

The Capital Markets Research Group

Frequently Asked Questions

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1. What is the goal of issuer and sector research published by Moody's Analytics' Capital Markets Research Group?

The Capital Markets Research Group's (CMRG) research focuses on explaining signals from the credit and equity markets. It addresses whether market signals, in the opinion of the group's analysts, accurately reflect the risks and investment opportunities associated with issuers and sectors. CMRG research thus complements the fundamentally-oriented research offered by Moody's Investors Service (MIS), the rating agency.

2. Where does the Capital Markets Research Group fit into Moody's organization, and how does it relate to MIS?

The CMRG is part of Moody's Analytics, which is one of the two operating businesses of Moody's Corporation. Moody's Analytics (including CMRG) is legally and organizationally separated from Moody's Investors Service and operates on an arms-length basis from the ratings business.

3. Does the CMRG publish research?

Yes, CMRG publishes research on a variety of topics. The Group has done extensive work in the area of transition risk to address issues such as likelihood of a rating change for a given market price and rating level and the likelihood of a price change given a market price and rating level. In addition, the Group regularly writes about specific obligors where the Group sees relative value anomalies. These analyses are primarily based on Market Implied Ratings (MIRs), Expected Default Frequencies (EDFs), bond and CDS spreads, and equity prices, but also incorporate references to fundamental factors that support the writer's view. In addition, they include a summary of MIS's current rating rationale and note recent rating activity. The Group publishes a weekly summary of market activity, forecasts of economic conditions and spread levels and monthly issuance data. Finally, the Group publishes one time "Special Comment" type pieces in areas of relevance to our customers.

4. Are Market Implied Ratings the same as traditional ratings issued by MIS?

No. As the name implies, MIRs are determined via automated processes based on market inputs and financial models. There is no human intervention, no lead analyst and no "ratings process" involved, including no rating committee.

5. If an MIR is different from a traditional rating, why do we call it a "rating" and why do we use the same symbol system?

We use the term "rating" and the same symbols because of market convention and customer preference. Traditional ratings issued by ratings agencies are the *de facto* market benchmarks, and as such form the basis for a common understanding (or "language") of credit risk. Market participants have always referred to spread and price levels relative to their ratings e.g. "this bond is trading like a Baa2". Our product simply follows this long standing market practice by using ratings nomenclature and the traditional rating symbols. This enables clients to efficiently and consistently compare risk signals from multiple market prices with the result of fundamental analysis (as represented by debt ratings) using a common "language".

6. Do the Group's analysts comment on Moody's ratings?

All CMRG issuer analyses note the credit ratings assigned by Moody's Investors Service and include a summary of the rating rationale and any recent ratings actions. The analyses neither offer views on the "correctness" of the ratings nor do they provide commentary on the likeliness of a ratings change.

7. What happens when the views expressed by the market "disagree" with Moody's ratings?

The "disagreement" will be noted by the analysts, who will also identify and review the drivers of the ratings gaps. However, as noted above, the CMRG analysts do not opine on the ratings.

8. What is the relationship between CMRG analysts and MIS analysts?

Ratings analysts speak with CMRG analysts on the same basis as with any customer. In particular, they do not disclose non-public information about issuers. This includes pending ratings reviews or ratings actions.

9. Do CMRG analysts have contact with the companies they cover?

Analysts typically access public communications from companies such as earnings calls, and will occasionally speak with issuer representatives. In such situations the analysts always distinguish themselves from their counterparts in MIS.

10. Do CMRG analysts have access to non-public information about issuers?

CMRG analysts do not have access to non-public information about issuers. In this regard the Group works on the same basis as buy- and sell-side researchers and analysts.

11. What happens if an issuer disagrees with its implied ratings, or with the conclusions contained in CMRG research?

Issuers are free to contact the CMRG on such questions and have occasionally done so. Such conversations typically cover the rationale for the analysts' views and an explanation of the data and models used in the Group's research. As needed, the Group's representatives also clarify the role of the Group vis-à-vis MIS.

12. Does the CRMG offer investment opinions?

CMRG research often includes opinions about the attractiveness of fixed income instruments as investments.

13. What is the background of the CMRG analysts?

The analysts come from buy- or sell-side, where they have worked as researchers or portfolio managers. They also have experience in the sectors they cover.

14. Who should you contact with any questions about markets-based signals like MIRs or EDFs, or about related research published by the CMRG?

Such questions should be directed to members of the Capital Markets Research Group:

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