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# Panel: How the Financial Crisis Has Affected the Credit Markets

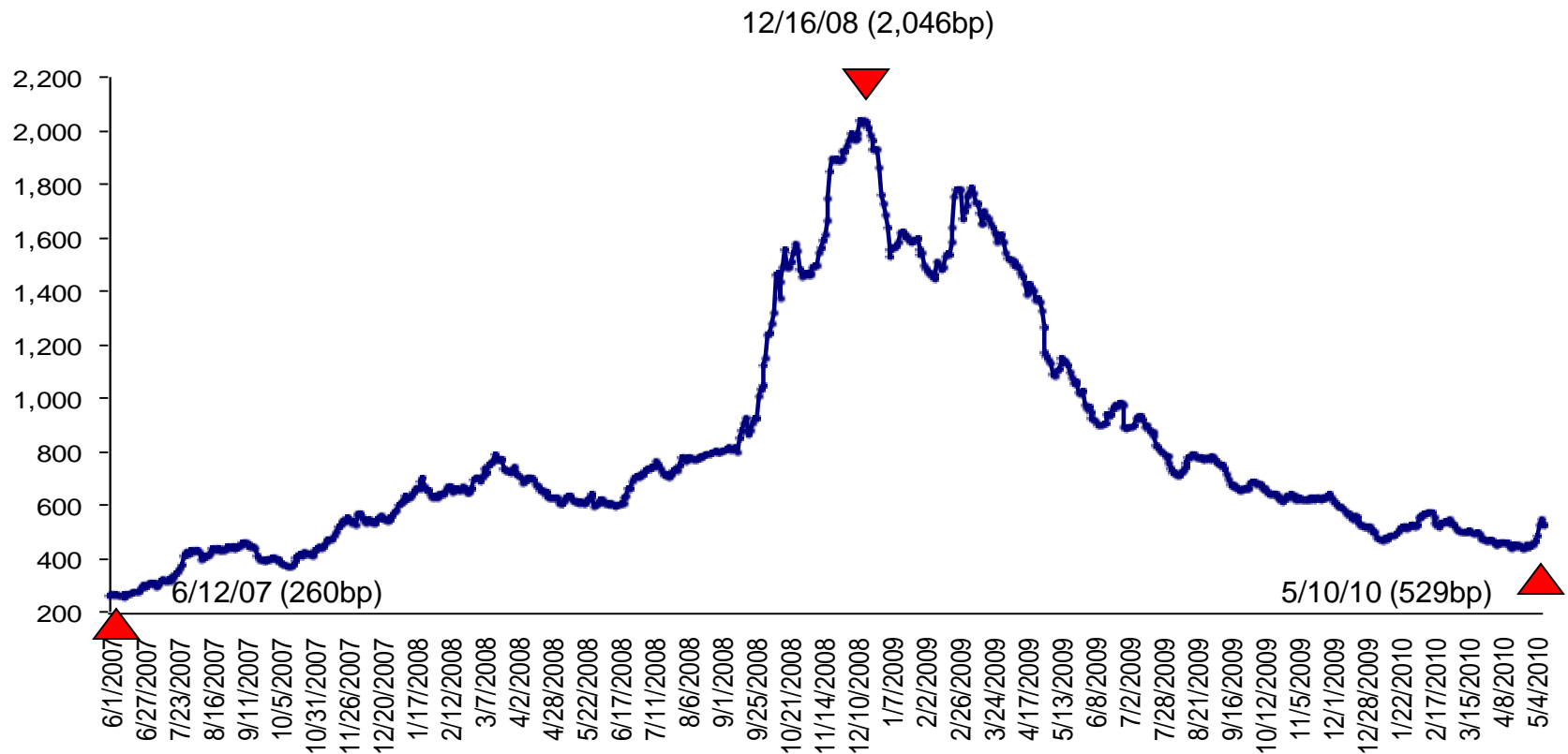
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**Dr. Edward Altman**  
*NYU Stern School of Business*

Sixth Annual Credit Risk Conference  
Moody's Corp. & NYU Stern School of Business  
May 13, 2010

