Discussion of "Common Lenders and Borrower Return Comovement", by Eufinger et al. (2026)

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One-slide summary

Background

- A large literature shows that lender identity matters for
  - Credit supply, investment, labor outcomes, etc.

This paper

- Stock returns of borrowers that share the same bank comove significantly

Empirical approach

- Dealscan data
- DiD: estimate comovement in stock return of "relationship initiators" with that of a "borrowing group" and that of a "non-borrowing group". Compare this against a control firm.
- Merger design

Channel

- Credit supply: mechanism amplified during financial stress and stronger for financially constrained firms

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Comment 1: econometric approach (i)

"Initiating" vs control firms

- Initiating firm i: "[...] firm that borrows from [lead arranger] j for the first time in year t"
  - First-time syndicated loan borrowers
  - Switchers
- Control firm c: no borrowing from bank (lead arranger?) j before t; same industry; close stock comovement pre-t
  - Firms with no (syndicated) loan
  - Syndicated loan borrowers of other banks

Treatment

1. Getting exposure to bank j
2. Getting a large (syndicated) loan
   - Change in leverage: Do, N. H. Nguyen, and Q. M. Nguyen (2022) show that stock return sensitivity of "leverage initiators" to a portfolio of leveraged firms increases from 0.172 to 0.677
   - Access to multiple lenders, etc.

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Comment 1: econometric approach (ii)

Benchmark portfolios

- Borrowing group: "[...] firms that have previously borrowed from bank j [...]"
  - (Almost) all syndicated loan borrowers
- Non-borrowing group: "[...] firms with no prior borrowing from bank j"
  - Firms with no (syndicated) loan
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Concern

- Returns of syndicated loan borrowers become more correlated (independently of lender identity)
  - Propensity score matching partially addresses this
  - So does the merger design

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Possible solution

- Initiating firm i
  - multiple-time syndicated loan borrower that
  - switches to lead arranger j at time t
- Control firm c
  - multiple-time syndicated loan borrower from a bank other than j
  - that borrows at time t but does not switch lead arranger

$\Rightarrow$ Match on, and control for, loan amount and other changes (in addition to ex-ante stocks)

- Borrowing group
  - firms with an outstanding syndicated loan from bank j
- Non-borrowing group
  - firms with an outstanding syndicated loan from a bank other than j

$\Rightarrow$ Similar approach for non-borrowing group in merger design

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Comment 2: channel (i)

- I like the exploration of channels and would like to see more!
- Possible channels
  - Credit supply (this paper)
  - Bank expertise (Blickle, Morse, and Sastry, 2026)
  - Information spillovers within the bank's network
  - Common information sources and attention frictions of investors
- While the authors show evidence consistent with the credit supply channel, one could do more

Comment 2: channel (ii)

Some ideas

- Credit supply
  - Bank health should matter (of the entire syndicate, not just lead arranger)
  - CDS spreads of borrowers should start to comove
  - Effect should be larger for credit lines
- Bank expertise
  - Bank health (especially of other syndicate participants) should not matter
  - Industry specialization should matter
  - CDS spreads probably less affected
- Information spillovers
  - Information spillovers arguably weaker within bank *across industry*
  - Are the comovements also for borrowers of different industries? Would speak for credit supply channel

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Minor

1. 23 banks seems low and the requirement of 500 syndicated loans seems high
2. Baseline of 3 closest matches from borrowing group and 3 closest matches from non-borrowing group seems low compared to Hameed and Xie (2019) and Do, N. H. Nguyen, and Q. M. Nguyen (2022). Could consider using a data-driven approach for the optimal number.
3. Authors report balance of initiators and controls. How balanced are the groups of borrowers and non-borrowers with respect to initiators and controls?
4. The standard error estimation should account for first stage (Tables 9 – 11)

Very interesting paper, looking forward to seeing the next iteration!

References

- Blickle, Kristian, Adair Morse, and Parinitha Sastry (2026). "Banks as stewards". In: *Available at SSRN 6481418*.
- Do, Hung X, Nhut H Nguyen, and Quan MP Nguyen (2022). "Financial leverage and stock return comovement". In: *Journal of Financial Markets* 60, p. 100699.
- Hameed, Allaudeen and Jing Xie (2019). "Preference for dividends and return comovement". In: *Journal of Financial Economics* 132.1, pp. 103–125.