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Credit Trends:

CreditWatch Placements And Outlooks Continue To Foreshadow Ratings Behavior

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Credit Trends:

CreditWatch Placements And Outlooks Continue To Foreshadow Ratings Behavior

CreditWatch placements and rating outlooks are important tools in the analysis of credit migrations. A recent study confirms earlier findings that CreditWatch and rating outlooks provide powerful signals of future rating changes. Investors and other market participants who try to anticipate rating actions can use these indicators as valuable predictors of ratings behavior.

This study shows that CreditWatch and Outlooks are behaving as expected under the most recent criteria (see "Use Of CreditWatch And Outlooks," Sept. 14, 2009). Moreover, over time the proportion of outlooks and CreditWatch placements that have resulted in a rating change that coincides with their implied direction (a positive CreditWatch placement preceding an upgrade, for example) has increased.

Overview

- From 1990 through 2015, 66.9% of CreditWatch positive placements resulted in an upgrade, and a downgrade followed 59.6% of CreditWatch negative placements.
- Over the same timeframe, 51.9% percent of positive outlooks were followed by an upgrade, and 40.2% of negative outlooks resulted in a downgrade.
- Reversals in rating direction (a rating with a negative outlook being raised, for example) are rare, as expected.
- CreditWatch negative listings have outnumbered CreditWatch positive listings by a ratio of 3.5 to 1.
- The correlation between outlooks/CreditWatch placements and rating actions has fluctuated somewhat but has generally increased in the last few years.

CreditWatch And Outlooks Provide Additional Insight Into Rating Trends

In general, CreditWatch placements and, to a lesser degree, rating outlooks are a strong signal of future rating changes (see Table 1). These results are in accord with our guidelines, which state that we place ratings on CreditWatch when, in our analysts' opinion, there is at least a 50% likelihood that we will change the rating in the near term (within 90 days). We assign a positive, negative, or developing outlook when we believe there is at least a 33% likelihood of a rating action in the intermediate term (two years for investment-grade ratings, one year for speculative-grade; see "Use Of CreditWatch And Outlooks," Sept. 14, 2009).

Table 1

Probability Of Rating Changes Following An Outlook Assignment Or CreditWatch Placement				
Corporate and government services (1990 - 2015)				
	Upgrades (%)	Downgrades (%)	Affirmations (%)	Withdrawals (%)
Positive outlook	51.86	0.55	42.32	5.27
Stable outlook	10.93	12.71	65.57	10.79

Table 1

Probability Of Rating Changes Following An Outlook Assignment Or CreditWatch Placement (cont.)				
Corporate and government services (1990 - 2015)				
	Upgrades (%)	Downgrades (%)	Affirmations (%)	Withdrawals (%)
Negative outlook	1.13	40.18	54.40	4.29
CreditWatch positive	66.86	0.47	20.27	12.40
CreditWatch negative	0.69	59.58	36.68	3.05

The data in this study can be used in portfolio and risk management tools that include credit migration assumptions, such as a transition matrix. For example, let's look at corporate issuers globally that are rated in the 'BBB' category. Of these, on a one-year weighted average basis, we upgraded 3.7%, downgraded 4.7%, and withdrew 6.2%, and 0.2% of them defaulted. However, transition matrices that also consider outlook and CreditWatch status provide substantially more insight into rating trends (see Tables 2 and 3). For this same set of companies:

- 54.5% with a positive outlook were upgraded, within 12 months on average.
- 69.7% of those with ratings on CreditWatch positive were upgraded, within 168 days on average.
- 31.3% of those with a negative outlook were downgraded, on average within nine months.
- 55.5% of those with ratings on CreditWatch negative were downgraded, on average within 110 days.
- Only 12.2% with a stable outlook were upgraded, and 6.1% with a stable outlook were downgraded.

(For more information, see "2015 Annual Global Corporate Default Study And Rating Transitions," May 2, 2016.)

Table 2

Corporate Outlook Resolutions (1990 - 2015)										
Rating/outlook	Upgrade (%)	Downgrade (%)	Positive (%)	Stable (%)	Negative (%)	Developing (%)	Watch Pos (%)	Watch Neg (%)	Watch Dev (%)	Withdrawn (%)
AAA										
Positive	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Stable	N/A	14.71	N/A	N/A	50.74	N/A	N/A	22.43	N/A	12.13
Negative	N/A	38.03	N/A	21.13	N/A	N/A	N/A	38.03	N/A	2.82
Developing	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
AA										
Positive	45.83	0.38	N/A	35.23	1.89	0.76	8.33	2.65	0.38	4.55
Stable	4.52	12.63	7.54	N/A	40.80	0.15	3.48	21.28	0.42	9.18
Negative	0.59	42.42	0.27	26.94	N/A	0.05	0.43	23.89	1.34	4.07
Developing	7.69	53.85	7.69	7.69	0.00	N/A	0.00	15.38	7.69	0.00
A										
Positive	51.18	0.52	N/A	30.80	2.07	0.15	7.24	3.18	0.44	4.43
Stable	9.50	9.04	13.96	N/A	29.67	0.36	5.74	21.82	1.29	8.62
Negative	0.46	32.50	0.54	33.20	N/A	0.34	0.95	26.87	0.63	4.50
Developing	8.43	20.48	3.61	18.07	10.84	N/A	14.46	15.66	6.02	2.41
BBB										
Positive	54.47	0.31	N/A	26.22	1.39	0.76	7.90	3.50	1.26	4.18

Table 2

Corporate Outlook Resolutions (1990 - 2015) (cont.)										
Rating/outlook	Upgrade (%)	Downgrade (%)	Positive (%)	Stable (%)	Negative (%)	Developing (%)	Watch Pos (%)	Watch Neg (%)	Watch Dev (%)	Withdrawn (%)
Stable	12.16	6.09	19.60	N/A	25.72	0.23	6.98	17.21	1.60	10.42
Negative	0.81	31.29	0.95	35.68	N/A	0.37	2.02	23.66	0.81	4.40
Developing	10.53	11.40	7.02	13.16	18.42	N/A	14.91	13.16	6.14	5.26
BB										
Positive	52.77	0.47	N/A	23.87	2.33	0.56	8.67	4.62	0.98	5.73
Stable	14.75	8.58	17.62	N/A	20.48	0.37	8.49	14.91	1.86	12.93
Negative	0.92	37.95	2.06	29.18	N/A	0.34	2.46	20.45	1.48	5.17
Developing	10.81	15.32	14.41	13.51	12.61	N/A	8.11	12.61	7.21	5.41
B										
Positive	43.46	1.04	N/A	27.32	3.44	0.77	10.76	4.39	1.76	7.06
Stable	12.32	12.89	13.52	N/A	21.37	0.37	9.59	12.19	1.94	15.81
Negative	1.43	45.81	2.50	22.78	N/A	0.52	3.69	13.91	1.45	7.90
Developing	9.71	14.29	7.43	13.71	12.57	N/A	10.86	9.71	9.14	12.57
CCC/C										
Positive	61.04	0.00	N/A	7.79	6.49	4.55	9.09	1.95	0.65	8.44
Stable	36.00	10.50	10.25	N/A	10.00	1.75	9.75	4.75	0.75	16.25
Negative	7.89	61.93	1.57	3.75	N/A	2.09	5.06	4.36	1.18	12.17
Developing	18.75	23.81	6.55	2.68	16.07	N/A	11.31	3.57	1.79	15.48
Total										
Positive	50.44	0.57	N/A	26.59	2.39	0.68	8.79	3.91	1.15	5.47
Stable	10.63	12.46	13.82	N/A	22.51	0.30	6.68	21.54	1.41	10.66
Negative	1.14	39.37	0.99	29.47	N/A	0.38	1.70	21.93	0.77	4.26
Developing	13.46	19.11	7.57	9.50	14.42	N/A	11.42	8.77	5.17	10.58

N/A--Not applicable.

