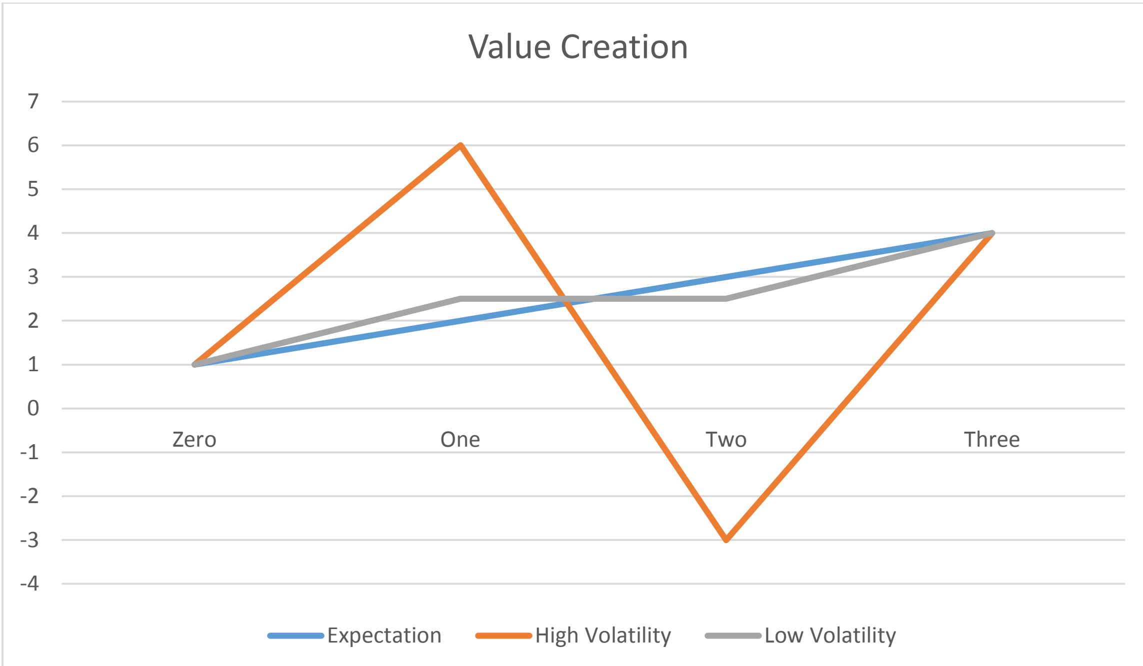
# LECTURE 1

# CORPORATE CREDIT RISK – An Introduction




**INSTRUCTORS NOTES**

- What makes a perfect analyst?
  - Performance: Chronology, Standard, Expectation
- What makes a perfect Credit Risk analyst?
  - Quantifying the Risk via:
    - Fundamental Analysis (Company/Industry Performance)
    - Technical Analysis (Probability Theory and Expectation)
    - Behavioral Analysis (Strengths of management/ experience )

**CHAPTER 1 & 2**

- Systematic Risk/Unsystematic Risk
  - Economy & Government (i.e. Sovereign & Country Risk)
    - Growth Expectation (GDP measurement)
    - Monetary & Fiscal Policy (Interest & Taxation)
    - Regulation (Tariffs, Environmental)
    - Foreign Currency Control

        - Political & Leg Val Risks
        - Financial Markets / Banking System
        - Macroeconomic (Labor, Consumer Spending, Inflation & Interest
    - Industry - Product development/trends
        - Sales & Revenue Prospects
        - Industry Cycles (New, Mature)
        - Cyclical vs Non-Cyclical
        - Recessionary vs non-recessionary
        - Global vs Domestic
        - Seasonal vs non-seasonal
        - Competition / Barriers to Entry
            - Technology
            - Customers & Suppliers

**CHAPTER 3 & 4**

- Company Specific Risks
    - Competitive Advantage
        - Market position/Sales Growth/Pricing
    - Management / Understanding Company's Managerial Strategies / Decisions - Evaluation
        - Operational Strategies (Top line/Bottom line)
        - Financial Strategies (Accessing Capital Markets)
        - Transactional Strategies (i.e. Acquisition Growth/
        - Social Responsibility & Corporate Governance