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du 29 Aout au 04 Septembre

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Fitch

Fitch - US money fund exposure and European banks: shift to Japan continues

Continuing Shift to Japan: U.S. prime money market funds (MMF) continued to increase their exposure to Japanese banks, which as of end-July represent 12.3% of total MMF holdings or a 118% increase on a dollar basis since end-May 2011 (see Shift to Japan Continues chart and Change in Exposure [on a Dollar Basis] table). This exposure exceeds aggregate MMF allocations to Eurozone banks, which increased moderately since the prior reporting period and now constitute 8.5% of total MMF assets, still 76% below end-May 2011 levels on a dollar basis. This "disengagement" between MMFs and eurozone banks appears to be persisting, as MMF risk aversion continues and both eurozone banks and their regulators seem cautious towards this potentially volatile form of funding. Aggregate MMF allocations to European banks outside of the eurozone

also grew with allocations to Nordic, Swiss, and U.K. banks all rising since end-June on a dollar basis. Outside of

Europe, MMF allocations to Canadian banks declined slightly, while exposures to Australian banks remained constant over the same period. However, since end-January 2012, MMF exposures to Australian banks have declined by roughly 25%, consistent with efforts by these banks to gradually reduce their use of short-term wholesale funding. U.S. banks remain the largest single-country exposure at 12.4% of MMF assets as of end-July.

Liens : Z:\4.Publications\Agences rating\Fitch\ShiftToJapan.pdf

Date de publication : 04/09/2012

Moody's

Moody's - Sovereign Monitor: focus on China

FEATURE ARTICLES

Expansion of Value-Added Tax Trial Is Credit Positive for China

The State Council's announcement to expand a pilot VAT program to ten cities and provinces signals a satisfaction with the results of the initial pilot program in Shanghai; its adoption would be a boost to the private sector by removing duplicate taxation on goods and services.

Interest Rate Liberalization Is Credit Negative For Chinese Banks, Positive for The Sovereign

The People's Bank of China's allowance of a greater degree of flexibility in banks' lending and borrowing rates will help maintain the country's deposit base and help household incomes rise, encouraging a higher level of private consumption as part of a more sustainable growth model.

Lower Growth Target Reflects China's New Realities

The third article shows how a GDP growth target of 7.5% underscores the government's desire to engineer a soft landing, while rebalancing the economy; the new target signals a prelude to implement a new phase of reform.

Containment of Local Government Debt Is Credit Positive for China

A net increase of 0.001% of 2011 GDP in local government debt signaled an effective containment of the policy-induced ramp-up of local government debt in previous years.

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China's State Auditor Confirms Build-Up in Local Government Debt, a Credit Negative 11

China's First Step in Allowing Local Government Bond Issuance Is Credit Positive for the Sovereign 12

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China's New Foreign Exchange Policy Will Help Chinese Firms with Overseas Investment or Offshore Debt 43

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Date de publication : 04/09/2012

Moody's maintains the European Union's Aaa rating, changes outlook to negative

Frankfurt am Main, September 03, 2012 -- Moody's Investors Service has today changed to negative from stable its outlook on the Aaa long-term issuer rating of the European Union (EU). The rating agency has also changed to negative from stable its outlook on the provisional (P)Aaa rating of the EU's medium-term note (MTN) programme.

A provisional rating for a debt facility is an indication of the rating Moody's would likely assign to future draw-downs from the facility, pending the receipt of documentation detailing the terms of the debt issuance. Moody's policy is to assign provisional ratings to all MTN programmes.

The outlook change to negative reflects the negative outlooks now assigned to the Aaa sovereign ratings of key contributors to the EU budget: Germany, France, the UK and the Netherlands, which together account for around 45% of the EU's budget revenue. Moody's believes that it is reasonable to assume that the EU's creditworthiness should move in line with the creditworthiness of its strongest key member states considering the significant linkages between member states and the EU, and the likelihood that the large Aaa-rated member states would likely not prioritise their commitment to backstop the EU debt obligations over servicing their own debt obligations. On 23 July 2012, Moody's had changed to negative its outlooks for the Aaa ratings of Germany and the Netherlands.

