

Risk of Insuring Against Default Reaches New Highs, Says S&P Capital IQ Report

Firm's Proprietary Market Derived Signals Use CDS spreads to Provide Professionals with Better Tools for Judging Investment Creditworthiness

PR Newswire
NEW YORK

NEW YORK, Feb. 27, 2012 /PRNewswire/ -- Recent widening in five-year credit default swap (CDS) spreads for systematically important financial institutions (SIFIs) and their sovereigns have resulted in record high costs for insuring against default risk, says a new S&P Capital IQ report published today. A copy of the report, *The Increasing Cost of Insuring Against the Global Financial Crisis*, written by S&P Capital IQ Solutions Architect Pavle Sabic, is available [here](#).

According to the report, which examines 29 SIFIs in 12 countries, policies that ensure that no *SIFI* is allowed to fail appear to be having a concomitant effect on the increasingly higher costs to insure against default. In part, it concludes, this is because SIFIs have been forced to step up their capital buffers, tighten their belts on risk management, and adapt to new regulations, thereby shifting more of the risk concerns to the sovereigns in which they operate.

The S&P Capital IQ research combines its proprietary Market Derived Signals (MDS) alongside Credit Default Swap analysis. Both the CDS and the MDS can be used as indicators for market perceptions of credit risk. The MDS provide a score, quantitatively derived from the CDS spreads, used to assess the market's current view of an entity's perceived credit quality. Utilizing these multiple perspectives to monitor creditworthiness, the report's author found deterioration in the market's view of several key sovereigns through elevated CDS spreads and declining MDS scores. His analytics indicate that the market perception of the credit quality of France, Italy, Spain and Belgium have declined notably over the past several years. Spain and Italy, in particular, have fallen below their investment grade equivalent on the MDS's lowercase scale and have shown signs of deterioration for more than 30 months.

The Increasing Cost of Insuring Against the Global Financial Crisis is part of an ongoing series of research reports provided by the Solutions Architects team of S&P Capital IQ and made available over [S&P Global Credit Portal](#) and [standardandpoors.com](#).

About S&P Capital IQ

S&P Capital IQ, a brand of the McGraw-Hill Companies (NYSE: MHP), is a leading provider of multi-asset class data, research and analytics to institutional investors, investment advisors and wealth managers around the world. We provide a broad suite of capabilities designed to help track performance, generate alpha, identify new trading and investment ideas, and perform risk analysis and mitigation strategies. Through leading desktop solutions such as Capital IQ, Global Credit Portal and MarketScope Advisor desktops; enterprise solutions such as S&P Securities Evaluations, Global Data Solutions, and Compustat; and research offerings including Leveraged Commentary & Data, Global Market Intelligence, and company and funds research, S&P Capital IQ sharpens financial intelligence into the wisdom today's investors need.

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