# YTM Spread Between High Yield Markets & 10 Year Treasury Notes

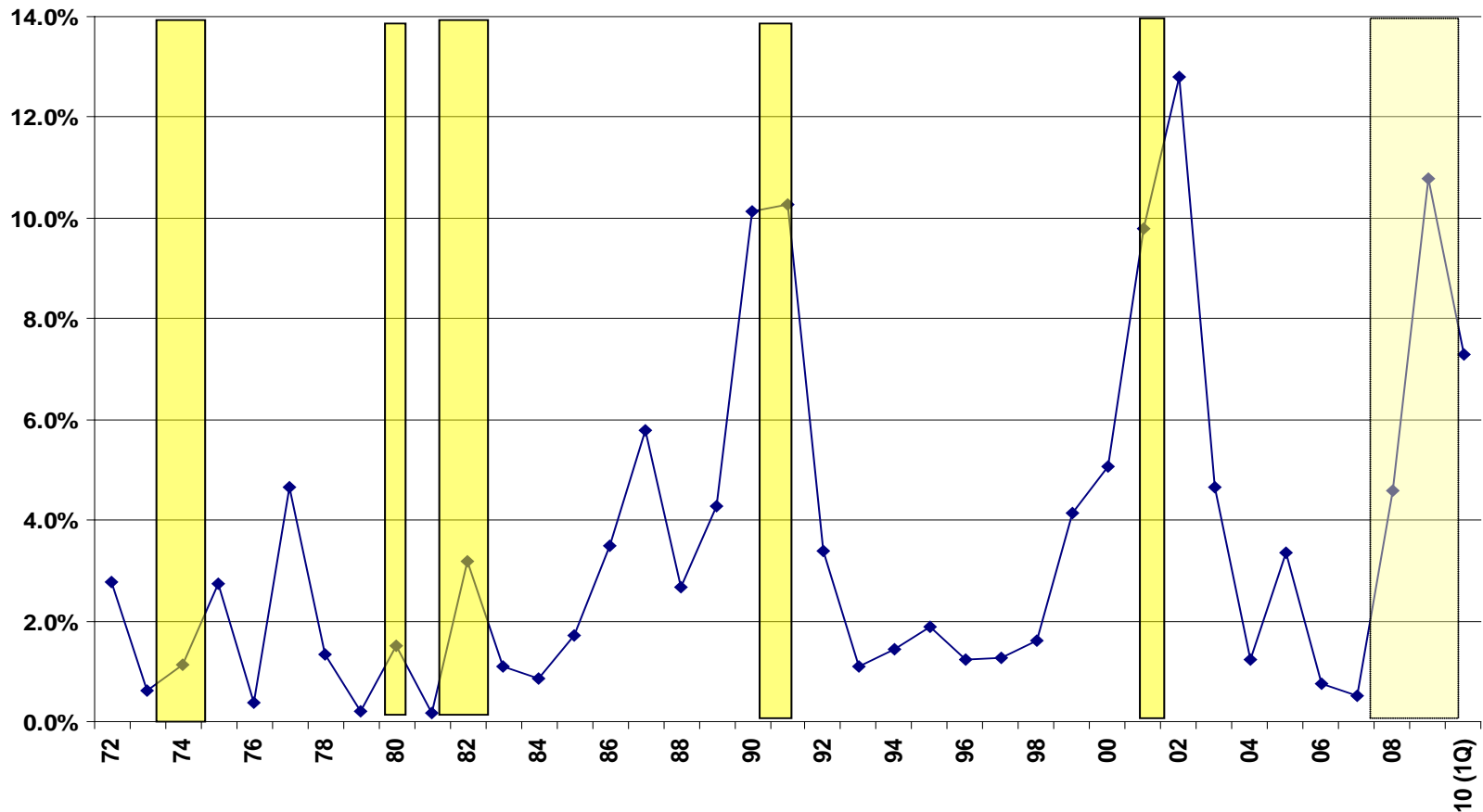
June 01, 2007 – May 10, 2010



Source: Citigroup Yieldbook Index Data

# Historical Default Rates and Recession Periods in the U.S.

## HIGH YIELD BOND MARKET (1972 – 2010 (1Q\*))



Periods of Recession: 11/73 - 3/75, 1/80 - 7/80, 7/81 - 11/82, 7/90 - 3/91, 4/01 – 12/01, 12/07-present

