# Executive Summary

This bachelor thesis analyzes the micro-structural relations between equity and different classes of debt. After providing the basic theoretical knowledge, the three asset class categories equity, junior debt and senior debt are defined and discussed. The aim of this work is to identify any regularities among the different categories and to check to what extent junior debt can serve as a link between the other two asset class categories.

This thesis pioneers the research in this area, because the analysis is done, first, on a high-frequency basis and, second, all asset feedbacks are analyzed within the same company balance sheet, and thus controlling for company specific news announcements which has not been done in the literature so far. An own high-frequency database is constructed out of raw tick-data of stock and bonds issued by a couple of blue-chip companies. These companies are selected according to specific criteria in order to ensure comparability.

A new point of view is chosen by looking at the relations between the categories within one company in each case. The analysis of the high-frequency data consists of two main components. On the one hand the returns of the different bonds and equity are compared and on the other hand the Bid-Ask spreads are studied. As expected the results of the analysis show that in terms of returns, junior debt links equity and senior debt. This is pointed out by the clearly higher and more volatile returns of junior debt in comparison with senior debt. The Bid-Ask spreads are, inconsistent with theory, mostly greater for the junior bonds. Due to the short time horizon the results of the analysis with this database can only be interpreted as tendencies.

Nevertheless this thesis provides new insights and points out so far unidentified regularities.