1 for Australian firms and zero otherwise) is also included to account for investor sentiment during the Brexit process. Standard errors are clustered at the firm level. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

2.11. Integration of Investor Sentiment Indicator (BUI2)

Table B14
Results from the robustness checks - Integration of Investor Sentiment Indicators (BUI2)

	(1) ΔCDS	(2) ΔCDS	(3) ΔCDS	(4) ΔCDS	(5) ΔCDS	(6) ΔCDS	(7) ΔCDS	(8) ΔCDS	(9) ΔCDS	(10) ΔCDS	(11) ΔCDS	(12) ΔCDS	(13) ΔCDS	(14) ΔCDS	(15) ΔCDS
$UK * Post * \Delta SCDS$	0.6673***	0.0090	0.1474***	0.1366***	0.1017*	-0.0338	-1.7673**	-0.1896**	-0.9999***	-2.2398***	12.0579**	-0.8177	0.9468***	9.6153***	0.0722***
	(0.0552)	(0.0278)	(0.0371)	(0.0194)	(0.0596)	(0.1810)	(0.8123)	(0.0811)	(0.2547)	(0.5300)	(4.9743)	(1.8353)	(0.1039)	(1.9627)	(0.0197)
$UK * Post$	-0.0510***	0.0005	-0.0178***	0.0052**	0.0079***	0.0117***	0.0019	0.0103***	0.0040	-0.0134***	-0.0090***	0.0013	0.0086***	0.0106**	0.0038***
	(0.0065)	(0.0017)	(0.0024)	(0.0025)	(0.0019)	(0.0023)	(0.0024)	(0.0025)	(0.0032)	(0.0045)	(0.0030)	(0.0028)	(0.0028)	(0.0043)	(0.0007)
$\Delta SCDS$	0.1394***	0.1395***	0.1393***	0.1394***	0.1394***	0.1394***	0.1394***	0.1394***	0.1394***	0.1393***	0.1393***	0.1394***	0.1394***	0.1394***	0.1381***
	(0.0158)	(0.0158)	(0.0158)	(0.0158)	(0.0158)	(0.0158)	(0.0158)	(0.0158)	(0.0158)	(0.0158)	(0.0158)	(0.0158)	(0.0158)	(0.0158)	(0.0155)
$Post * \Delta SCDS$	0.0296	-0.0485*	-0.0203	-0.1447***	-0.0895***	-0.2233***	0.4080**	-0.1481***	-0.1564***	-0.0510	0.1002	-0.3229**	-0.0838***	-0.1637***	-0.0553***
	(0.0296)	(0.0262)	(0.0265)	(0.0161)	(0.0304)	(0.0236)	(0.1805)	(0.0284)	(0.0382)	(0.0352)	(0.0845)	(0.1573)	(0.0237)	(0.0524)	(0.0166)
$UK * \Delta SCDS$	-0.1235***	-0.1233***	-0.1234***	-0.1234***	-0.1234***	-0.1234***	-0.1234***	-0.1234***	-0.1234***	-0.1234***	-0.1234***	-0.1234***	-0.1234***	-0.1234***	-0.1228***
	(0.0162)	(0.0162)	(0.0162)	(0.0162)	(0.0162)	(0.0162)	(0.0162)	(0.0162)	(0.0162)	(0.0162)	(0.0162)	(0.0162)	(0.0162)	(0.0162)	(0.0158)
$UK * BUI2$	-0.0000	-0.0000	-0.0000	-0.0000	-0.0000	-0.0000	-0.0000	-0.0000	-0.0000	-0.0000	-0.0000	-0.0000	-0.0000	-0.0000	-0.0000
	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)
BUI	0.0005***	0.0005***	0.0005***	0.0005***	0.0005***	0.0005***	0.0005***	0.0005***	0.0005***	0.0005***	0.0005***	0.0005***	0.0005***	0.0005***	0.0006***
	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)
$\Delta bond$	0.0005	0.0009	0.0008	0.0009	0.0010*	0.0008	0.0009	0.0008	0.0008	0.0009	0.0009	0.0009	0.0009	0.0009	0.0012**
	(0.0006)	(0.0006)	(0.0006)	(0.0006)	(0.0006)	(0.0006)	(0.0006)	(0.0006)	(0.0006)	(0.0006)	(0.0006)	(0.0006)	(0.0006)	(0.0006)	(0.0005)
$publicdebt$	0.0000	-0.0000	0.0000	-0.0000	-0.0000	-0.0000	-0.0000	0.0000	-0.0000	0.0000	0.0000	-0.0000	-0.0001	-0.0000	0.0000
	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0000)
GDP	0.0004**	0.0004**	0.0004**	0.0003*	0.0003*	0.0003*	0.0003**	0.0003*	0.0003*	0.0004**	0.0004**	0.0003*	0.0003*	0.0004**	0.0003*
	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)
$mmrate$	-0.0035***	-0.0035***	-0.0035***	-0.0036***	-0.0036***	-0.0036***	-0.0036***	-0.0037***	-0.0036***	-0.0036***	-0.0036***	-0.0036***	-0.0036***	-0.0036***	-0.0040***
	(0.0013)	(0.0012)	(0.0013)	(0.0012)	(0.0012)	(0.0012)	(0.0013)	(0.0013)	(0.0012)	(0.0013)	(0.0013)	(0.0013)	(0.0012)	(0.0013)	(0.0013)
Constant	0.0431	0.0468*	0.0473*	0.0580**	0.0644**	0.0627**	0.0460*	0.0609**	0.0722***	0.0416	0.0469*	0.0636**	0.0625**	0.0574**	0.1235***
	(0.0278)	(0.0259)	(0.0268)	(0.0264)	(0.0260)	(0.0271)	(0.0271)	(0.0263)	(0.0260)	(0.0264)	(0.0267)	(0.0271)	(0.0270)	(0.0271)	(0.0168)
Observations	51,951	52,192	51,948	51,945	52,177	51,947	51,952	52,184	52,034	51,951	51,995	51,954	51,952	51,923	65,953
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R-squared	0.1746	0.1661	0.1669	0.1666	0.1665	0.1670	0.1670	0.1676	0.1687	0.1667	0.1667	0.1663	0.1703	0.1668	0.2197
Firm FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Time FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Cluster	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm

