

Consensus Credit Risk Helps to Navigate “Risk Off” Markets

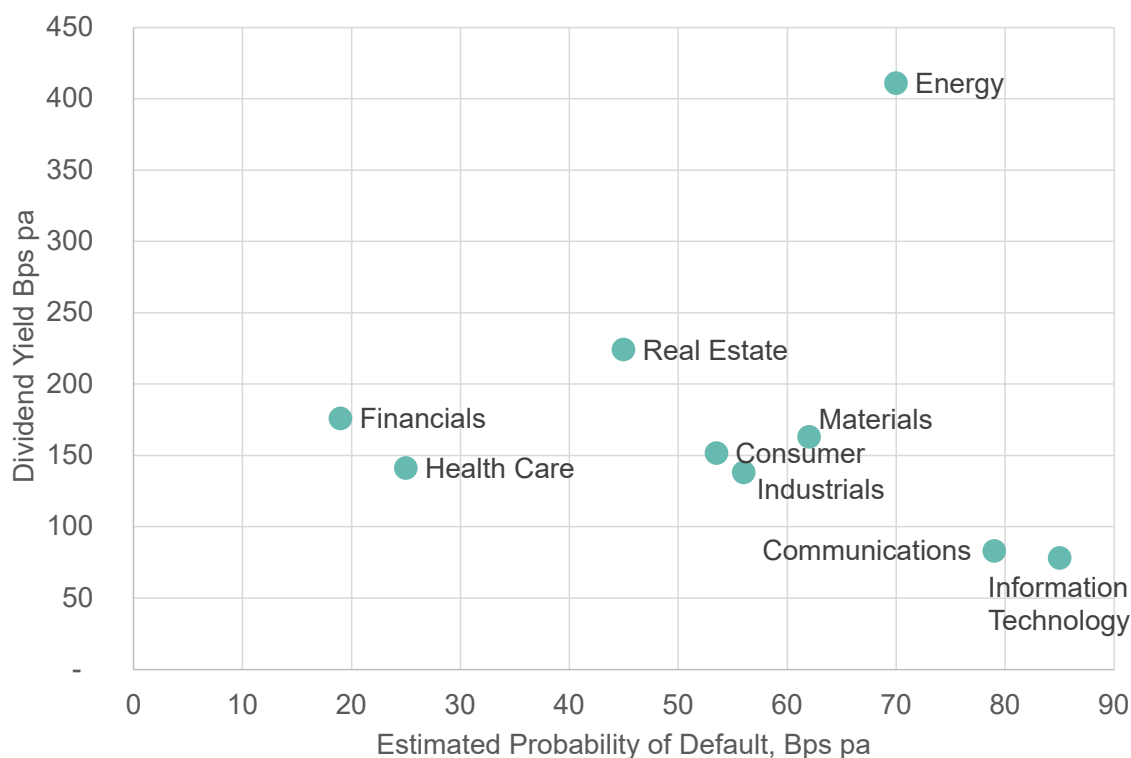
February 2022

January 2022 has been a difficult month for investors: S&P500 down 7%, NASDAQ down nearly 12%, and most bond market returns are negative. Looming Fed rate hikes mean more “Risk Off” days.

But cash rates will take time to reach meaningful levels, so the hunt for yield continues. Equity dividend yields are close to historic highs and many of them are significantly above their fixed income equivalents. Consensus credit data can identify where high yields are underpinned by safe credit.

Figure 1 compares the equity dividend yield with average default probability for the main US Equity industries.

Figure 1: US Equity Dividend Yields and Estimated Probability of Default, Dec 2021



Most of the industries plotted here offer annual dividend yields between 1.25% and 2.50% pa, but there are significant differences in credit default risk. Financials, for example, offer a slightly higher yield than Materials, but the latter runs three times more credit risk.

Energy is a clear outlier, showing a very high yield (over 4% pa) and a high average default risk (about 0.7% pa – well above the non-investment grade boundary). Sustained high energy prices could bring the credit risk down; sustained investor interest could bring the dividend yield down.

The two industries with the highest credit risk – Communications and IT – keep dividends low to fund their continued investments and rapid growth.

The post-COVID economic recovery will bring winners and losers, so previous earnings growth patterns may be changing. If markets continue to be rocky this year, charts like these help to identify industries with credit-safe high yields.

Detailed consensus credit data is available on Bloomberg, covering many otherwise unrated companies; it is now possible to credit screen portfolios, indices and bespoke watchlists across a broad range of criteria. [Contact Credit Benchmark](#) for a coverage check and consensus credit report.

