

References

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Table 2. Summary Statistics

Distance-to-default is a measure of volatility-adjusted leverage backed out of the Merton (1974) model. We use the Fama-French 12-industry definition. ROA is defined as the ratio of income before extraordinary items (Compustat data item 18) to assets (data item 6). Leverage is defined as the ratio of long-term debt (Compustat data item 9) plus debt in current liabilities (Compustat data item 34) to assets (Compustat data item 6). Tangibility is defined as the ratio of property, plant, and equipment (Compustat data item 8) to assets (Compustat data item 6). The market return is based on the NYSE-NASDAQ-AMEX value-weighted index. Percentage above measures the percentage of debt that is more senior than the instrument. Seniority index is equal to 1 minus percentage above minus $\frac{1}{2}$ percentage pari passu. Seniority index 2 is 1 minus percentage above minus $\frac{1}{3}$ percentage pari passu, and seniority index 3 is 1 minus percentage above minus $\frac{2}{3}$ percentage pari passu.

Panel A: Summary Statistics		
	Mean	Median
Aggregate distance-to-default	16.75	15.67
Trailing 12-month aggregate default rate	1.97%	1.98%
Trailing 12-month market return	0.03%	-3.92%
3-month T-bill rate	3.28%	3.36%
Industry distance-to-default	14.81	12.77
Industry ROA	-9.00%	-4.44%
Trailing 12-month industry default rate	3.44%	2.49%
Industry tangibility	0.34	0.32
Industry leverage	0.40	0.28
Industry stock returns	1.03%	-0.83%
Firm distance-to-default	11.94	4.64
Firm ROA	-12.81%	-8.91%
Firm tangibility	0.44	0.43
Firm leverage	0.60	0.57
Firm trailing 12-month stock returns	-65.26%	-84.77%
Percentage above	21.45%	9.07%
Seniority index	50.58%	50.00%
Seniority index 2	59.90%	66.67%
Seniority index 3	41.26%	33.33%

Panel B: Correlations				
	Recovery rate	Percentage above	Seniority index	Seniority index 2
Percentage above	-0.4539			
Seniority index	0.5569	-0.8401		
Seniority index 2	0.5397	-0.9338	0.9786	
Seniority index 3	0.5507	-0.7136	0.9795	0.9170