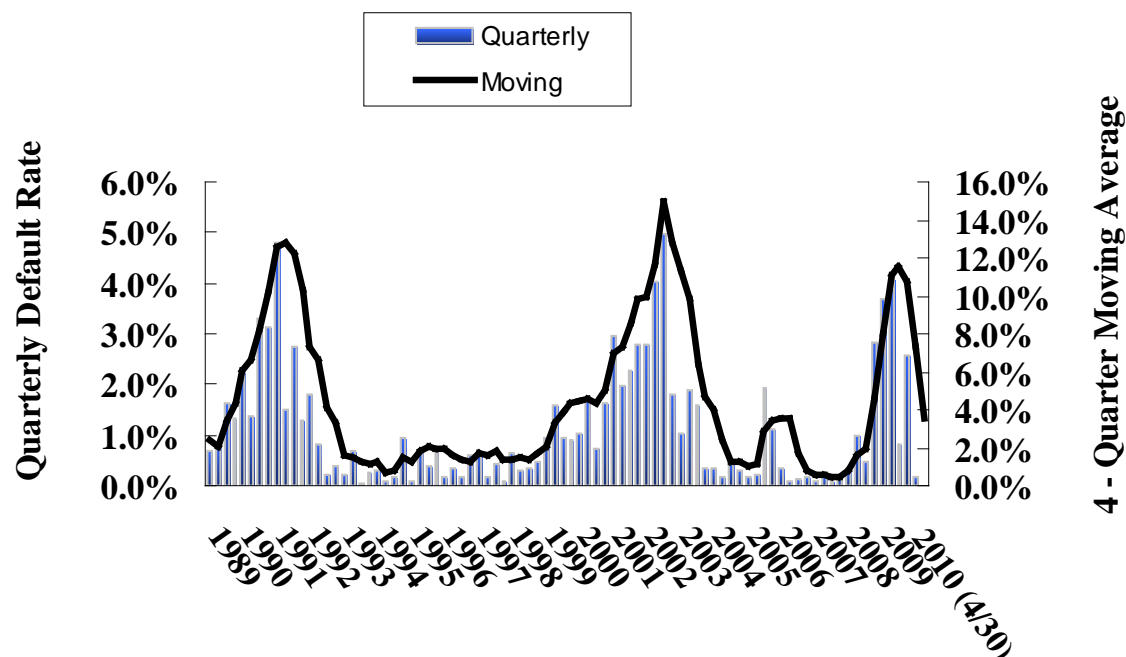
\*All rates annual except for 1Q 2010, which is the LTM default rate.