Notes: This table reports the robustness of the sovereign-corporate CDS linkage by controlling for the monthly Brexit Uncertainty Index (BUI2) of Chung et al. (2022) and its interaction term with UK dummy ($UK * BUI2$). The BUI2 captures broader, news-based policy uncertainty that may influence market dynamics over longer horizons than discrete event windows. The interaction term $UK \times Post \times \Delta SCDS$ remains robust, indicating that the observed risk transmission is driven by fundamental Brexit developments rather than latent policy uncertainty. Columns (1)–(15) correspond to the specific event windows defined in Tables 3 and 4. All models include firm and weekly fixed effects. Standard errors, clustered at the firm level, are reported in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively. Firm-level and financial market control variables are included but not reported for brevity. The full table is available upon request.

2.12. Integration of Investor Sentiment Indicators (Investor Attention Index)

Table B15

Results from the robustness checks - Integration of Investor Sentiment Indicators (Investor Attention Index)

	(1) ΔCDS	(2) ΔCDS	(3) ΔCDS	(4) ΔCDS	(5) ΔCDS	(6) ΔCDS	(7) ΔCDS	(8) ΔCDS	(9) ΔCDS	(10) ΔCDS	(11) ΔCDS	(12) ΔCDS	(13) ΔCDS	(14) ΔCDS	(15) ΔCDS
$UK * Post * \Delta SCDS$	0.6647***	0.0284	0.1452***	0.1361***	0.1006*	-0.0344	-1.7698**	-0.1853**	-1.0031***	-2.2446***	12.0397**	-0.7910	0.9458***	9.6305***	0.0707***
	(0.0552)	(0.0276)	(0.0370)	(0.0194)	(0.0595)	(0.1811)	(0.8131)	(0.0811)	(0.2545)	(0.5300)	(4.9724)	(1.8357)	(0.1039)	(1.9624)	(0.0198)
$UK * Post$	-0.0522***	-0.0007	-0.0186***	0.0040*	0.0067***	0.0113***	0.0011	0.0094***	0.0033	-0.0141***	-0.0097***	0.0006	0.0080***	0.0104**	0.0041***
	(0.0060)	(0.0017)	(0.0019)	(0.0022)	(0.0018)	(0.0022)	(0.0025)	(0.0025)	(0.0037)	(0.0046)	(0.0031)	(0.0025)	(0.0029)	(0.0042)	(0.0007)
$\Delta SCDS$	0.1403***	0.1402***	0.1402***	0.1402***	0.1402***	0.1402***	0.1402***	0.1402***	0.1403***	0.1402***	0.1402***	0.1402***	0.1403***	0.1402***	0.1390***
	(0.0158)	(0.0158)	(0.0158)	(0.0158)	(0.0158)	(0.0158)	(0.0158)	(0.0158)	(0.0158)	(0.0158)	(0.0158)	(0.0158)	(0.0158)	(0.0158)	(0.0155)
$Post * \Delta SCDS$	0.0284	-0.0671**	-0.0211	-0.1456***	-0.0896***	-0.2246***	0.4086**	-0.1494***	-0.1568***	-0.0527	0.0980	-0.3202**	-0.0851***	-0.1609***	-0.0558***
