

SOVEREIGN & COUNTRY RISK ANALYSIS

A Structured Approach to Risk Identification & Mitigation

Overview

This course will provide delegates with a detailed understanding of analytical methodologies for assessing sovereign and country risks in mature and developing markets. Moody's Investors Service publishes ratings to inform investors of the differing risks they face, including country ceilings for foreign and local currency bonds and notes, country ceilings for foreign and local currency bank deposits, and government bond ratings. Delegates will gain an understanding of how countries are assessed but content will not be restricted to how the ratings process is applied by Moody's Investors Service. The course offers a combination of short presentations, discussions, exercises, and case studies to enrich the learning experience.

Target Participants

This course is recommended for credit professionals with approximately two or more years' experience, or individuals who understand macro-economics. They could include:

- Sovereign and/or commercial credit analysts
- Investment, commercial and/or central bankers
- Investor relations or relationship managers
- Fixed Income professionals

Course Benefits

By the end of this course, participants will be able to:

- Understand how sovereigns prepare financial statements.
- Apply a structured framework to analyze banking institutions in mature and developing markets.
- Interpret quantitative and qualitative risk drivers.
- Understand country ceilings.
- Apply lessons from historical defaults and moratoriums.
- Identify political and macro-economic factors and their part in influencing the rating.
- Appreciate the drivers of country risk.
- Evaluate external support (IMF/ESM/Chang Mai Initiative etc.)
- Consider modeling applications for sovereign risk.
- Determine a final credit assessment of a sovereign.

COURSE CONTENTS

Overview & Sovereignty Concepts

- Course introduction and overview
- Rating agencies' process for sovereign credit assessment and their relevance
- Sovereign ratings: accuracy and stability
- Migration and default rates
- Sovereignty: definition and limitations
- **Group discussion:** Sovereign ratings and variations across agencies

Introduction to Sovereign Risk Analysis

- Sovereign default history
- Sovereign default drivers
- Linkages between sovereign and other sectors
- Legal considerations
- GDP as a benchmark
- Income or wealth?
- Sovereign accounting under International Public Sector
- Accounting Standards

- **Group exercise:** What makes a country rich or creditworthy?

Framework for Sovereign Analysis

- Framework for analysis – key risk factors » Economic strength
 - Institutional strength
 - Fiscal strength
 - Susceptibility to event risk
- Analysis of economic strength » Growth dynamics
 - Scale of the economy
 - National income
 - Additional considerations
- Institutional strength » Institutional strength and effectiveness
 - Policy credibility and effectiveness
 - Additional considerations
- Fiscal strength » Debt burden
 - Debt affordability
 - Other considerations
- Susceptibility to event risk » Domestic and geopolitical risk
 - Government liquidity risk

- Banking sector risk
- External vulnerability risk
- **Case study:** Group exercise – establishing a rating range.

Market Signals & Country Risk

- Market signals from bonds and credit default swaps
- How does country risk differ from sovereign risk?
- Drivers of country risk
- **Group exercise:** Examples of country risk?

Calibrating Sovereign Ratings

- Recent sovereign trends
- Role of the IMF
- Commission on Growth Development and implications for developing markets.
- Determinants of government bond ratings
- Foreign Currency vs. Local Currency
- Country ceilings
- Piercing the sovereign ceiling
- Economic and political indicators
- Key considerations
- Key ratios

Detailed Analytics

- Debt or net worth?
- Accounting
- Accruals vs. cash accounting for sovereigns
- Economic structure and performance
- Political issues
- External debt position
- Government debt: net/gross
- Contingent liabilities
- Liquidity
- Relevance of wider political considerations: ESM/EFSF/Chang Mai Initiative/IMF

Default and Recovery

- What governs recovery rates?
- Modeling sovereign risk
- Lessons from history: sovereign contagion risk (e.g., Latin America, South-East Asia, EU)
- How to assess GDP growth prospects
- Monetary flexibility
- Fiscal flexibility
- **Case study exercise:** Determining a final rating.

End of Course & Closure.

COURSE DURATION	DELIVERY MODE	DELEGATE CLASS SIZE	COURSE FEE/PARTICIPANT
3 DAYS	In-Plant	8 (Guaranteed Minimum)	For quote, please click the following link: - http://demvros.com/contact/
Discount is available for class size above the minimum. Please visit www.demvros.com or call 08056154199 or e-mail for further enquiries.			