Source: E. Altman (NYU Salomon Center) & National Bureau of Economic Research

# Historical Default Rates

QUARTERLY DEFAULT RATE AND FOUR QUARTER MOVING AVERAGE

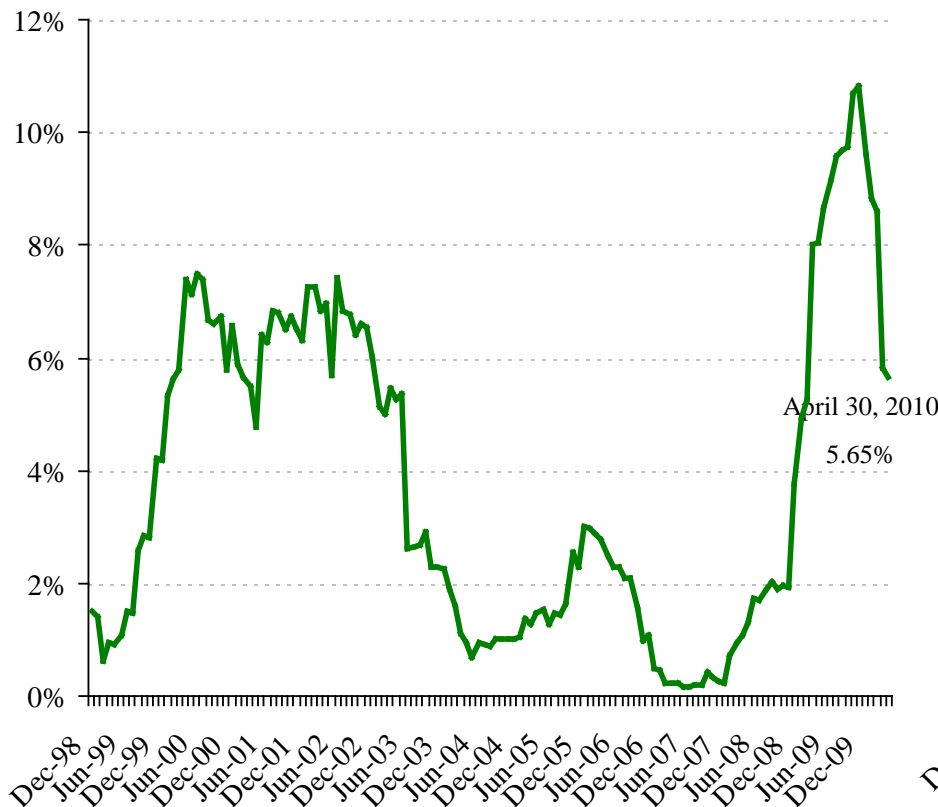
1989 – 2010 (4/30)



