



# THE CREDIT RATING RESEARCH INITIATIVE

MONTHLY NEWSLETTER - AUGUST 2021



## INCLUDED THIS MONTH

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In this August edition of the CRRI's monthly newsletter, there are details on the latest updates from the credit rating world, ranging from regulatory developments across Asia, comment on the lack of action relating to the US sovereign rating, and the over-subscription of green and social bonds.

Please do spread the word of the CRRI and this newsletter with your network, and if you have additions for next month's newsletter please do let us know!

THIS MONTH IN THE  
CRRI NEWSLETTER

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# Updates from the Credit Rating World

## ASIAN REGULATORY DEVELOPMENTS

Asian superpowers are seeking to bolster their credit and ESG rating spaces. China is seeking, once again, to enforce better practices within the domestic rating space, which is a familiar story now as the country battles with a number of high-profile credit-related failures – read more [here](#). Japan is seeking to improve the ESG and climate disclosures within this financial marketplace, which it believes will help the rating of ESG-related issues and products. The new framework for certification is due soon. Read more [here](#). Staying in Japan, the Japanese Financial Services Agency has exchanged letters on a cooperation framework with the British Financial Conduct Authority on the regulation of credit rating agencies, as the FCA becomes the responsible regulator for the rating agencies in the UK after Brexit (the letter is very similar to that signed with the EU many years earlier) – read more [here](#).



## WATCHDOGS NOT BARKING

The major credit rating agencies have been identified as 'not barking amidst [the] debt ceiling standoff' in the United States. Marc Joffe argues in *The Hill* that they are maintaining their top ratings of the US despite there being ample evidence to show that the rate of debt being incurred by the US is a major credit risk. Fitch and Moody's have applied and maintained their highest ratings to US Sovereign debt, whilst S&P maintain a AA+ rating. Joffe argues that such ratings are incongruent with the underlying financial fundamentals of the US. Read more [here](#).

## HEALTHCARE INVESTING BEING PUNISHED?

Credit Rating Agencies are punishing poorer countries during the pandemic for investing in their health care infrastructures. This was the major finding in research produced by Professor Ramya Vijaya this month. There is a correlation between falling credit ratings and falling investments in healthcare, which during a global pandemic can lead to tragic consequences very quickly indeed. Commentary and the link to the research can be found via the [Conversation here](#). In a similar vein, Rajan Raghuram has argued that countries should try not be as beholden to the rating agencies as they have been since the pandemic started - read more [here](#).



## GREEN AND SOCIAL BOND OVER-SUBSCRIPTION

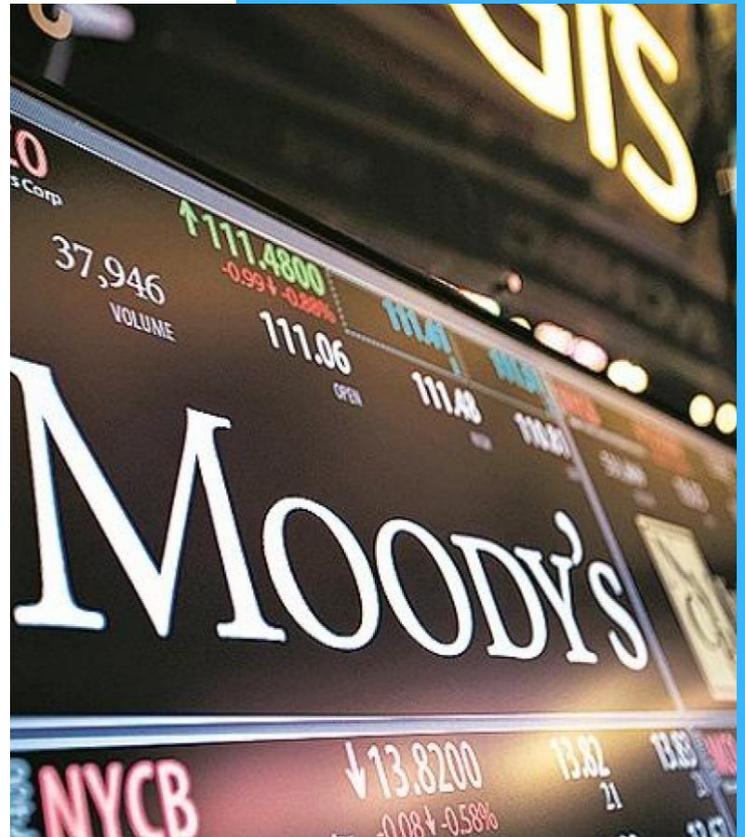
In the social- and green-bond market, there is growing evidence of a stampede. Research suggests that issuances are heavily over-subscribed. However, there are warnings that investors need to be careful, with seemingly 'clean' bond issuers having seriously-chequered pasts that need to be considered by investors - read more [here](#). Sticking with sustainability-related finance, Antonio Vives presents a compelling argument that the ESG field and related bond issuances are a minefield, arguing that abuses in the field and distortions are causing serious issues for the development of the market - read more [here](#). In discussing another angle, the question has been asked whether there can be a market for bonds from companies with 'bad' ESG scores, mainly for investors chasing higher returns. The argument has been put forward that the data surrounding the ESG marketplace is so inconsistent and flawed, that there exists plenty of opportunity for finding value. Read more [here](#).



# Updates from the Credit Rating World

## MOODY'S A 'DIVIDEND ARISTOCRAT'?

Will Moody's become a 'Dividend Aristocrat'? Commentators have analysed the stock price of Moody's and found that it is well on its way to becoming what is known as a 'dividend aristocrat', which means at least 25 years of continuous dividend increases. It has now achieved 12 straight years and commentators suggest there is nothing stopping from it reaching 25 years and more. Interestingly, S&P's stock is worth \$61 more per share than Moody's! It is certainly big business. Read more [here](#).



# Latest Publications on the Credit Rating World

## LATEST ARTICLES



There have been a number of interesting academic articles published recently. They include:

'Credit Ratings Controversy: A Review' by Angeline NS Huan and Mohamed AS Mohamed, available [here](#); 'International Evidence on the Effects of a Local Presence by US Credit Rating Agencies' by Liran Eliner, Michael Machokoto, and Anywhere Sikochi, available [here](#); 'A Bird's Eye View of the US Credit Rating Industry' by Miles Livingston, Gina Nicolosi, and Lei Zhou, available [here](#); 'Communication of Credit Rating Agencies and Financial Markets' by Lorenzo Menna and Martin Tobal, available [here](#); and 'Competition, Communication and Rating Bias' by Miklos Farkas, available [here](#).

# Notices



## THE CREDIT RATING RESEARCH INITIATIVE

Please do continue to support the CRRI and sharing this newsletter amongst your network! You can get in touch and share any news with us via Daniel Cash ([d.cash@easton.ac.uk](mailto:d.cash@easton.ac.uk)), via Daniel Cash on LinkedIn via direct message or including him in any news that you come across, or via the CRRI's Twitter account [@C R R I](https://twitter.com/CRRI).

Note - the IOSCO's consultation on ESG ratings and related issues closes on the 6th September. Consultation document and request for comment is available [here](#).

## EVENTS

There are a range of events being held this month, and the following provides you with access to those events:

[S&P](#)  
[Moody's](#)  
[Fitch](#)  
[Morningstar](#)  
[CountryRisk](#) (and [blog](#))

If you would like your organisation added to this list, please just let us know!