Table 3

Corporate CreditWatch Resolutions (1990 - 2015)										
Rating/CreditWatch status	Upgrade (%)	Downgrade (%)	Positive (%)	Stable (%)	Negative (%)	Developing (%)	Watch Pos (%)	Watch Neg (%)	Watch Dev (%)	Withdrawn (%)
AAA										
Positive	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Negative	N/A	72.50	N/A	9.38	16.88	N/A	N/A	N/A	N/A	1.25
Developing	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
AA										
Positive	56.08	0.68	3.38	25.68	2.03	0.00	N/A	3.38	0.68	8.11
Negative	0.43	64.05	0.09	12.89	20.15	0.00	0.17	N/A	0.51	1.71
Developing	3.70	16.67	0.00	22.22	25.93	1.85	16.67	11.11	N/A	1.85

Table 3

Corporate CreditWatch Resolutions (1990 - 2015) (cont.)

Rating/CreditWatch status	Upgrade (%)	Downgrade (%)	Positive (%)	Stable (%)	Negative (%)	Developing (%)	Watch Pos (%)	Watch Neg (%)	Watch Dev (%)	Withdrawn (%)
A										
Positive	63.68	0.30	6.13	14.95	0.90	0.60	N/A	2.54	4.33	6.58
Negative	0.22	58.99	0.22	16.28	20.71	0.09	0.82	N/A	1.29	1.38
Developing	11.69	16.53	3.23	20.56	7.26	1.21	14.52	20.97	N/A	4.03
BBB										
Positive	69.69	0.46	3.66	9.07	1.28	0.64	N/A	1.47	5.04	8.70
Negative	0.82	55.47	0.45	17.88	19.18	0.06	0.73	N/A	2.09	3.33
Developing	6.68	15.42	3.60	17.74	8.74	1.80	20.82	18.51	N/A	6.68
BB										
Positive	65.24	0.55	4.74	7.76	0.82	0.00	N/A	1.09	3.01	16.79
Negative	0.19	59.14	1.18	14.20	18.25	0.42	0.88	N/A	1.57	4.16
Developing	11.98	22.01	2.79	15.88	7.80	1.11	15.04	14.48	N/A	8.91
B										
Positive	65.81	0.33	3.89	9.16	1.25	0.33	N/A	1.12	1.38	16.73
Negative	0.34	56.40	0.59	13.51	21.40	0.62	0.96	N/A	1.97	4.22
Developing	11.91	20.40	4.69	19.49	7.22	1.99	12.64	11.91	N/A	9.75
CCC/C										
Positive	76.85	1.34	1.34	2.68	3.36	3.36	N/A	1.34	5.03	4.70
Negative	3.82	74.68	0.34	1.61	10.45	1.44	1.44	N/A	2.97	3.23
Developing	34.07	34.07	1.10	0.73	3.66	5.86	9.52	6.23	N/A	4.76
Total										
Positive	66.65	0.48	4.17	9.73	1.27	0.54	N/A	1.47	3.19	12.51
Negative	0.67	59.46	0.52	14.16	19.19	0.36	0.83	N/A	1.72	3.09
Developing	13.80	21.04	3.25	15.93	7.67	2.24	14.70	14.12	N/A	7.25

N/A--Not applicable.

Because CreditWatch listings and the assignment of positive and negative outlooks often provide warning signals of potential changes in credit quality, investors can use these indicators to better focus their own analytical efforts. For example, if we revise our outlook on a company to negative from stable, that company might warrant deeper scrutiny than one that has had a stable outlook for several years. Even among firms with stable outlooks, ratings were less likely to change if the outlook had been stable for several quarters. However, a prior outlook or CreditWatch placement does not have any bearing on the current outlook or CreditWatch placement.

Upgrades and downgrades from a stable outlook each accounted for about 11% of rating actions. In other words, it is fairly uncommon to raise or lower a rating with a stable outlook. At times, however, unexpected developments may occur, prompting such a rating change. Direction reversals, such as raising a rating with a negative outlook, are rare. This could occur, for example, when a company that has been declining is suddenly acquired by a stronger firm. There

were no direction reversals of sovereign ratings over the period covered in this report (1990 – 2015), but there was one on Jan. 15, 2016, when we downgraded Poland to 'A-/Negative' from 'A/Positive'.

Outlook And CreditWatch Resolutions

In addition to tracking outlook and CreditWatch resolutions, we measured the percentage of rating changes that were preceded by outlook and CreditWatch listings (see Table 4). As shown, there is a high degree of consistency regarding CreditWatch negative listings across sectors. For sovereigns, 66.4% of CreditWatch negative listings were followed by a downgrade compared with 59.5% for corporate ratings and 63.2% for international public finance.

Here we keep in mind that rating changes resulting from M&As are more likely to be preceded by a CreditWatch placement. Thus, the number of upgrades and downgrades preceded by CreditWatch actions reflects, in part, the level of M&A activity, which would not apply to sovereigns or non-U.S. local and regional governments. For example, only one sovereign rating has ever been placed on CreditWatch positive, and only a handful of ratings on non-U.S. local and regional governments have been on CreditWatch positive. By contrast, 25.7% of the 12,517 corporate upgrades were preceded by a CreditWatch positive listing.

Table 4

CreditWatch And Rating Outlook Performance Summary			
Corporate and government services (1990 - 2015)			
	Corporate (%)	Sovereigns (%)	International public finance (%)
Following CreditWatch placement or outlook assignment			
Watch Pos followed by upgrade	66.65	100.00	87.50
Positive outlook followed by upgrade	50.44	71.37	68.84
Watch Neg followed by downgrade	59.46	66.41	63.18
Negative outlook followed by downgrade	39.37	56.93	53.22
Preceding rating changes			
Upgrade preceded by Watch Pos	25.67	0.31	6.95
Upgrade preceded by positive outlook	33.67	58.26	45.36
Downgrade preceded by Watch Neg	33.10	17.82	15.05
Downgrade preceded by negative outlook	45.81	65.41	56.15

For CreditWatch status, the most likely outcome by far was a downgrade, which was the next event following 59.5% of the CreditWatch negative listings. A rating affirmation with the assignment of a negative outlook accounted for 19.2%, and a rating affirmation with the assignment of a stable outlook accounted for 14.2%.

It is important to note that rating affirmations without an outlook change were not counted, so this study excluded issuers that had no rating change, outlook change, or CreditWatch placement during the study period. For the purposes of Table 1, a rating affirmation is a change in outlook or a CreditWatch placement with the rating staying the same.

A significant number of corporate CreditWatch listings ended in a rating withdrawal. For positive CreditWatch

placements, 12.5% of the ratings were withdrawn; for negative placements, 3.1% were withdrawn; and for developing placements, 7.3% were withdrawn. Withdrawals may occur when a firm is acquired by an unrated company and we do not have sufficient information to continue monitoring the rating on the acquired firm.