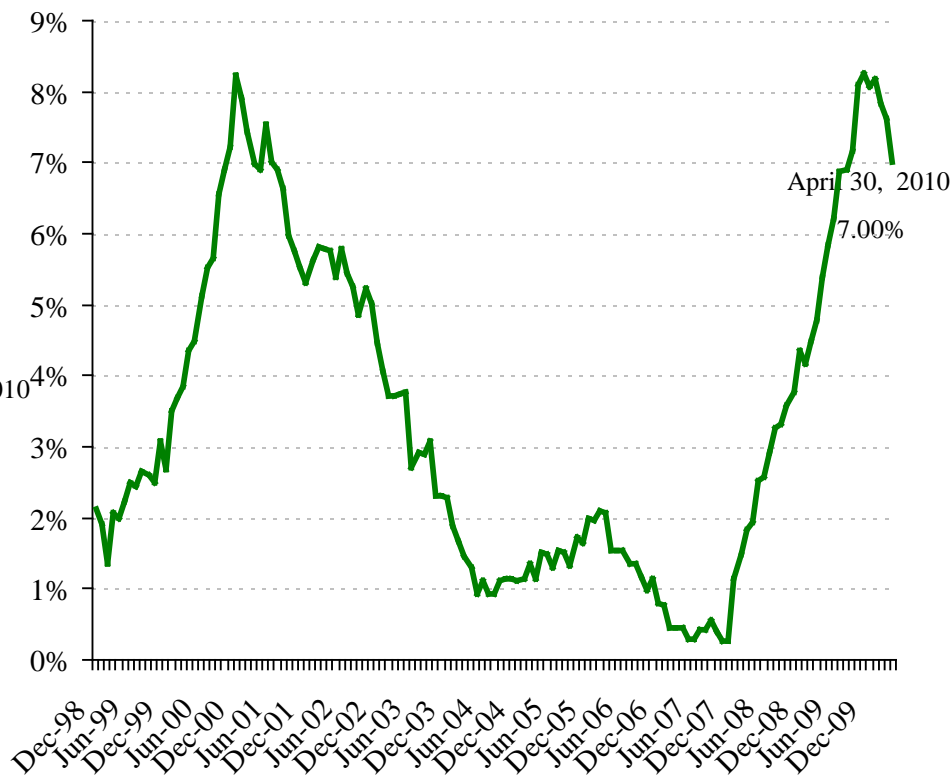
Source: Author's Compilations

# Lagging Twelve-Month Leveraged Loan Default Rate by Principal Amount & Number of Issuers

Lagging 12-months Default Rate by Principal Amount<sup>a</sup>



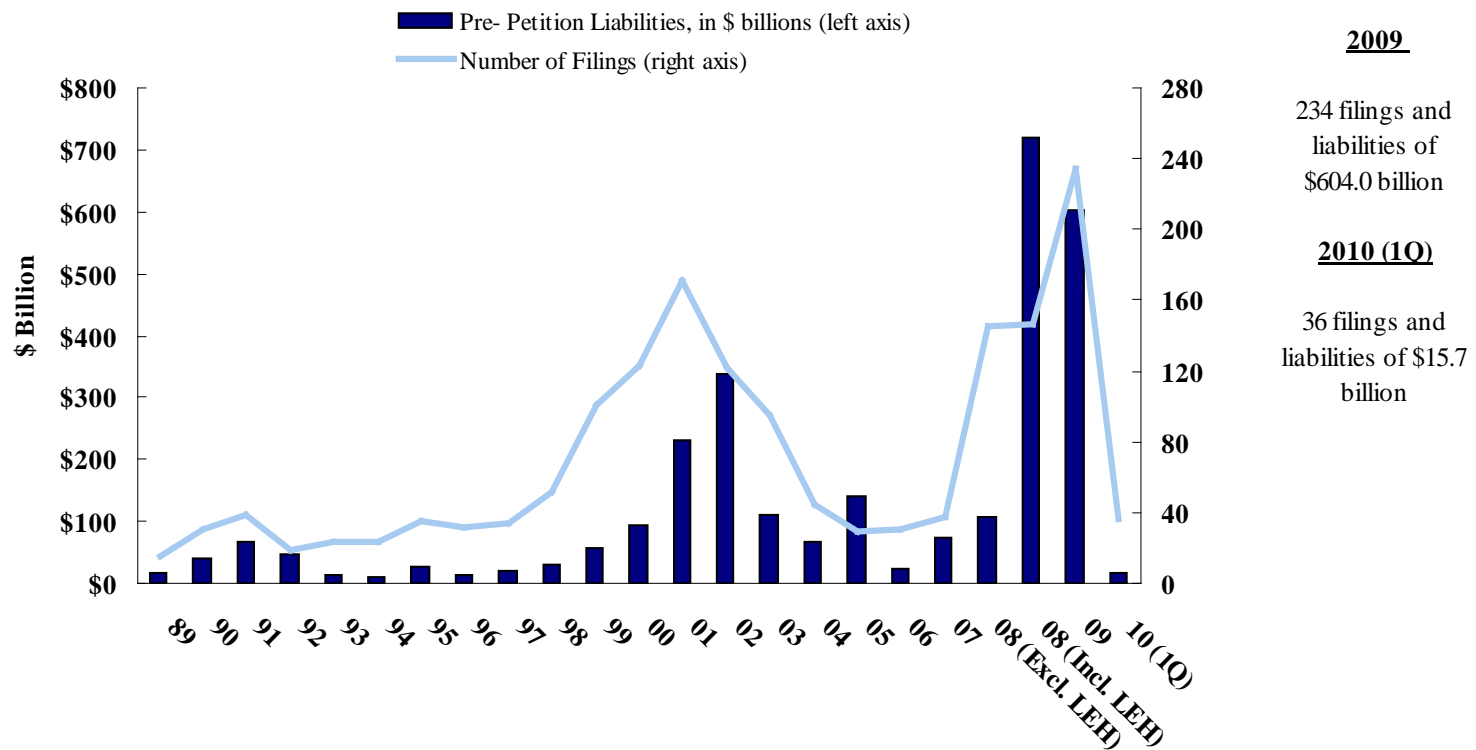
Lagging 12-months Default Rate by Number of Issuers<sup>b</sup>



<sup>a</sup>**Default rate** is calculated as the amount defaulted over the last twelve months divided by the amount outstanding at the beginning of the twelve-month period. <sup>b</sup>**Default rate** is calculated as the number of defaults over the last twelve months divided by the number of issuers in the Index at the beginning of the twelve-month period.