The Aaa long-term issuer rating, the provisional (P)Aaa long-term rating and the provisional (P)Prime-1 short-term issuer rating for the EU's debt issuance programmes as well as the Aaa-ratings on existing EU issuances remain unchanged. This is because Moody's two key rationales for assigning a Aaa to the EU remain in place, namely : 1) the EU's conservative budget management, and 2) the creditworthiness and support provided by its 27 member states.

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Date de publication : 04/09/2012

Moody's - Suède

We rate Sweden's government debt Aaa with a stable outlook. The rating is based on our assessment of the country's economic strength as Very High, reflecting both its high GDP per capita and a resilient, diversified economy. Healthy productivity gains, low wage and price inflation, and the country's dominant position in the niche high-technology market have bolstered competitiveness for more than a decade, leading to sizeable current account surpluses.

The rating is also underpinned by its Very High institutional strength ranking. The wealthy and evenly distributed standard of living, good educational attainment and generous social welfare system contribute to a stable political environment, which in turn supports consensus-oriented economic policymaking.

We assess Sweden's government financial strength as Very High. Public finances are healthy thanks to post-crisis budget surpluses and good growth dynamics. The Swedish government has honoured medium-term expenditure ceilings and surplus targets, resulting in a general downward trend in the public debt to GDP ratio over the past decade. Furthermore, the government has adapted the pension system to enable it to cope with the fiscal pressures that would otherwise arise from the ageing population.

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Date de publication : 04/09/2012

Moody's - Suisse

Moody's Aaa sovereign rating for Switzerland is underpinned by very high levels of economic, institutional and government financial strength, which contribute to the country's low susceptibility to event risk.

The economic strength assessment reflects the country's high average incomes, which are expected to be maintained over the long term. Moreover, Switzerland has an open, highly developed and diversified economy that is both a major financial centre and an important producer of chemicals and

pharmaceuticals. The country also has a long history of fiscal prudence, low inflation and benefits from a strong net external creditor position. Although the strength of the Swiss franc has caused problems for exporters in the context of the current crisis, the central bank's efforts to try and limit the appreciation in the franc are, on balance, credit-positive despite the longer-term inflation risks that they raise, and the challenges the Swiss National Bank will probably find in unwinding this policy.

Switzerland's institutions are very robust and the political system is highly transparent. This is supported by the country's political stability, although its referendum democracy has resulted in a cumbersome reform and deregulation process.

The very strong assessment of government financial strength is supported by the broad consensus on fiscal discipline in Switzerland, which was institutionalised by new fiscal rules (the so-called "debt brake") that came into force in 2003. The public debt burden now compares favourably with the country's payment capacity, as indicated by the debt-to-revenue and interest-to-revenue ratios. The government's adjustment capacity is also significant, with no major constraints on its ability to generate additional revenue or restrain expenditures and ready access to finance in the event of need.Moody's Aaa sovereign rating for Switzerland is underpinned by very high levels of economic, institutional and government financial strength, which contribute to the country's low susceptibility to event risk.

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Date de publication : 04/09/2012

Moody's - Moody's Review Of Spanish Government's Baa3 rating Likely To Continue Through The End Of September

London, 30 August 2012 -- The Baa3 long term debt rating of the Spanish government remains on review for possible downgrade. The review commenced on 13 June 2012 and will likely continue through the end of September because of pending information on:

(1) the scope of the bank recapitalisation needs;

(2) the nature and size of support mechanisms available under the European Stability Mechanism (ESM) in light the upcoming German Constitutional court ruling; and

(3) potential changes and additions to the existing crisis-management framework as policymakers reconvene in the next few weeks to discuss policy options in a number of areas, including the further advancement of a banking union.

At the same time, Moody's cannot exclude the need for more immediate action if Spain's ability to refinance maturing debt was to deteriorate sharply, prompting the country to seek external support beyond the recapitalization programme. While full support under these market conditions would alleviate the risk of a default in the short term,

Moody's believes that medium-term risks to bondholders would increase in such a scenario.

