

When Bookbuilding Uncertainty Hits: Pricing and Real Effects of Primary-Market Uncertainty *

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Abstract

We examine how uncertainty formed during corporate bond bookbuilding affects pricing, issuance outcomes, and firms' real decisions. Using marketing spread ranges quoted by underwriters, we construct a novel measure of primary-market uncertainty (PMU) that directly captures frictions in price discovery before issuance. We decompose PMU into quote-based uncertainty (PMU-Q), measured by range width, and excess pricing pressure (PMU-S), defined as unexplained deviations during bookbuilding. Higher PMU-Q is priced into launch spreads and predicts lower subsequent investment, liquidity drawdowns, and a shift toward bank financing. In contrast, negative PMU-S shocks sharply increase issuance cancellation risk but do not generate persistent firm-level effects. Our results highlight the primary market as an earlier and distinct transmission channel through which uncertainty shapes corporate financing and real activity.

JEL classification: G12, G14, G31

Keywords: Corporate bond issuance; Primary market; Pricing uncertainty; Bookbuilding; Issuance cancellation; Investment and financing decisions

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