	(0.0296)	(0.0261)	(0.0265)	(0.0161)	(0.0304)	(0.0235)	(0.1807)	(0.0284)	(0.0383)	(0.0352)	(0.0844)	(0.1571)	(0.0236)	(0.0501)	(0.0166)
$UK * \Delta SCDS$	-0.1230***	-0.1229***	-0.1230***	-0.1229***	-0.1230***	-0.1229***	-0.1229***	-0.1229***	-0.1230***	-0.1229***	-0.1229***	-0.1229***	-0.1230***	-0.1229***	-0.1221***
	(0.0162)	(0.0162)	(0.0162)	(0.0162)	(0.0162)	(0.0162)	(0.0162)	(0.0162)	(0.0162)	(0.0162)	(0.0162)	(0.0162)	(0.0162)	(0.0162)	(0.0158)
$UK * AttentionIndex$	-0.0002	-0.0000	-0.0001	-0.0000	-0.0000	-0.0000	-0.0000	-0.0001	-0.0001	-0.0001	-0.0001	-0.0000	-0.0000	-0.0000	-0.0002
	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0002)
$\Delta bond$	0.0004	0.0009	0.0008	0.0009	0.0010*	0.0008	0.0009	0.0008	0.0008	0.0008	0.0009	0.0009	0.0008	0.0009	0.0011**
	(0.0006)	(0.0006)	(0.0006)	(0.0006)	(0.0006)	(0.0006)	(0.0006)	(0.0006)	(0.0006)	(0.0006)	(0.0006)	(0.0006)	(0.0006)	(0.0006)	(0.0005)
$publicdebt$	0.0001	-0.0000	0.0000	-0.0000	-0.0000	-0.0000	-0.0000	0.0000	-0.0000	0.0000	0.0001	-0.0000	-0.0001	-0.0000	0.0001*
	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0000)
GDP	0.0004**	0.0004**	0.0004**	0.0004**	0.0004**	0.0004**	0.0004**	0.0004**	0.0003*	0.0004**	0.0004**	0.0004**	0.0003*	0.0004**	0.0003**
	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)	(0.0002)
$mmrate$	-0.0041***	-0.0041***	-0.0041***	-0.0042***	-0.0042***	-0.0042***	-0.0042***	-0.0043***	-0.0042***	-0.0043***	-0.0043***	-0.0043***	-0.0042***	-0.0043***	-0.0042***
	(0.0014)	(0.0013)	(0.0014)	(0.0013)	(0.0013)	(0.0013)	(0.0013)	(0.0014)	(0.0013)	(0.0013)	(0.0014)	(0.0013)	(0.0013)	(0.0013)	(0.012)
Constant	0.0474*	0.0463*	0.0474*	0.0579**	0.0644**	0.0637**	0.0468*	0.0634**	0.0741***	0.0422	0.0491*	0.0651**	0.0637**	0.0615**	0.1153***
	(0.0279)	(0.0268)	(0.0278)	(0.0273)	(0.0269)	(0.0279)	(0.0279)	(0.0270)	(0.0266)	(0.0273)	(0.0273)	(0.0279)	(0.0277)	(0.0278)	(0.0166)
Observations	51,951	52,192	51,948	51,945	52,177	51,947	51,952	52,184	52,034	51,951	51,995	51,954	51,952	51,923	65,953
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R-squared	0.1734	0.1650	0.1656	0.1654	0.1653	0.1657	0.1658	0.1664	0.1675	0.1655	0.1654	0.1651	0.1690	0.1655	0.2188
Firm FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Time FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Cluster	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm

Notes: This table presents the robustness check of the DID analysis, incorporating a weekly Investor Attention Index derived from Google Trends search intensity for Brexit-related terms ($UK * AttentionIndex$). The index is manually constructed and standardized to capture real-time public concern and behavioral sentiment. The variable of interest is $UK \times Post \times \Delta SCDS$ in the presence of the sentiment control variable interacted with UK dummy ($UK * AttentionIndex$). Columns (1)–(15) correspond to the specific event windows defined in Tables 3 and 4. All models include firm and weekly fixed effects. Standard errors, clustered at the firm level, are reported in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively. Firm-level and financial market control variables are included but not reported for brevity. The full table is available upon request.

Appendix C: Supplementary Analysis

Table C1
Pairwise Correlations Between Corporate and Sovereign CDS Spreads Across Countries

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
(1) CDS_UK	1.000																	
(2) CDS_GE	0.799*	1.000																
(3) CDS_FR	0.820*	0.795*	1.000															
(4) CDS_IT	0.722*	0.724*	0.832*	1.000														
(5) CDS_ES	0.714*	0.695*	0.840*	0.874*	1.000													
(6) CDS_DE	0.561*	0.650*	0.545*	0.527*	0.522*	1.000												
(7) CDS_NE	0.711*	0.728*	0.765*	0.626*	0.648*	0.655*	1.000											
(8) CDS_SW	0.671*	0.718*	0.651*	0.630*	0.621*	0.694*	0.767*	1.000										
(9) CDS_PT	0.504*	0.650*	0.495*	0.560*	0.589*	0.528*	0.605*	0.538*	1.000									
(10) SCDS_UK	0.293*	0.138	0.163	0.159	0.141	0.116	0.117	0.295*	0.015	1.000								
(11) SCDS_GE	0.207	0.147	0.134	0.207	0.189	0.223	0.176	0.262*	0.075	0.239	1.000							
(12) SCDS_FR	0.345*	0.367*	0.357*	0.427*	0.370*	0.327*	0.252	0.448*	0.247	0.360*	0.348*	1.000						
(13) SCDS_IT	0.393*	0.387*	0.452*	0.603*	0.432*	0.203	0.251	0.196	0.236	0.107	0.182	0.287*	1.000					
(14) SCDS_ES	0.415*	0.420*	0.511*	0.631*	0.555*	0.300*	0.310*	0.380*	0.296*	0.248	0.426*	0.519*	0.688*	1.000				
(15) SCDS_DE	0.101	0.117	0.044	0.085	0.040	0.168	0.175	0.328*	0.028	0.209	0.296*	0.286*	0.070	0.239	1.000			
(16) SCDS_NE	0.137	0.130	0.034	0.138	0.117	0.171	0.116	0.338*	0.081	0.321*	0.375*	0.479*	0.085	0.296*	0.485*	1.000		
(17) SCDS_SW	0.108	0.041	0.000	0.032	0.008	0.030	0.043	0.073	-0.056	0.042	0.154	0.140	-0.085	-0.041	0.191	0.282*	1.000	
(18) SCDS_PT	0.322*	0.394*	0.277*	0.449*	0.361*	0.426*	0.383*	0.473*	0.452*	0.247	0.291*	0.452*	0.382*	0.545*	0.218	0.474*	0.188	1.000

Notes: This table reports pairwise correlations between average firm-level CDS spreads and average sovereign CDS spreads across countries. Variables labelled CDS refer to average corporate CDS spreads, while variables labelled $SCDS$ refer to sovereign CDS spreads. Country abbreviations are defined as follows: UK = United Kingdom, GE = Germany, FR = France, IT = Italy, ES = Spain, DE = Denmark, NE = Netherlands, SW = Sweden, and PT = Portugal. * indicates statistical significance at the 1% level.

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