As stated in the CreditWatch definition (see Appendix II), ratings may change without first appearing on CreditWatch. Provided that we believe we have all necessary information to change a rating, we will do so immediately. Indeed, in such circumstances, we think it would be a disservice to the investment community to delay a rating change by needlessly placing it on CreditWatch.

Duration Of Outlook Status

We measured the timing of upgrades directly from positive outlooks and of downgrades from negative outlooks (see Charts 1 - 3). For corporates, upgrades occurred 12 months after the outlook assignment, on average, and downgrades occurred in nine months. It should be noted that these statistics exclude rating changes that occurred following an intervening CreditWatch listing (e.g., a progression from positive outlook to CreditWatch positive and then an upgrade).

Here, an interesting pattern emerges. Chart 1 shows that upgrades tend to peak about four quarters after the positive outlook was assigned. By contrast, downgrades, shown in Chart 2, were highest in the first quarter after the negative outlook was assigned and then steadily declined.

For stable outlooks, the event-to-event methodology hides the true stability of the outlook. This occurs because if a stable outlook does not change, it is not counted in the event-to-event methodology.

Chart 1

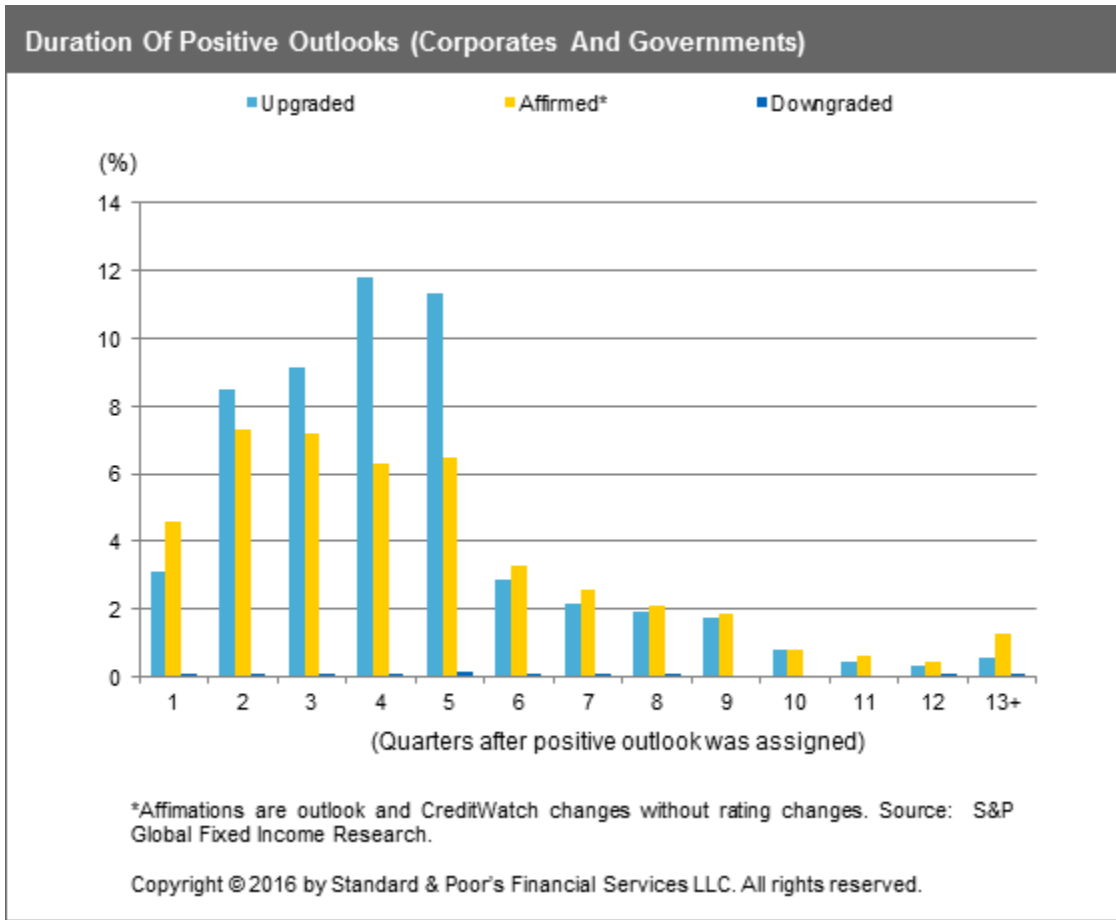


Chart 2

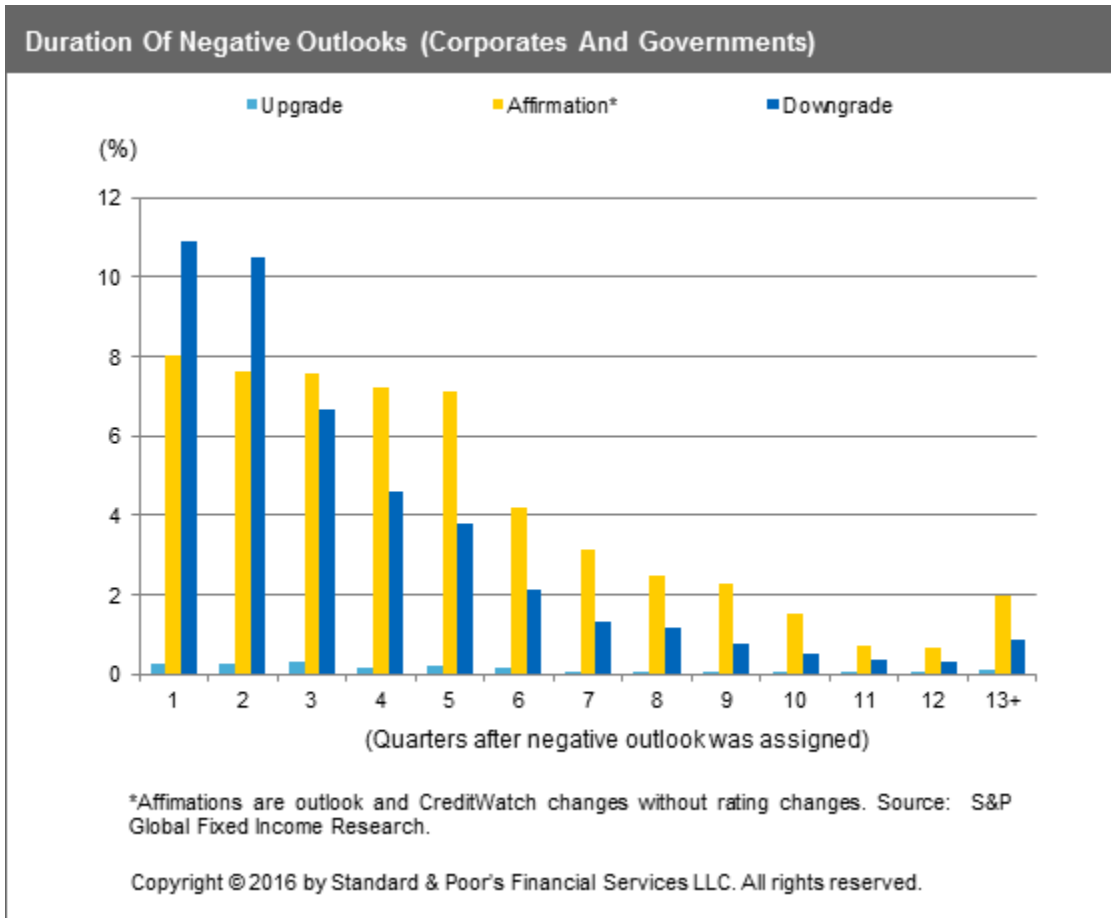
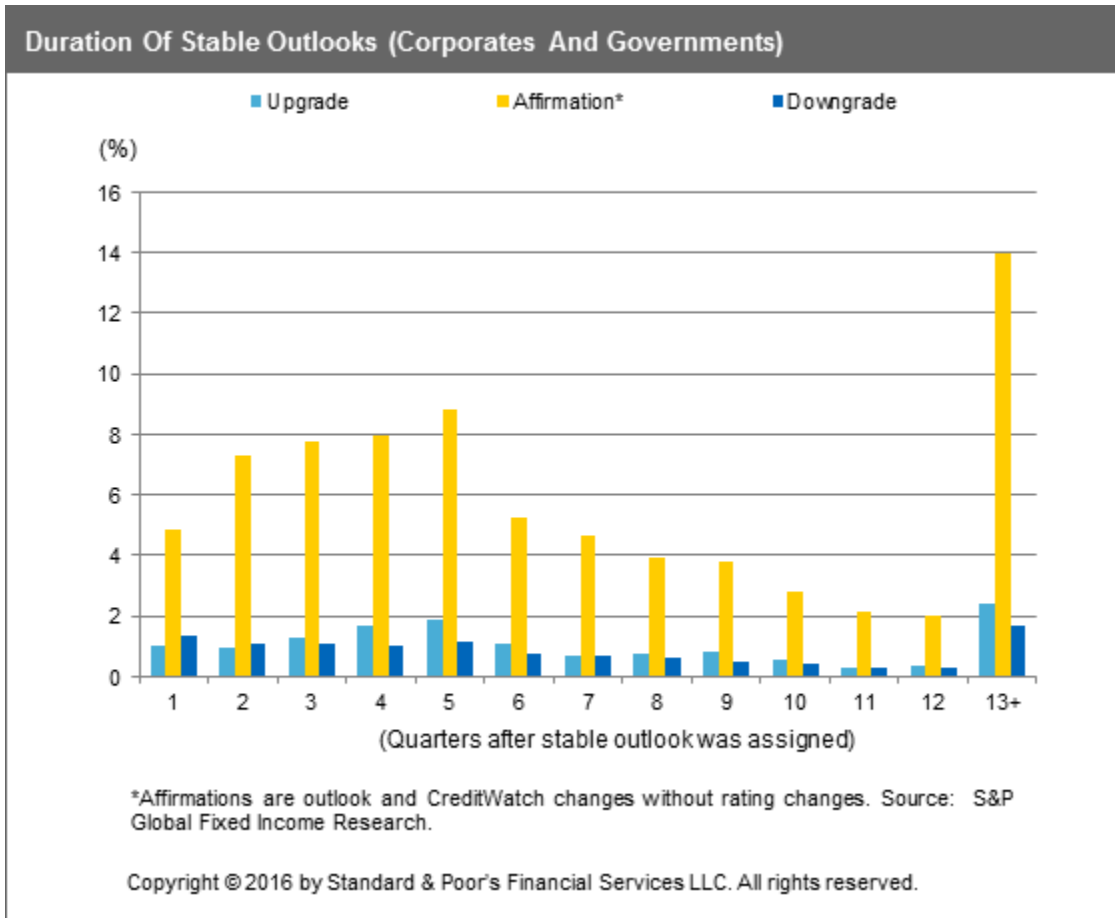


Chart 3



The timing of the resolution of CreditWatch listings is a little different than what we see in outlooks. Because of the shorter timeframe inherent in a CreditWatch assessment, we have broken out their resolution intervals by month. We find that a majority of positive listings tend to resolve after six months, with resolutions within the first four months coming at about the same pace (see Chart 4). Meanwhile, CreditWatch negative listings tend to resolve sooner than CreditWatch positive listings (see Chart 5).

