

# Unpacking Bond Portfolio Risk with Consensus Credit Data

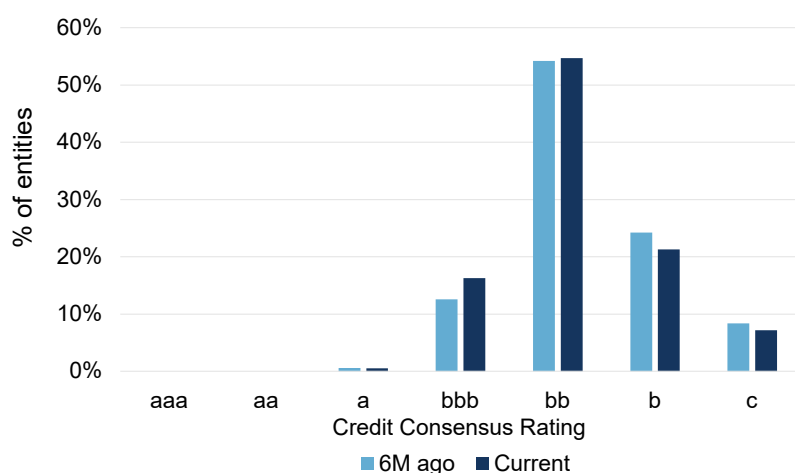
February 2022

Fed tightening is bad news for all bonds but widening credit spreads add to the pressure for longer dated corporates, with the high yield segment most vulnerable to a default rate spike. Mandated holders are buying short-dated bonds to hedge the impact of **expanding credit spreads**; discretionary holders are either selling outright or upgrading the credit profile of their portfolios.

As credit markets become more challenging and volatile, consensus credit data<sup>1</sup> provides a stable reference point for assessing underlying portfolio credit risk. The following examples are based on a universe proxy for issuers of bonds tracked by the iBoxx High Yield Index<sup>2</sup>.

Figure 1 shows the issuer credit distribution across all seven categories.

**Figure 1: Issuer Credit Distribution, now and 6 months ago**

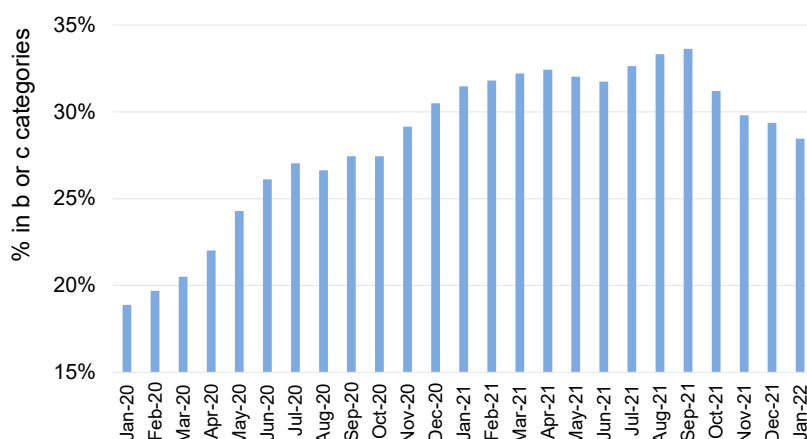


While this is a high yield universe, the proportion of issuers classified as investment grade in the consensus was already over 10% in the middle of 2021. This has now risen to more than 15%. The proportions in **b** and **c** have dropped over the same period.

This implies that the agency ratings may currently be too conservative; it also identifies where portfolio managers have scope to upgrade the portfolio risk profile within the existing index universe.

Figure 2 shows trends in the credit quality tails of the high yield universe.

**Figure 2: Proportion of issuers in b and c credit categories**



The proportion of issuers in the **b** and **c** categories has risen from less than 20% two years ago, peaking at more than 30% in September 2021. It has since dropped back to under 30% following a wave of upgrades in Q4 2021.

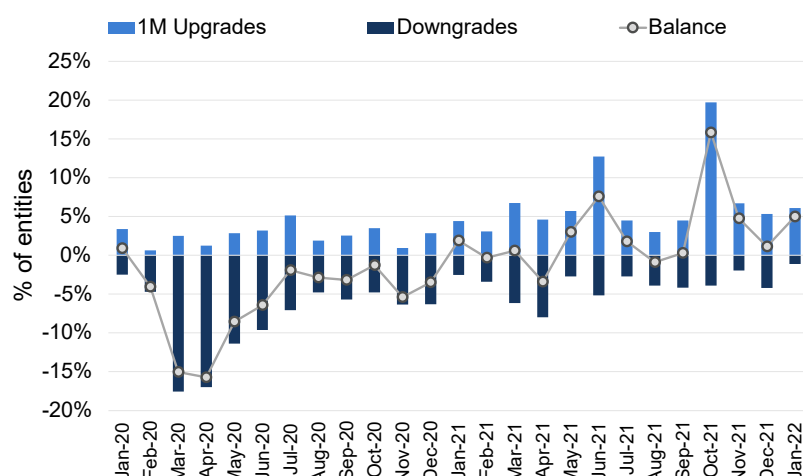
Similar charts can be plotted for the upper investment grade tail. Combinations of these charts shows how the overall distribution is shifting over time.