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Date de publication : 04/09/2012

Moody's - Update to the Global Macro-Risk Outlook 2012-13: Euro Area Debt Crisis Continues to Pose the Greatest Risk

We have revised downwards our growth forecasts for the emerging G-20 economies, due to weaker external environment and decelerating domestic demand that have caused a slowdown in growth momentum. Overall, we now expect real growth in these economies to be around 5.2% in 2012 compared with our earlier forecast of 5.8%, and around 5.7% in 2013 compared with 6.0% previously.

We continue to expect only a modest recovery in the G-20 advanced economies, with real growth of around 1.4% in 2012 and 2.0% in 2013, in line with our April update to the forecasts.1

Elevated downside risks to the forecast and their crystallization would pose a serious threat to the outlook for global growth. The main risks to the outlook stem from the following: We maintain our forecast for relatively robust growth in the US and we continue to expect that the euro area as a whole will experience a mild recession in 2012. Financial markets volatility, fiscal consolidation efforts, weak consumer and business confidence, persistently high unemployment levels, and real-estate market weaknesses will continue to constrain growth in advanced economies.

» A deeper than currently expected recession in the euro area.

» The potential for a hard landing in major emerging markets.

» An oil-price supply-side shock resulting from resurfacing geopolitical risks. This risk has abated somewhat in recent months, but remains a high-severity tail-risk event.

» Sudden and sharp fiscal tightening in the US in 2013, given recent political gridlock.

This report is an update to our April Global Macro Risk Scenarios report.2

1 See It reviews key recent developments, provides an update on our baseline forecasts for 2012-13 and discusses the downside risks to our forecasts.

Liens : Z:\4.Publications\Agences rating\Moody's\EuroAreaCrisis.pdf

Date de publication : 04/09/2012

Moody's - WCO: 03/09/2012

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» Delay in Stress Testing for Smaller US Banks Is Credit Negative

» US Loan Maturities Create Major Refinancing Risk for 2016

» Brazil Injects Capital in Caixa, but Quality and Quantity Are Wanting

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Research Highlights 29

Last week we published on US coal producers, Russian steel companies, Korean government-related issuers, China's property market, iron ore, US manufacturers, Central and Eastern European automakers, US life insurers, money market funds, CEE sovereigns, Denmark, and US credit cards ABS, among other reports.

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Date de publication : 04/09/2012

S & P

S&P - Financial Repression Would Hurt The Highest-Rated Sovereigns, But Help Those At The Bottom

When faced with the painful task of balancing budgets, some governments--we believe--will increasingly be tempted to use instead administrative controls over their monetary systems to lower interest rates below the level at which they would otherwise settle. In other words, they will repress their financial systems to mitigate the premium investors require when inflation expectations become more entrenched. In Standard & Poor's Ratings Services' opinion, financial repression creates distortions whose costs exceed the benefits of lower interest rates, until a government's creditworthiness has become very weak. Under our criteria, this course of action would have mixed effects on sovereign ratings (see "Sovereign Government Rating Methodology And Assumptions," published June 30, 2011, on

RatingsDirect).

High-rated sovereigns likely would suffer because resorting to financial repression would imply an inability or unwillingness to undertake stronger fiscal or structural measures to improve economic dynamics. Sovereigns that we rate lower would benefit from lower interest costs, though this would provide only a small uplift because financial repression would also diminish their economic growth prospects. Both effects would likely be part of broader trends that could have an even more determinate impact on ratings.