Chart 4

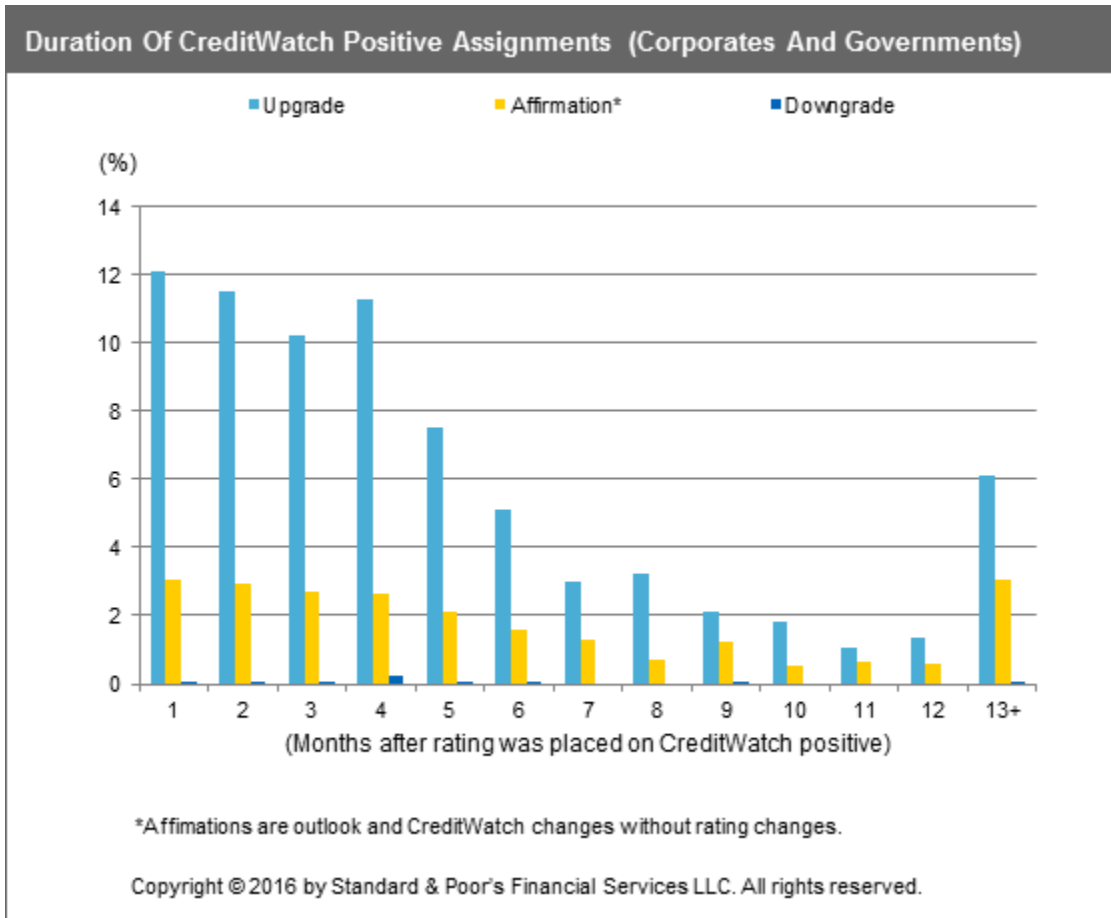
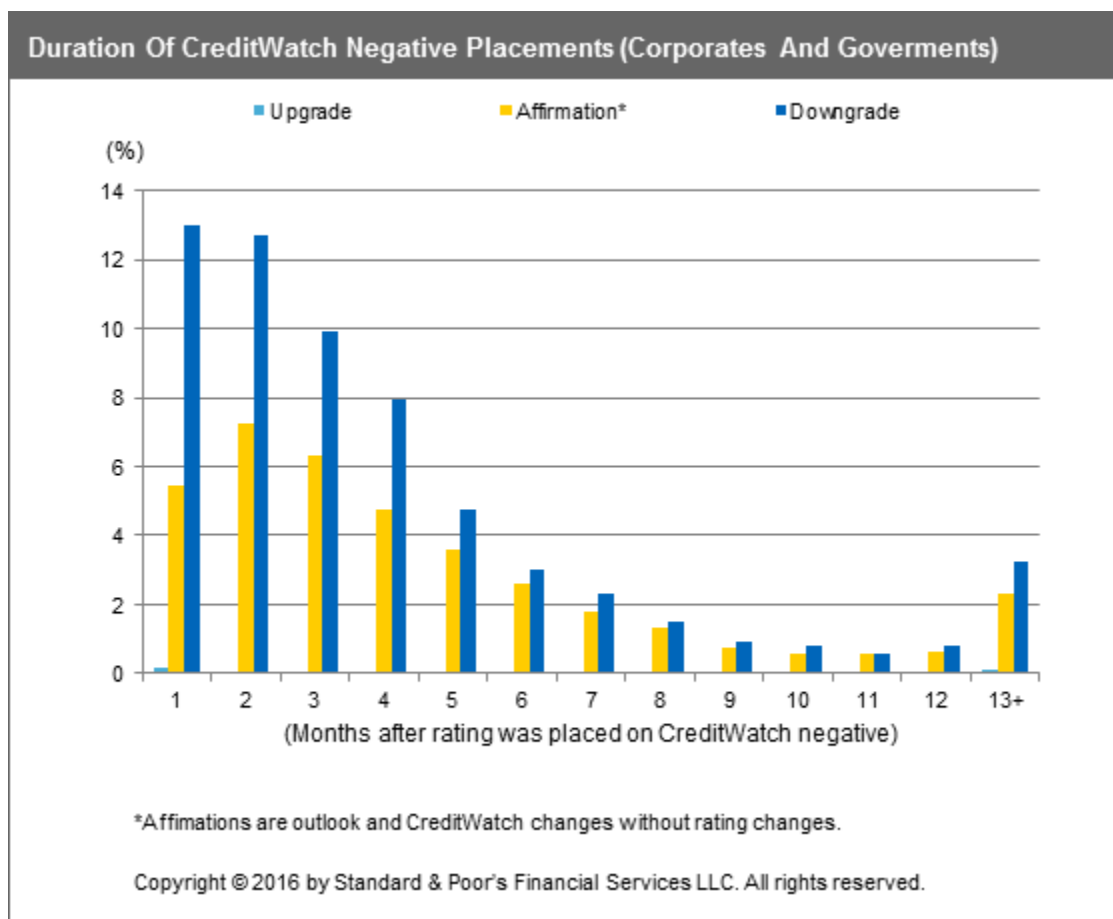


Chart 5



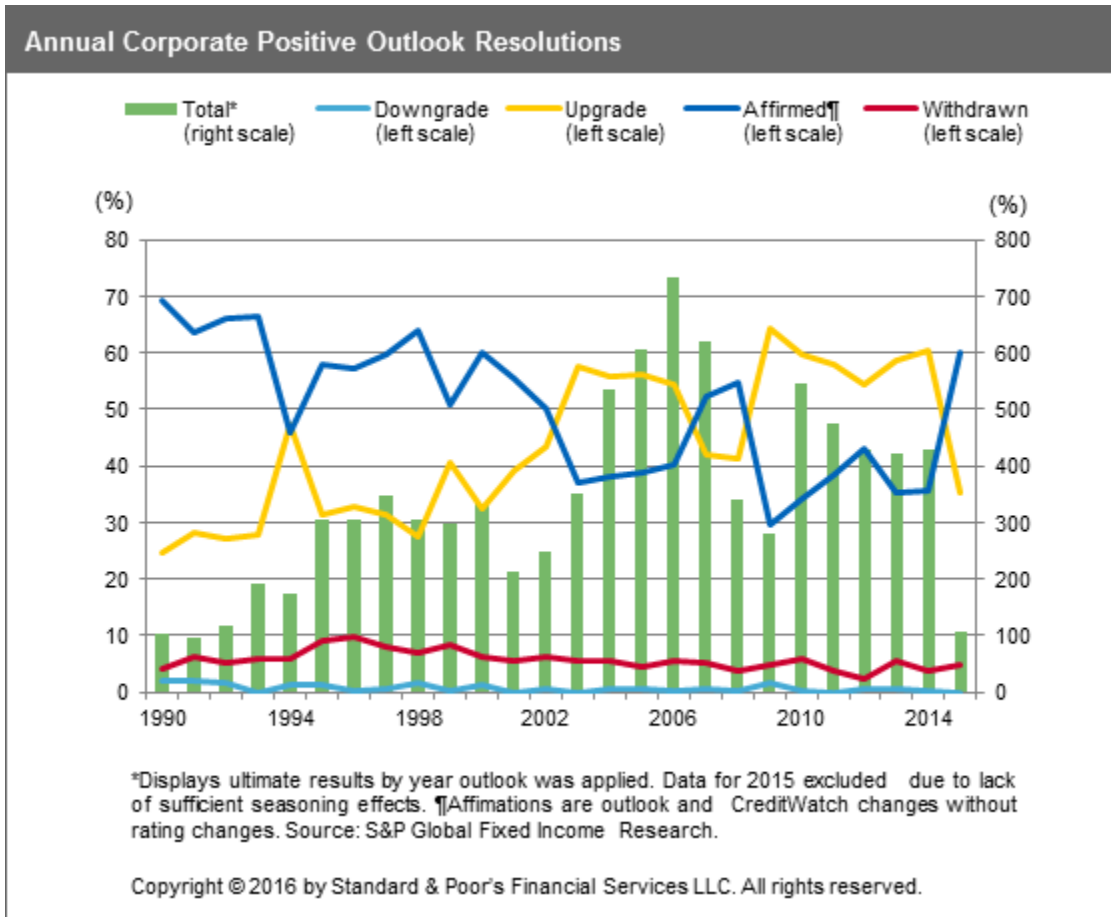
Outlook And CreditWatch Resolutions Over Time

Often, many ratings performance measures will fluctuate depending on macro factors such as the health of the overall economy, with results consistent with expectations (more defaults coming from higher ratings during recessions, etc.). Charts 6 – 10 present rating results for outlook and CreditWatch resolutions, over time, by the year the outlook or CreditWatch was applied. In these charts, an affirmation is defined as an outlook or CreditWatch change without a change in the rating. Also, outlooks and CreditWatch listings that have not resulted in any sort of rating action or outlook and CreditWatch changes are not included in these charts. One important note: Here we have excluded the results thus far for outlooks and CreditWatch placements assigned in 2015, as the seasoning effect has not aged enough to provide sufficient results yet. In general, negative outlooks tend to result in a downgrade fairly soon after being assigned (see Chart 2).