<sup>1</sup> Sourced from major financial institutions including most of the GSIBs.

<sup>2</sup> iShares iBoxx \$ High Yield Corporate Bond ETF as proxy

Figure 3 shows the balance of issuer upgrades vs downgrades for the past two years.

**Figure 3: Issuer upgrades and downgrades**



From the lows of March and April 2020 at the start of the pandemic, the balance has moved broadly towards upgrades, peaking in October 2021. The balance is still positive although 2022 is likely to be more mixed.

Consensus data is updated every two weeks, giving credit portfolio managers an immediate read on turning points in this metric.

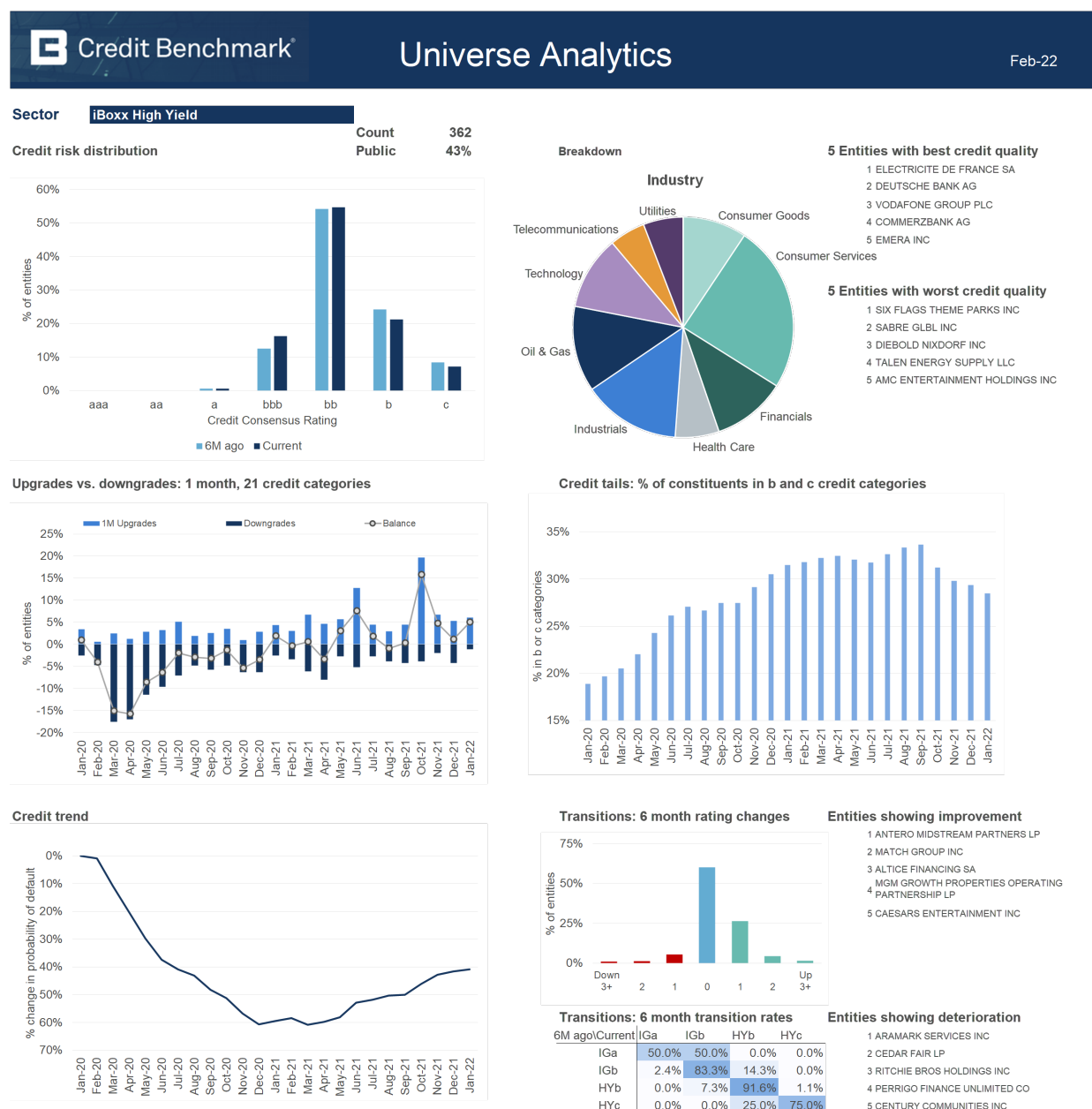
Figure 4 shows issuers with the highest and lowest credit quality, and issuers with the largest improvement / deterioration over a 6-month period.