# Filings for Chapter 11

## Number of Filings and Pre-petition Liabilities of Public Companies 1989 – 2010 (1Q)

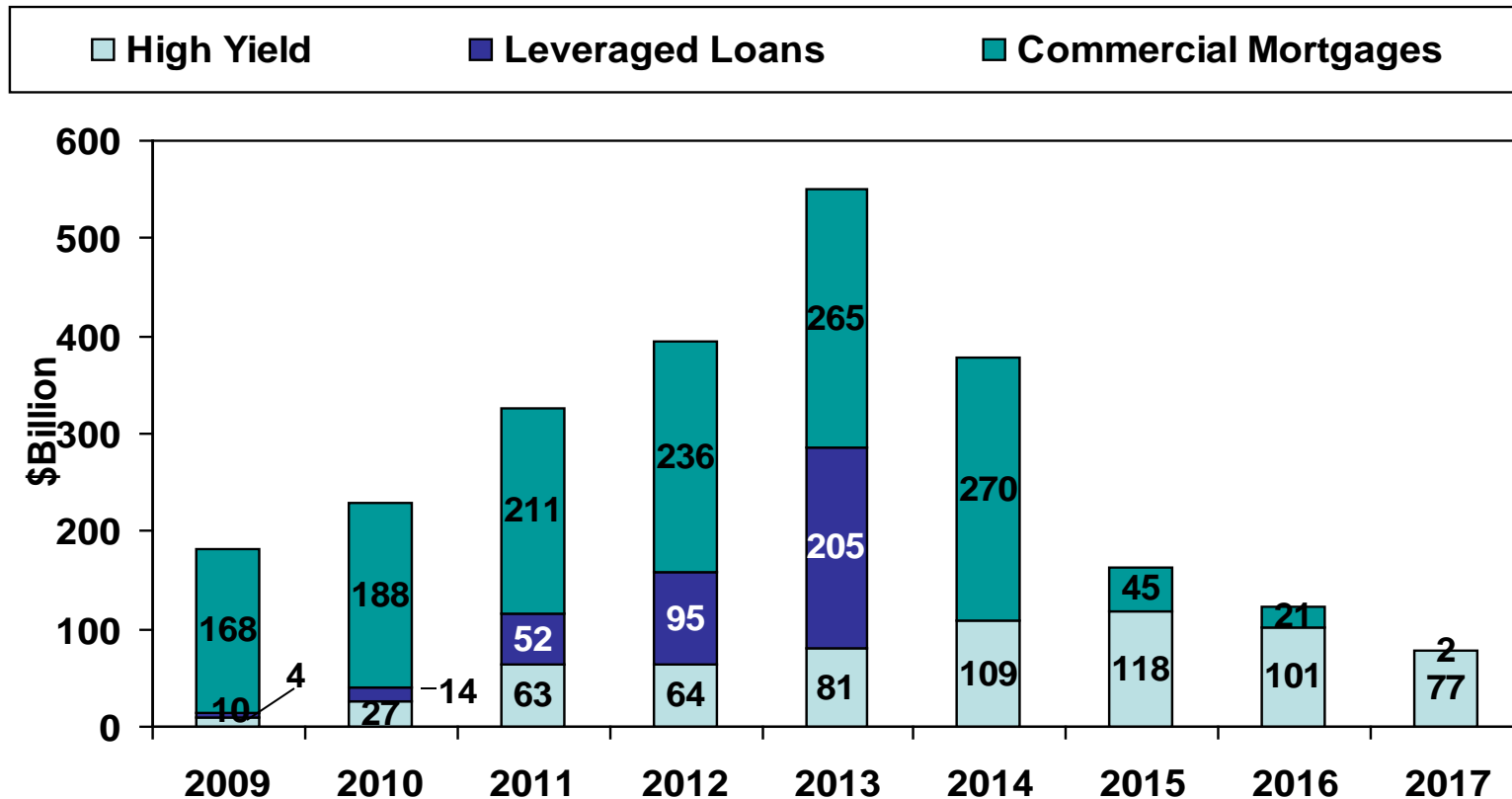


Note: Minimum \$100 million in liabilities

Source: NYU Salomon Center Bankruptcy Filings Database

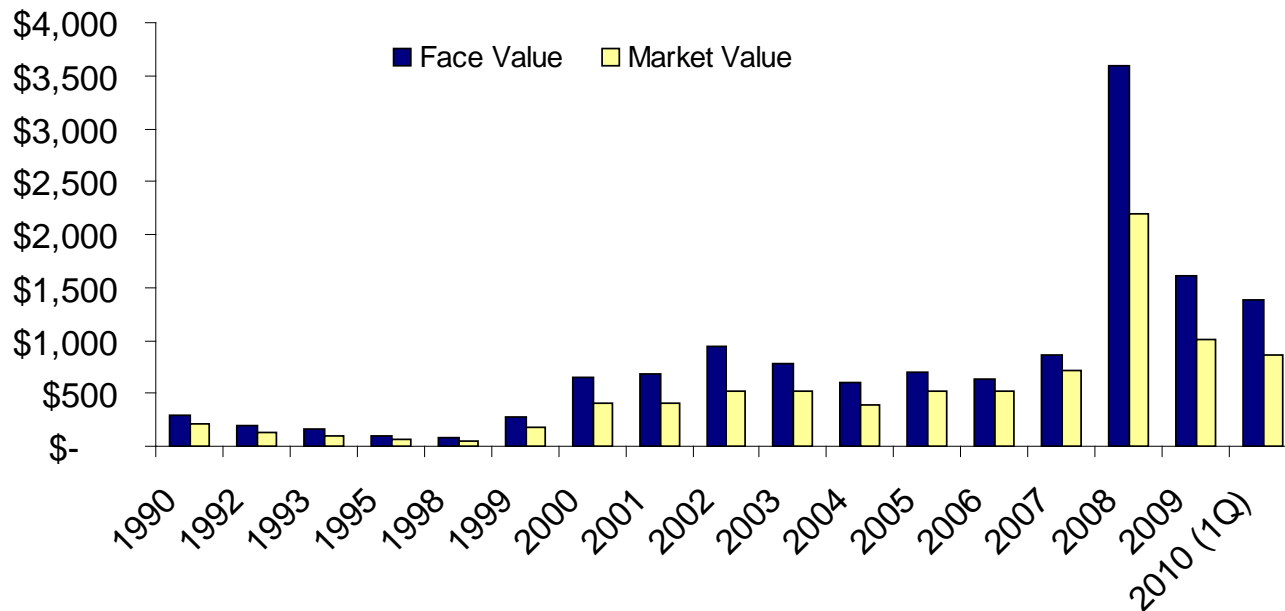
# Upcoming Debt Maturities

High-Yield Bond, Leveraged Loan and Commercial Mortgage Maturities (\$ in billions)



# Size Of The US Defaulted And Distressed Debt Market (\$ Billions)

1990 – 2010 (1Q)



Source: Author's Compilations



# Financial Health of the Private Sector of Selected European Countries: The Z-Metrics Assessment

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Country	One Year Public Model			Five Year Public Model		
	Median PD	Std. Deviation PDs	Median Rating	Median PD	Std. Deviation PDs	Median Rating
Netherlands	0.15283%	1.01811%	ZB-	3.33475%	7.51993%	ZB
United Kingdom	0.21784%	2.58331%	ZC+	3.62337%	11.57593%	ZB-
Germany	0.26832%	3.96037%	ZC+	5.53894%	13.13795%	ZC+
France	0.28986%	2.05875%	ZC+	5.50595%	9.72198%	ZC+
Spain	0.36288%	1.36263%	ZC	6.43911%	9.62815%	ZC
Portugal	0.48197%	0.82711%	ZC	9.35785%	7.24740%	ZC-
Italy	0.49296%	1.64934%	ZC	7.98803%	10.15792%	ZC
Greece	0.93521%	3.65989%	ZC-	10.55568%	14.39616%	ZC-

\*Based on PDs from January 2010 to May 2010