In general, outlook and CreditWatch results also fluctuate over time as economic cycles progress. Chart 6 shows that over time, an increasing proportion of positive outlooks have resulted in upgrades, while only a small percentage result in downgrades. For positive outlooks assigned in 1990, roughly 25% resulted in an upgrade, while almost 70% were followed by an affirmation. By 2014, these results nearly flipped: with over 60% resulting in upgrades, and 36%

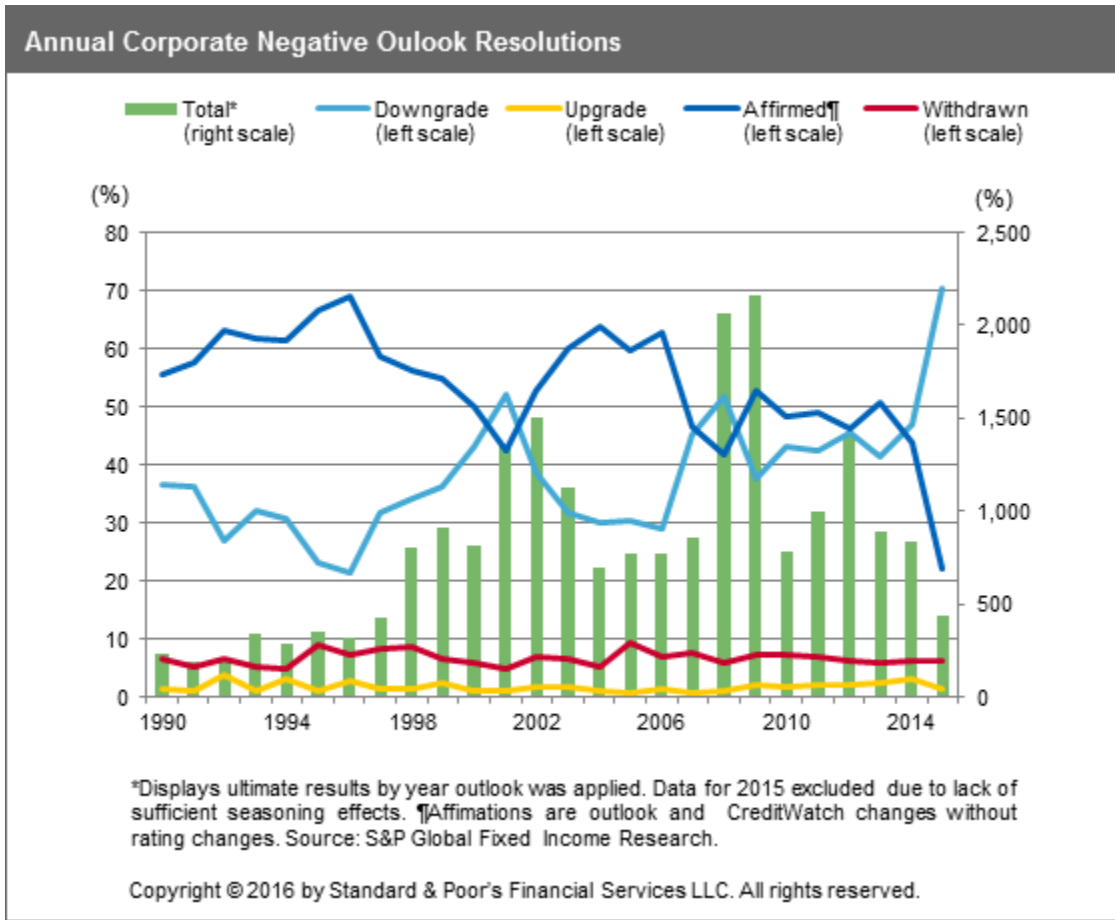
resulting in affirmations. And in the 25 years covered, the annual average of positive outlooks that resulted in rating downgrades was only 0.71%.

Chart 6



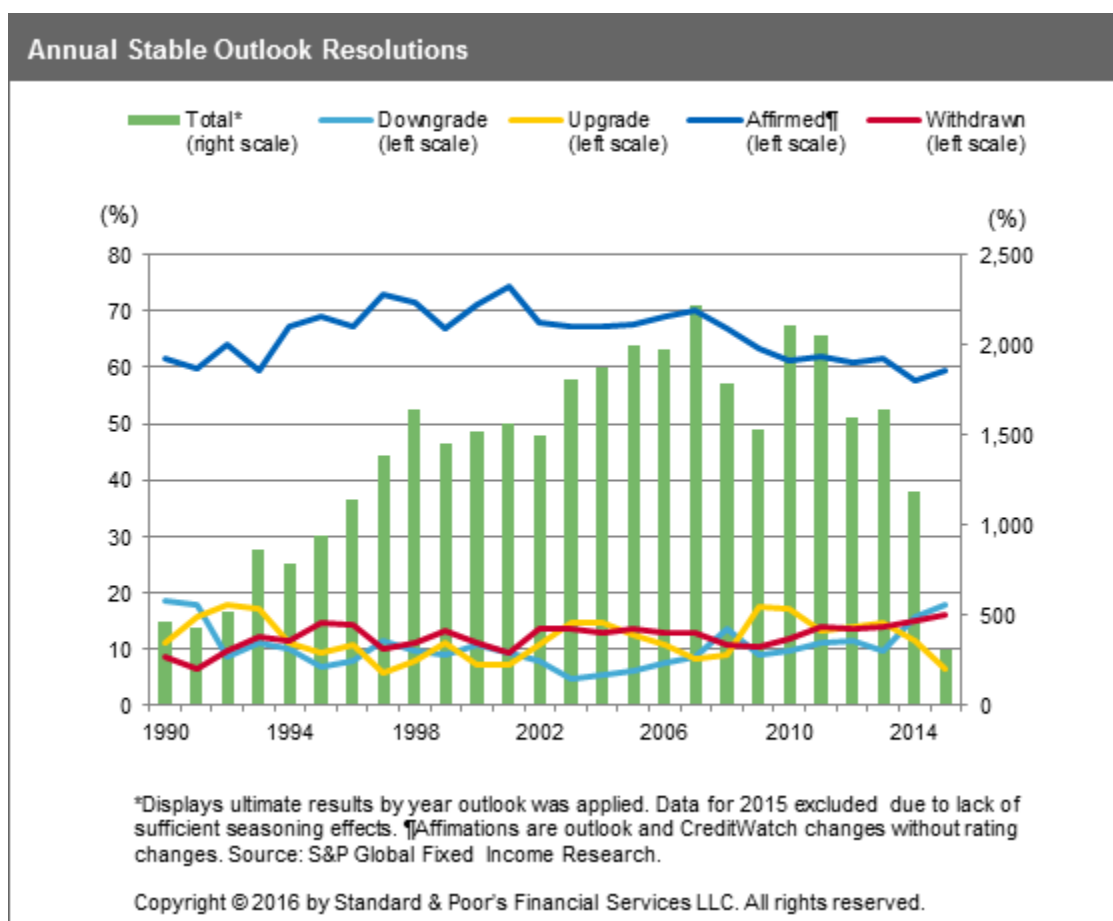
As expected, we see quite a bit of cyclical behavior where the number of negative outlooks and CreditWatch listings increases during recessions and the number of positive outlooks and CreditWatch listings increases during periods of economic expansion. Also, outlook resolution trends are consistent with expectations during recessions, as the rate of upgrades following a positive outlook dropped off, and the rate of downgrades following a negative outlook rose during these periods; particularly in 2007 and 2008 (see Chart 7).

