

# Mitigate potential risk before it materializes with PD Model Market Signals.

Monitoring emerging credit risk before it hits the financial statement can be a challenge. Especially when looking over hundreds or thousands of counterparties. Be proactive, not reactive, with effective early warning signals of increasing counterparty risk from PD Model Market Signals. Our sophisticated equity market driven model provides timely indications of changing default risk, giving you the time, and insight to act with confidence.

## Essential analytics

- Identify potential default risk with our econometric model that captures relevant risks when calculating a counterparty's probability of default (PD), and distance to default (DD), daily. Map PDs to lowercase letter credit scores<sup>1</sup> (i.e. 'bbb') for increased comparability, and access a pre-scored database of over 67,000<sup>2</sup> companies dating back more than 15 years.
- Understand market sentiment towards credit quality in-between financial statement dates to stay aware of changes in risk as they develop, both positive and negative. Rapidly identify counterparties with changes in PDs based on daily updates for listed companies, and financial institutions globally.
- Utilize powerful screening and charting tools to help you identify, and analyse companies that drive default risk in your portfolio. Set alerts to inform you of deteriorating credit quality within your counterparties, even when you are away from the platform.

## Focus your analysis

- Utilize PD Market Signals alongside CreditModel™, and PD Fundamentals™ to capture market sentiment with fundamental credit quality and default risk. Focus your analysis onto the parts of the portfolio most likely to default, and streamline your workflow where it matters most.
- Transparent methodology, and inputs help you better understand the drivers of risk. Map PDs to implied credit scores using the historically observed data of S&P Global Ratings, and compare risk levels seamlessly across credit scores and percentage probabilities.

## Flexible Delivery

- Access pre-calculated scores via PD Model Market Signals, and pre-calculated scores via the S&P Capital IQ platform or our Microsoft® Excel Plugin.
- Embed the data into your internal platforms with our API solutions, or receive a bulk feed of all our pre-calculated scores through XpressFeed™, alongside credit ratings, financials, market data, and more.

## Rigorous methodology

- Our model is trained upon a database of public company defaults, and builds upon the standard Merton structural approach, utilizing an advanced iterative approach for the identification, and removal of asset value outliers.
- All risk dimensions are separately captured, and transparently integrated including country, and industry risk using proprietary methodologies. Banking Industry Country Risk Scores (BICRS) are incorporated to reflect banking industry risk by country.
- Our iterative approach calculates asset value, and asset volatility using equity market capitalization, and S&P Global Market Intelligence financial data whilst identifying and removing outliers. The result is the removal of counterintuitive PDs and other user-unfriendly outputs to produce accurate values while removing excessive volatility.

## Powerful data

- Evaluate the financial picture of public and private companies globally through one of the largest datasets of company financial information available, including standardized, transparent and analytically-enhanced data.
- For public companies, we collect more than 5,000 unique financial data items and 2,500 industry-specific terms and include "click-through" features to trace adjustments and line item details to source documents. All financials for private companies are standardized for full comparison against public company data.

<sup>1</sup>S&P Global Ratings does not contribute to or participate in the creation of credit scores generated by S&P Global Market Intelligence. Lowercase nomenclature is used to differentiate S&P Global Market Intelligence PD credit model scores from the credit ratings issued by S&P Global Ratings.

<sup>2</sup>Coverage as of 4th May 2017

**Relevant insights to help you make critical decisions.**

Banks	Corporations	Asset Managers and Hedge Funds
<ul style="list-style-type: none"> <li>- Identify developing default risk using a daily indication of market sentiment toward credit quality</li> <li>- Streamline and focus your analysis on those companies that demonstrate increasing trends of default risk</li> <li>- Utilize alongside fundamental credit models to understand the 360 degree picture of credit strength and default risk</li> <li>- Understand the drivers of credit risk with a fully transparent model methodology and inputs</li> <li>- Create alerts based on your own risk appetite to alert you of deteriorating standards in portfolio constituents</li> </ul>		
<ul style="list-style-type: none"> <li>- Benchmark internal models against third party models</li> </ul>		<ul style="list-style-type: none"> <li>- Identify credit risk investment opportunities as the develop</li> </ul>
<ul style="list-style-type: none"> <li>- Enhance risk surveillance frameworks, protect capital and optimize provisioning</li> </ul>	<ul style="list-style-type: none"> <li>- Support trade credit and supply chain management</li> </ul>	

## About S&P Global Market Intelligence

S&P Global Market Intelligence integrates financial and industry data, research, and news into tools that help track performance, generate alpha, identify investment ideas, understand competitive and industry dynamics, perform valuation, and assess risk.

### CONTACT US

**The Americas**  
+1 877 863 1306

**Europe, Middle East & Africa**  
+44 (0) 20 7176 1234

**Asia-Pacific**  
+852 2533 3565



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