

CREDIT VALUATION TOOLS

MOODY'S KMV CREDITEDGE PLUS

CreditEdge Plus™ is a credit spread valuation framework that provides asset and risk managers insight into the dynamics of the equity, bond and credit default swap markets.

MARKET CHALLENGE: GAINING NEW INSIGHT FROM THE FINANCIAL MARKETS TO BETTER UNDERSTAND CREDIT SPREADS

The equity, bond and credit derivative markets give off signals that must be understood in order to estimate an issuer's default risk and gauge the value of its debt instruments based on the probability of default.

To take full advantage of these signals, credit professionals require a solution that helps them to accurately interpret and manage the information they provide.

MOODY'S KMV CREDITEDGE PLUS: PROVIDING INSIGHT INTO THE DYNAMICS OF CREDIT SPREADS

CreditEdge Plus is a platform that bridges the equity, bond and credit derivative markets, enabling an in-depth understanding of their impact on credit risk that was previously unavailable.

This comprehensive solution offers access to continuously updated Moody's KMV EDF™ (Expected Default Frequency) credit measures and EDF-implied credit spreads. This information, extracted from the equity markets, lets users value the debt and credit derivative instruments that issuers buy, hold, sell, hedge and securitize with a new level of precision.

CreditEdge Plus combines industry standard EDF credit measures with a valuation framework that allows users to overlay their own research and observations to arrive at fair values for bonds, loans and credit default swaps (CDS).

MOODY'S KMV CREDITEDGE PLUS OFFERS:

- Daily EDF credit measures on over 27,000 publicly traded firms around the world
- Observed market spreads in the bond and CDS markets
- A framework to understand what the equity, bond and CDS markets are implying about the price of a given entity, including its debt instruments, by focusing on credit spreads

PRODUCT HIGHLIGHT

The screenshot displays a dashboard with several sections:

- BOND SPREAD Highlights** (View Details >>)
- 90-DAY BOND SPREADS (Over Libor)**
- EDF Highlights and Ratings** (View Details >>)
- 90-DAY EDF HISTORY**
- CDS SPREAD Highlights** (View Details >>)
- 90-DAY CDS SPREADS**: A line chart showing CDS spreads over time from 04-May-05 to 24-Aug-05. The y-axis represents basis points (bp) from 191 to 954. The chart includes data for EICDS (green line), FVCDS (blue line), CDS Spread (Credit Trade) (red line), CDS Spread (GFI) (yellow dots), and CDS Spread (Market) (cyan line).
- CDS Description** table:

CDS Description	CDS 5yr USD	Term	Restructuring Type	MR
EICDS	464bp	5.0 Yr.		
FVCDS	146bp			
Implied LGD	1.563	CreditTrade		415 bp
Sector LGD	0.561	GFI		407 bp
User LGD		Market		500 bp
Zero EDF Shift	-0.0013			
- Additional metrics on the right: 2.23%, 4.82%, 1.66%, BB-, A-, BB, Baa3.

The CreditEdge Plus summary page lets users view all the data on a company in one place.

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KEY PRODUCT FEATURES

SCENARIO ANALYSIS

- Allows user's own intuition, research and observations to analyze EDF credit measures, recovery rates, risk premiums and more
- Perform stress tests and sensitivity analyses on individual companies and portfolios to quantify the impact a given change will have on credit spreads
- Calculate a hedge ratio for equity vs. debt that is critical in various alternative investment strategies

CREDIT SPREAD ANALYSIS

- Analyze credit instruments and understand the cause of changes in credit spreads by varying EDF measures, loss given default and other assumptions
- Perform rich-cheap analyses by contrasting EDF-implied spreads with market-observed bond and CDS spreads

DATA AND ENGINE ACCESS

CreditEdge Plus allows users to export underlying portfolio data into Microsoft® Excel for further analysis. It also provides optional FTP portfolio data delivery of EDF-implied spreads and market-observed spreads with the ability to cross reference industry standard identifiers. In addition, CreditEdge Plus uses standard XML interfaces so applications can easily embed the CreditEdge calculation engine into the user's internal applications.

↙ For extended details on this product, please visit the Moody's KMV product page:
www.moodyskmv.com/products

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To Learn More:

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