



CENTRAL BANK OF EGYPT
Egyptian Banking Institute

MOODY'S
ANALYTICS

Sovereign Risk Analysis

Sovereign Risk Analysis

Overview

Sovereign Risk Analysis is a two-day, facilitated course that introduces participants to an in-depth process for analyzing sovereign credit risk.

It begins by exploring the economic data that underpins the analysis, the potential causes of stress, and issues around timely and accurate data reporting. Participants then examine causes of sovereign default and analyze recent defaults to understand their causes. They next consider the impact of external support, focusing on the role of the International Monetary Fund and other providers of sovereign support.

They then learn how Moody's Investors Service, Moody's Analytics' sister company, uses available data to develop its sovereign rating methodology. Participants consider the aftermath of a default, including the restructuring of sovereign debt and the losses taken by investors in default. The course concludes with an examination of local and foreign currency ceilings.

Case studies are woven throughout the course, in order to bring concepts to life.

Duration
2 Days

Modality
Virtual
or
In-Class

Program Level
Intermediate
& Advanced

Learning Objectives

By the end of this course, you will be able to:

- Analyse underlying macro economic data and issues
- Understand the causes of sovereign default and potential early warning signals
- Discuss the availability and effectiveness of external support
- Use the Moody's Investors Service rating scorecard to estimate a sovereign rating
- Learn what happens when a sovereign defaults

Who Should Attend?

This course is recommended for credit professionals with two or more years' experience, or individuals who have an understanding of macro-economics.

This could include:

- Sovereign and/or commercial credit analysts
- Investment, commercial and/or central bankers
- Investor relations or relationship managers
- Fixed income professionals

Virtual Delivery

You are able to access virtual courses from any location. Some courses, however, include content specific to the host region. For example, a course hosted in New York City may reference U.S. GAAP, while a course hosted in London may reference IFRS. Please contact us at learningsolutions@moodys.com for region-related content queries.

Course Outline

MODULE	TOPICS
1 National Accounts and Statistics	1 GDP and GDP growth
	2 GDP sectoral balance
	3 Primary balance and government deficit/surplus
	4 External balances: Current and capital accounts
	5 Accounting and misreporting
2 Causes of Sovereign Default	6 Standard causes of sovereign default
	7 Early warning signals
	8 Behaviour of financial metrics around default
	9 Local versus foreign currency debt
	10 Case studies: Lebanon (2020) and Suriname (2020)
3 External Support	11 International Monetary Fund <ul style="list-style-type: none">• IMF support for low-income countries• Extended, standby and rapid credit facilities• Catastrophe containment and relief• Heavily indebted poor countries (HIPC) initiative• Example: Ghana (2015, 2020)
	12 European Stability Mechanism
4 MIS Framework for Sovereign Ratings	13 Economic strength
	14 Institutional and governance strength
	15 Fiscal strength
	16 Susceptibility to event risk
	17 Mapping to the rating
	18 Case study: Rating Nigeria and South Africa

MODULE	TOPICS
5	Default and Restructuring
	19 Defining default
	20 Consent solicitation
	21 Example: Zambia (2020)
	22 Restructuring and bond exchanges
	23 COVID-19: Debt Service Suspension Initiative (DSSI) and common framework for debt treatment
	24 Empirical evidence of loss given default in sovereign default
25	Investor reactions
	<ul style="list-style-type: none"> • Holdouts • Impact of collective action clauses
	26 Examples: Barbados (2018), Ecuador (2020)
27	Market re-access
6	Country Ceilings and Applications
	28 Local and foreign currency ceilings
29	Inferring country risk from the LCC-FCC gap
7	Sovereign Risk Outlook
	30 Sovereign risk drivers
31	Pandemic impacts

Accreditation

Moody's Analytics is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors. State boards of accountancy have final authority on the acceptance of individual courses for CPE credit. Students should check for up-to-date information directly from the NASBA website: www.nasbaregistry.org.

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Headquarters – Nasr City

22 A, Dr. Anwar El Mofty St., Tiba 2000
P.O.Box 8164 Nasr City, Cairo, Egypt
Tel.: +2 02 24054472
Fax: +2 02 24054471

Working hours: 9:00 am - 5:00 pm

www.ebi.gov.eg



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