Chart 7



Here, we also track rating withdrawals following an outlook or CreditWatch assignment. There are many reasons a rating could be withdrawn, including when an entity's entire debt is paid off or when the program or programs rated are terminated and the relevant debt extinguished. Others are withdrawn because of a lack of cooperation, particularly when a company is experiencing financial difficulties and refuses to provide all the information needed to continue surveillance on the ratings, or at the entity's request. Interestingly, the outlook status with the highest percentage of withdrawn ratings as a result in any year is stable (see Chart 8). And the percentage of withdrawn ratings following a stable outlook has increased over time--to just over 16% in 2014 from 8.7% in 1990. It should be noted that with the event-to-event methodology, stable outlooks that have never changed are not counted in the statistics.

Chart 8



Generally, we note that a higher proportion of directionally comparable CreditWatch status assignments result in expected rating changes relative to outlooks (see Charts 9 - 10). Following the expected rating action resolutions were affirmations, followed by rating withdrawals. Similar to what we have seen with rating outlooks, rating actions that ran contrary to the CreditWatch status (an upgrade after receiving a negative outlook/CreditWatch, or a downgrade after receiving a positive outlook/CreditWatch) were very rare.

Broadly speaking, CreditWatch assignments and their resolutions also experience cyclical trends around recessionary periods, consistent with expectations. For positive CreditWatch assignments, there was a prolonged period of lower outcomes resulting in upgrades between roughly 1995 and 2009. During that time, the percentage of rating withdrawals rose noticeably, reaching a peak of 27% for positive CreditWatch assignments in 2001, but which fell back afterwards. Since then, the percentage of positive CreditWatch listings that resulted in upgrades has been trending upwards, hitting an all-time high of 86% for those assigned in 2013. The unusually high percentage of rating withdrawals resulting from the 1995-2009 period is mostly the result of M&A activity, which often results in the rating on the target firm being withdrawn once purchased.

Chart 9

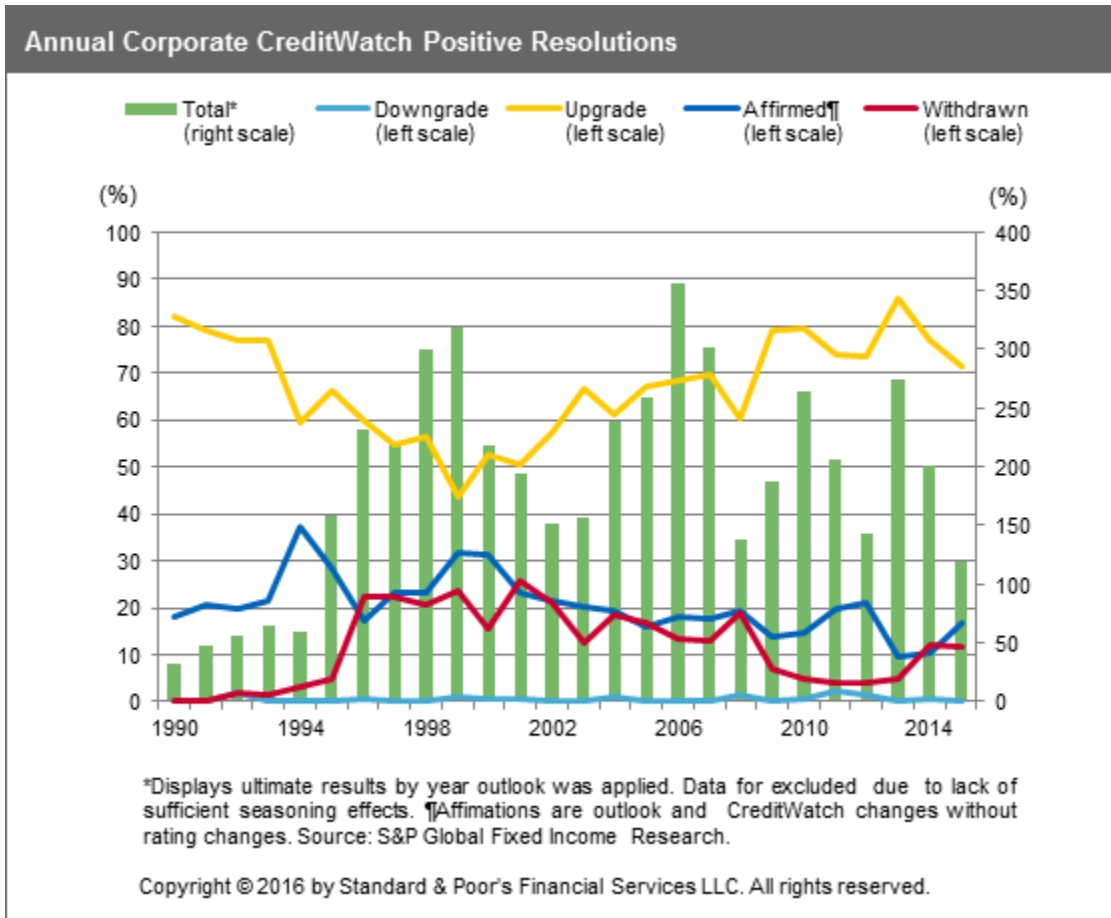
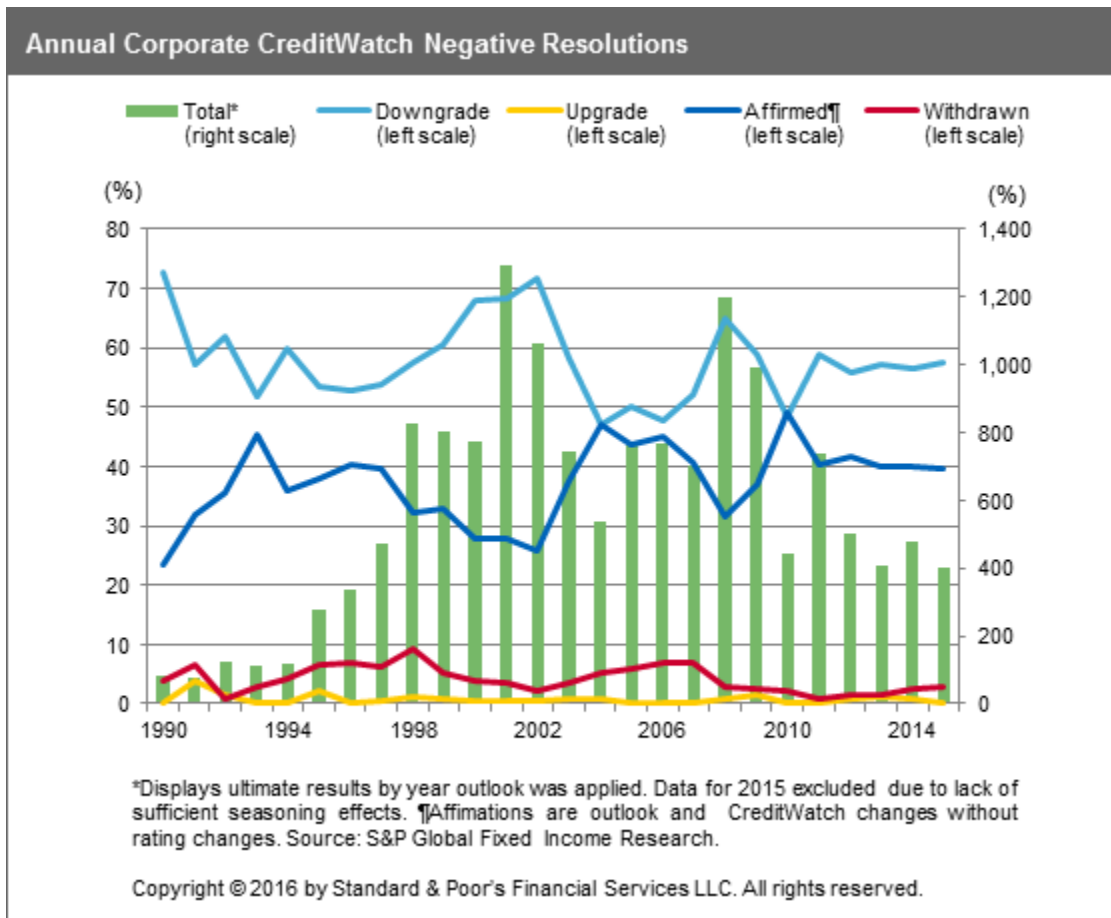