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Credit Benchmark provides Credit Consensus Ratings and Analytics based on contributed risk views from 40+ of the world's leading financial institutions, including 15 GSIBs, domiciled in the US, Continental Europe, Switzerland, UK, Japan, Canada, Australia and South Africa.

For regulatory and business reasons, these financial institutions have each created their own regulated internal credit rating agency to assess the creditworthiness of tens of thousands of obligors. Credit Benchmark collects, aggregates and anonymises this information to provide an independent, real-world perspective of risk, delivered twice monthly to our partners.

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- Credit Risk Management
- Systematic Credit Trading
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- Supply Chain Risk
- Trade Credit Insurance
- Fund Management
- Regulation, RWA & Capital
- Onboarding, KYC & Relationship Management
- Point-in-Time (PIT) Impairments
- Accounts Payable & Receivable



10 Million

Contributed Credit Risk Estimates Per Year
40 Million+ Estimates Collected Since Launch



60,000+

Entities Covered



2x

Twice Monthly Frequency



75%

Unrated by Major Credit Rating Agencies



1,100+

Aggregates



100+

Countries



75+

Months of Data



50+

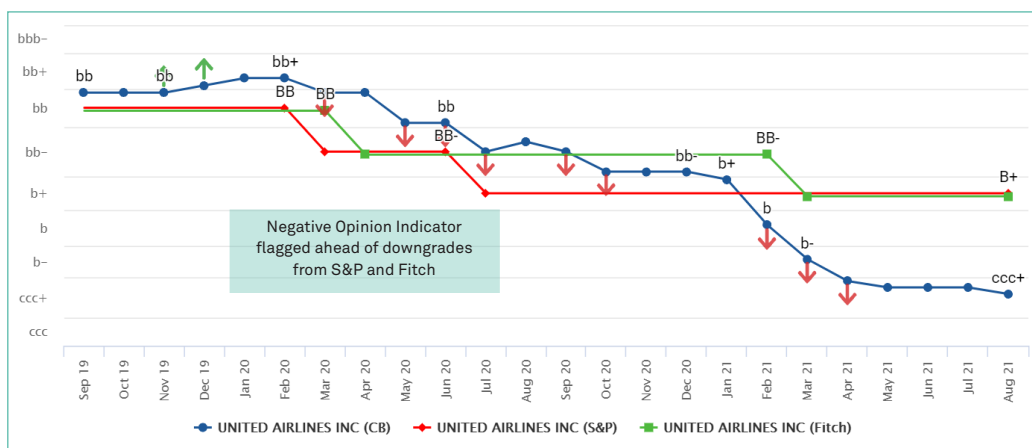
Data Metrics



40+

Contributing Financial Institutions Representing a Pool of 20,000+ Credit Analysts

Real-world risk views with unparalleled consensus coverage



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Credit Benchmark Web App: Entity-Level Data Sample

CB Screeners View All

Credit Strength Dampens Wildfire Risk
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Credit Benchmark Coverage v. Agencies
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Shifting Recreational Trends
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Trade Credit Risk and Supply Chains
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Quickly filter the database of 60,000+ legal entities

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Start creating your first screener

Build screener with criteria below:

Screener name: *Untitled*

☒ S&P Rating is Unrated

☒ Fitch Rating is Unrated

☒ CCR is aaa aa+ aa aa- **a+** a a- bbb+ bbb bbb-

+ Add Criteria (3/15)

44,628 Entities found

Combine qualitative and quantitative fields to screen for entities that meet your criteria

Screen for public and non-publicly rated entities within specific geographies, industries, sectors and within your defined rating thresholds

Save Run Clear All Criteria

CBID	Entity Name	Credit Consensus Rating	S&P Rating	Fitch Rating
CB0000000009	IHS GLOBAL CANADA LTD	bbb-	Unrated	Unrated
CB0000000025	GYP HOLDINGS III CORP	bb	Unrated	Unrated
CB0000000080	GESTIELLE CEDOLA DUAL BRAND	a-	Unrated	Unrated
CB0000000087	TRANE TECHNOLOGIES LUXEMBOURG FINANCE SA	bbb+	Unrated	Unrated
CB0000000088	TECK HIGHLAND VALLEY COPPER PARTNERSHIP	bbb	Unrated	Unrated

Credit Benchmark Web App: Data Screen Sample

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