

Response to Bhagat, Seo, and Yoon (2026)

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Bhagat, Seo, and Yoon (2026) challenge Flammer's (2021) finding that stock prices respond positively to corporate green bond announcements. Their critique has two parts. First, when reestimating Flammer's specification over the original 2013–2018 sample, they obtain a smaller estimate, although one that is not statistically distinguishable from the original estimate. Second, when extending the analysis to 2019–2025, they obtain a negative and statistically insignificant estimate, which they report as significantly different from the original estimate. Based on these findings, they adopt the provocative title “Flammer's (2021) positive market response to corporate green bonds is not replicable.”

This conclusion is **incorrect** for two reasons. First, the positive announcement effect has been independently replicated in peer-reviewed research using the original sample period. Second, a no-result in a later period does not establish that the original finding is not replicable. In what follows, I elaborate on both points.

1. The positive announcement effect has been independently replicated.

Flammer (2021) was among the early studies examining corporate green bonds. Although the stock market response was not the paper's main contribution, this finding attracted interest among finance scholars who were interested in the value implications of green bonds. This led several authors to replicate this finding. In particular, two peer-reviewed articles independently replicated the same result:

- Aswani and Rajgopal (*Management Science*, 2025, “Rethinking the Value and Emission Implications of Green Bonds”) conduct a one-to-one replication of Flammer's (2021) stock market analysis using the same data and sample period. In Table 3, they report an average cumulative abnormal return (CAR) over the sixteen-day window surrounding green bond announcements of 0.539** ($t = 2.26$), compared with 0.489** ($t = 2.03$) in Flammer (2021). They explicitly conclude that “[w]e were able to replicate the main results of the paper” (p. 10). Anyone interested in reproducing this estimate can use their replication package available on the *Management Science* website that has undergone the journal's data-editor review process.
- Tang and Zhang (*Journal of Corporate Finance*, 2020, “Do shareholders benefit from green bonds?”) conduct the same analysis as well, but split the sample in two, distinguishing between first-time issuers and later issuers. Combining their two estimates (Table 3) yields an estimate that is again very close to the one in Flammer (2021) and Aswani and Rajgopal (2025). Referring to this finding in their abstract, Tang and Zhang highlight that “we document that stock prices positively respond to green bond issuance” (p. 10).

It is important to distinguish between a new replication exercise and the broader evidence on replicability. Bhagat et al. (2026) are certainly entitled to conduct their own replication and to report differences in their estimates. However, an assessment of whether an existing finding is replicable should engage with relevant prior replication evidence. For some reason, Bhagat et al. (2026) do not acknowledge these existing replications—despite being made aware of those. They also do not reference the published version of Aswani and Rajgopal (2025). These omissions are consequential as these articles are immediately relevant in assessing the claims in Bhagat et al. (2026). At the very least, the independent replications by Aswani and Rajgopal (2025) and Tang and Zhang (2020) invalidate the authors’ claim that Flammer’s (2021) finding is “not replicable.”

2. A no-result in a later period does not invalidate the original finding.

Bhagat et al. (2026) show that their estimate for 2019–2025 differs significantly from the original estimate based on 2013–2018, which they interpret as evidence that the original results are not replicable. This reasoning is flawed, however. Replicability within a given sample period is distinct from the persistence of an effect over time. A finding may be reproducible in the period in which it was originally documented without necessarily continuing to hold in subsequent periods.

In fact, this temporal pattern is consistent with Flammer’s (2021) finding that the effect was concentrated among first-time issuers, which she interprets as a signaling effect that fades away for subsequent issues; similarly, as the market matures over later periods, one may expect this signal to disappear. As such, the Bhagat et al. (2026) result for 2019–2025 is not inconsistent with Flammer (2021) but rather consistent with the signaling interpretation in the original paper.

Conclusion

Replication is an important and essential part of cumulative scientific progress. But conclusions about replicability must distinguish between the reproducibility of an estimate within the original sample and the persistence of an effect in a different period. The published evidence from Aswani and Rajgopal (2025) and Tang and Zhang (2020) established the replicability of Flammer’s (2021) original finding. The later-period results reported by Bhagat et al. (2026) may be informative about how the market response has evolved, but they do not establish that the original finding is not replicable. Their title and claims therefore misstate what their evidence demonstrates and conflates two distinct empirical questions.

In light of the above, there is little substance in the claims made by Bhagat et al. (2026). The title and framing of their paper are inappropriate and mischaracterize both Flammer (2021) and the broader literature on green bonds.