Liens : Z:\4.Publications\Agences rating\S&P\Financial Repression.pdf

Date de publication : 04/09/2012

S&P - Portugal

The ratings on Portugal are constrained by its very high general government and external debt burden, and weak economic outlook. Its strong political commitment to the EU/IMF program and the rapid opening of its economy are rating strengths. Although we consider that the transition from a domestically-focused to an export-oriented economy has increased near-term fiscal challenges, we expect Portugal will continue to implement the EU/IMF program--including budgetary consolidation measures--in a timely and rigorous manner. Despite its gradually improving economic fundamentals, however, we are of the view that Portugal's exports-based recovery still faces significant headwinds from potentially weaker economic and financial conditions in the eurozone, particularly Spain;

Spain is Portugal's largest trade partner and external creditor, buying around one-quarter of Portugal's exports. The risk of weaker export demand from Portugal's traditional trade partners could be offset by its increasing export receipts from markets outside Europe, as well as from increasing market share in larger eurozone economies such as France and Germany. Although the external adjustment has been more rapid, on a flow basis, than we had expected, we observe that so far the narrowing of the current account deficits has not been sufficient to reduce the country's high external debt stock. It remains our baseline assumption that Portugal is unlikely to regain full international capital market access in the next 12 months and we anticipate an extension of the official funding program, likely mainly from the European Stability Mechanism (ESM).

The Portuguese government, elected after the EU/IMF program was negotiated, has so far aligned its policies closely to the program requirements and has achieved the key quantitative targets. Over the last 12 months, it has enacted numerous reforms to enhance economic competitiveness and attract foreign investment. We believe that these microeconomic reforms should contribute to Portugal's rebuilding economic flexibility, increasing the likelihood of competitiveness improving via rising productivity rather than declining wages.

Factoring in the state support to Portuguese banks and state-owned entities, we expect general government debt to peak at around 119% of GDP in 2013 before declining slowly. We also see the risk that general government consolidation will expand to include additional public-sector entities that rely heavily on government transfers, resulting in general government debt increasing. Public Private Partnership (PPP) contracts, mostly for infrastructure projects, could also pose contingent liabilities. When we also include the potential need for additional banking system support--should the system come under severe stress--we estimate the total contingent liability to the government could exceed 30% of GDP. The system recently received a capital injection of €7.2 billion (€6.0 billion from the state), and faces ongoing domestic challenges, in our view. Losses, however, are likely to be partly offset by profits from abroad. Retail deposits are stable but credit losses are on the rise, a trend we expect to continue.

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Date de publication : 04/09/2012

S&P - Singapore

The unsolicited sovereign credit ratings on Singapore reflect the country's extensive fiscal and external strengths, its solid record of prudent macroeconomic management, and political stability. The ratings also reflect the challenges that

Singapore's small and open economy faces.

Standard & Poor's Ratings Services estimates Singapore's general government surplus to have averaged 6.7% of GDP between 2007 and 2011. These large surpluses provide a high degree of fiscal flexibility against potential economic shocks. Singapore retains a disciplined approach toward fiscal policy. According to its constitution, every government must have at least an overall balanced budget over its five-year term. Although 2009 was the first fiscal deficit in years (negative 1.6% of GDP), the government returned to large surpluses in 2010 and 2011. We project the 2012 budget (fiscal year ending March 31, 2013) to turn a surplus again of about 3.9% of GDP. At the same time, we believe the government stands prepared to introduce stimulus measures if global conditions further deteriorate in fiscal 2013.

The sovereign's net external position remains very strong, underpinned by the absence of external public sector debt. We estimate liquid external assets to have exceeded gross external debt by 84% of current account receipts as of end-2012. This reflects a combination of fiscal prudence and consistently high current account surpluses, which averaged 20.8% of GDP in 2007-2011.

Singapore's political stability also supports the ratings. The government has consistently embraced a pragmatic and long-term approach to policymaking, which has delivered a high standard of living for Singaporeans. Its policy responses have also been swift and appropriate for countering economic challenges so far. Nonetheless, the 2011 general election results suggest that the People's Action Party will face hurdles in trying to ensure electoral populist demands do not prevail over economic wisdom in policymaking.

The country is more exposed to exogenous shocks than some of its peers, given its small and open economy. The 2008-2009 global downturn badly affected Singapore's economic performance. The country does not have sufficient room to shift its focus to more domestic-oriented growth, unlike some of its bigger neighbors. This limitation is partly mitigated by the government's fiscal flexibility to deal with cyclical shocks and by its continued efforts in ensuring the economy's competitiveness.

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