**Figure 4: Selected issuers – high and low credit quality, improvements / deteriorations**

Highest Credit Quality	Lowest Credit Quality
Electricite de France SA Deutsche Bank AG Vodafone Group PLC Commerzbank AG EMERA Inc	Six Flags Theme Parks Inc Sabre GLBL Inc Diebold Nixdorf Inc Talen Energy Supply LLC AMC Entertainment Holding Inc
Credit Improvements	Credit Deteriorations
Antero Midstream Partners LP Match Group Inc Altice Financing SA MGM Growth Properties Operating Partnership LP Caesars Entertainment Inc	Aramark Services Inc Cedar Fair LP Ritchie Bros Holdings Inc Perrigo Finance Unlimited Co Century Communities Inc

Figure 5 (overpage) shows a typical “Universe Analytics” report, including some of the metrics described above, for the high yield universe.

Figure 5: Sample Analytics Report for High Yield Universe



Consensus ratings are already used in reports like these by a range of corporate and financial subscribers to track credit risk across their counterparts, suppliers or portfolio holdings.

Credit Benchmark can provide tailored report examples for your chosen universe.

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.

### About Credit Benchmark

Credit Benchmark brings together internal credit risk views from 40+ of the world's leading financial institutions. The contributions are anonymized, aggregated, and published in the form of entity-level Credit Consensus Ratings (CCRs) and aggregate analytics to provide an independent, real-world perspective of risk. CCRs are available for 60,000 financials, corporate, funds, and sovereign entities globally across emerging and developed markets, and 90% of the entities covered are otherwise unrated.

CB USA  
12 East 49th Street, 9th Floor  
New York, NY, 10017  
Telephone: +1 646 661 3383

CB UK  
131 Finsbury Pavement, 5th Floor  
London, EC2A 1NT  
Telephone: +44 (0)207 099 4322

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## Real-world risk views with unparalleled consensus coverage.

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.

Credit Benchmark fills an information gap left open by traditional credit risk content providers by offering a timely, comprehensive view of credit risk which proves complementary to issuer-paid rating agencies and third party model vendors. The first of its kind "credit consensus" data reflects the expertise of more than 20,000 credit analysts across the contributing group – a powerful example of the wisdom of crowds.

Credit Consensus Ratings and Analytics are available on over 60,000 corporate, financial, fund and sovereign entities globally, most of which are unrated by credit rating agencies.

### Data that works for you

Credit Benchmark data is available via our Web App, Excel add-in, API, flat-file download, and third-party channels including Bloomberg.

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### Data Use Cases

- Counterparty Risk Management
- Credit Risk Management
- Systematic Credit Trading
- Securities Finance
- 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+**

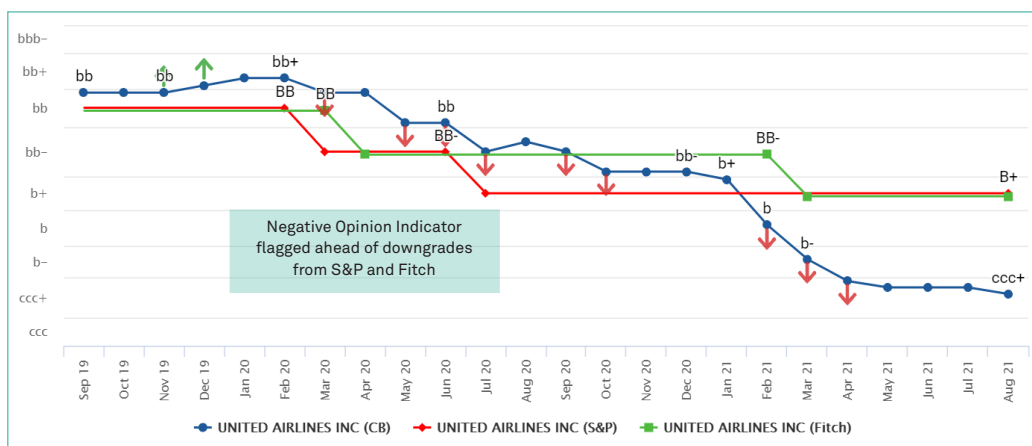
Data Metrics



**40+**

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

# Real-world risk views with unparalleled consensus coverage



**Credit Consensus Rating:**  
Unique measure of creditworthiness based on the views of 40+ leading global financial institutions

**Consensus Analytics:**  
Insights into the depth, dispersion, movement, and directionality of the Credit Consensus Rating's underlying views

**Opinion Indicator:** Month over month observation-level net downgrades or upgrades

Credit Benchmark Web App: Entity-Level Data Sample

Quickly filter the database of 60,000+ legal entities

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

44,628 Entities found

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

## Data that works for you:

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[Contact us to learn more and get a free trial of our data.](#)

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For more information, visit [www.creditbenchmark.com](http://www.creditbenchmark.com) or contact us:

**Email:**  
[info@creditbenchmark.com](mailto:info@creditbenchmark.com)

**UK Office (London):**  
+44 (0)20 7099 4322

**US Office (New York):**  
+1 646 661 3383