Chart 10



Appendix I: Data Description And Methodology

A key purpose of the study was to determine whether CreditWatch listings and rating outlooks foreshadow rating changes, as intended. Here we used the event-to-event method, in which we tracked ratings and outlooks from initial assignment through all immediate changes, including any rating withdrawals. The same issuer or issue may be represented more than once in the data as its rating evolved. This approach captures intra-period information that is lost in a traditional transition matrix that records observations only at the beginning and end of a defined period, commonly a January-December year.

After the initial rating and outlook assignment (the first event) we calculated the proportion of each of the following four possible events that occurred next:

- Rating change;
- Outlook change;
- Placement on CreditWatch; and
- Removal from CreditWatch.

Rating affirmations without an outlook change were not counted, so the study excludes issuers that had no rating change, outlook change, or CreditWatch placement during the study period. In Table 1, a rating affirmation consists of a change in outlook or CreditWatch placement with the same rating. Also as a result of the methodology, stable outlooks appear to change more frequently than they otherwise would be the case.

The study period was 1990-2015. The event-to-event method counted all initial rating and outlook assignments, rating changes, outlook changes, and CreditWatch placements that occurred during these years; provided the next event occurred during that period. The CreditWatch duration figures were derived from this data. When measuring rating actions that were preceded by CreditWatch listings, we counted all rating actions that occurred during 1990 through 2015.

A simple example illustrates how we tallied the data. For corporate ratings, the proportions of each event following a CreditWatch negative listing are as follows (as seen in Table 3):

- Upgrade: 0.67%
- Downgrade: 59.5%
- Positive outlook (with same rating): 0.52%
- Stable outlook (with same rating): 14.2%
- Negative outlook (with same rating): 19.2%
- Developing outlook (with same rating): 0.36%
- CreditWatch positive (with same rating): 83%
- CreditWatch developing (with same rating): 1.7%
- Rating withdrawal: 3.1%

The study included the following global sectors: corporates (including non-financial industries and financial services), sovereigns, and international public finance. Issues backed by letters of credit as well as U.S. public finance and structured finance ratings were excluded. Both public and confidential ratings were included. Table 5 shows the breakdown of observations for each sector.

Table 5

Breakdown Of Observations By Sector		
Sector	Number of observations	%
Corporate	94,614	94.66
Sovereigns	1,590	1.59
International public finance	3,750	3.75
Total	99,954	100.00

All long-term, global-scale local-currency ratings were included, except for sovereigns, for which global-scale foreign-currency ratings were used. To avoid double-counting, when all of an issuer's obligations were guaranteed by another entity, only the rating on the guarantor was counted.

Appendix II: Definitions

S&P Global Ratings uses CreditWatch placements and ratings outlooks to indicate its view regarding the degree of likelihood of a rating change and, in most cases, the probable direction of that change. CreditWatch highlights the potential direction of a short- or long-term rating. It focuses on identifiable events and short-term trends that may cause ratings to be placed under special surveillance by S&P Global Ratings. These may include mergers, recapitalizations, voter referendums, a regulatory action, performance deterioration of securitized assets, or anticipated operating developments.

Ratings may be placed on CreditWatch when such an event or a deviation from an expected trend occurs and we believe that additional information is necessary to evaluate the current rating or when there is, in our opinion, a material change in the performance of securitized assets and the magnitude of the rating impact has not been fully determined. A CreditWatch listing, however, does not mean a rating change is inevitable, and when appropriate, a range of potential alternative ratings that we believe could result will be shown. CreditWatch is not intended to include all ratings under review, and rating changes may occur without the ratings having first appeared on CreditWatch. The "positive" CreditWatch designation means that a rating may be raised; "negative" CreditWatch means a rating may be lowered; and "developing" CreditWatch means that a rating may be raised, lowered, or affirmed (see S&P Global Ratings Definitions, Aug. 18, 2016).

An S&P Global Ratings outlook indicates our view regarding the potential direction of a long-term credit rating over the intermediate term (typically six months to two years). In determining a rating outlook, consideration is given to any changes we see in the economic and fundamental business/financial conditions. An outlook is not necessarily a precursor of a rating change or future CreditWatch action.

- Positive means that a rating may be raised.
- Negative means that a rating may be lowered.
- Stable means that a rating is not likely to change.
- Developing means a rating may be raised or lowered.
- N.M. means not meaningful.

Rating outlooks (other than stable) and CreditWatch placements are used in a changing credit situation when, in our view, a rating change is not certain. Although many rating changes are preceded by a non-stable outlook or a CreditWatch placement, changes can and should occur even when the outlook is stable or the rating is not on CreditWatch but when an abrupt change in the creditworthiness can be assessed immediately. S&P Global Ratings' priority is always to get the rating appropriate as quickly as possible, even if a rating change is not signaled in advance because of unanticipated circumstances.

S&P Global Ratings' credit ratings express forward-looking opinions about the creditworthiness of issuers and obligations. More specifically, S&P Global Ratings' credit ratings express a relative ranking of creditworthiness. The primary factor in S&P Global Ratings' analysis of creditworthiness is likelihood of default, although payment priority, potential recovery following default, and credit stability are factors that can also play a role in S&P Global Ratings' assessment of credit risk. Credit ratings incorporate an assessment of future events to the extent they can be

anticipated. However, S&P Global Ratings also recognizes the potential for future performance to differ from initial expectations. Outlooks and CreditWatch listings address this possibility by focusing on the scenarios that, in our opinion, could result in a rating change.

Related Research

- S&P Global Ratings Definitions, Aug. 18, 2016
- 2015 Annual Global Corporate Default Study And Rating Transitions, May 2, 2016
- Use Of CreditWatch And Outlooks, Sept. 14, 2009

The use of the term "methodology" in this article refers to data aggregation and calculation methods used in conducting the research. It does not relate to S&P Global Ratings' methodologies, which are publicly available criteria used to determine credit ratings.

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