

Difference Between Moody's and S&P Ratings

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Key Difference – Moody's vs S&P Ratings

Credit rating is the exercise of estimating the ability of a person or an organization to meet their financial obligations such as repayment of **debt**, based on previous dealings. This is conducted through credit rating agencies who evaluate the credit worthiness of clients which becomes vital to quantify expected investor loss in case of default. Moody's Investors Service and S&P (Standard & Poor's Financial Services) are two of the top credit rating agencies in the world reporting over 1 million and 1.2 million outstanding ratings respectively. The key difference between Moody's and S&P ratings is that **Moody's ratings is the standardized ratings scale the company uses to assess the creditworthiness of borrowers by Moody's Investors Service whereas S&P ratings is a similar rating system offered by Standard & Poor's Financial Services.**

What is Moody's Ratings?

Moody's Investors Service is an American credit rating agency which is a **subsidiary** of Moody's Corporation. The standardized ratings scale the company uses to assess the creditworthiness of borrowers is named as the Moody's ratings. Moody's revenue exceeds \$2.1 billion and has employed around 1,252 analysts and supervisors to assess the creditworthiness of its customers. Moody's rate a number of **debt securities** including banks and other financial institutions, asset classes, fixed-income funds, money market funds and several bond instruments such as government, corporate and municipal bonds.

The logo for Moody's Analytics features the word "MOODY'S" in a large, blue, serif font, with the apostrophe on the "Y". Below it, the word "ANALYTICS" is written in a smaller, blue, sans-serif font.

Figure 01: Logo of Moody's Analytics

Creditworthiness is indicated by rating symbols and nine symbols are specified by Moody's according to the ascending order of credit risk (least credit risk to highest credit risk).

Aaa, Aa, A, Baa, Ba, B, Caa, Ca, C

The above nine symbols are further divided using numerical modifiers as 1, 2, and 3. A symbol representing a group of credit rating has a broadly similar risk.

E.g. Credit risk of A a 1 and A a 2 is largely similar

| Prime | Rating |
|--|---------|
| High grade | A a a |
| | A a 1 |
| | A a 2 |
| | A a 3 |
| Upper medium grade | A 1 |
| | A 2 |
| | A 3 |
| Lower medium grade | B a a 1 |
| | B a a 2 |
| | B a a 3 |
| Non-investment grade speculative | B a 1 |
| | B a 2 |
| | B a 3 |
| Highly speculative | B 1 |
| | B 2 |
| | B 3 |
| Substantial risk | C a a 1 |
| Extremely speculative | C a a 2 |
| In default with little prospect for recovery | C a a 3 |
| | C a |
| | C a |
| In default | C |
| | / |
| | / |

Table 1: Moody's rating symbols

What is S&P Ratings?

S&P (Standard & Poor's Financial Services) is also an American credit rating agency that offers a standardized rating scale referred to as the S&P ratings. The company is a subsidiary of S&P Global. While the reported revenue of S&P exceeds \$2.1 billion, the company employs around 1,416 analysts and supervisors. S&P assigns credit ratings for a number of private and public companies as well as other governmental entities

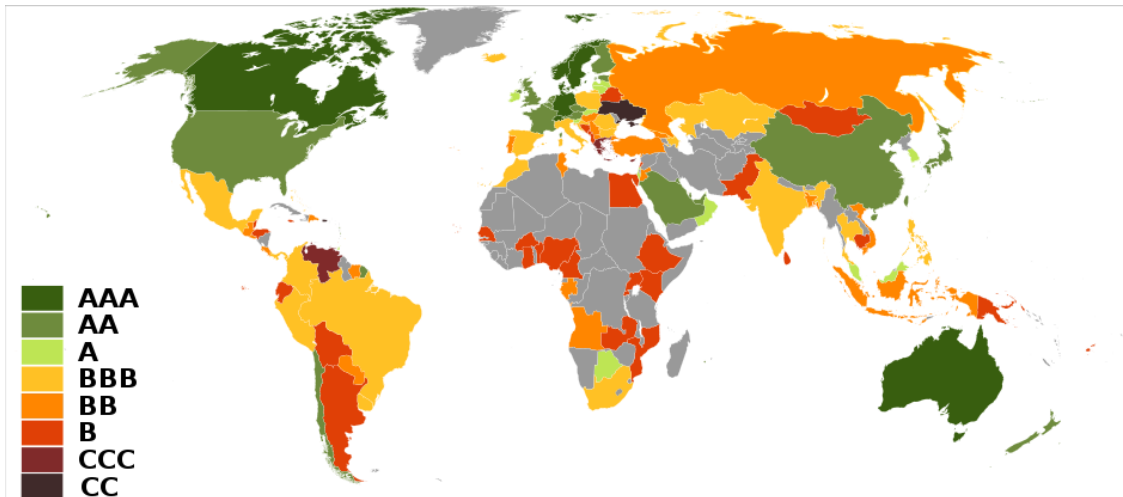


Figure 02: World countries Standard & Poor's ratings

S&P issues both short-term and long-term credit ratings. The credit rating symbols of S&P is based on the following order.

AAA+, BBB+, CCC+, D

Credit ratings are subjected to change over time based on evaluations of the credit rating companies.

E.g. In April 2016, S&P degraded the credit rating of the energy company ExxonMobil from AAA to AA+ leaving Microsoft and Johnson & Johnson as the only two companies in the AAA league. This is a notable change since ExxonMobil managed to maintain an AAA rating since 1949.

| Prime | Rating |
|----------------------------------|---------|
| High grade | A A A + |
| | A A + |
| | A A |
| | A A - |
| Upper medium grade | A + |
| | A |
| | A - |
| Lower medium grade | B B B + |
| | B B B |
| | B B B - |
| Non-investment grade speculative | B B + |
| | B B |
| | B B - |
| Highly speculative | B + |
| | B |

| | |
|--|------|
| | B- |
| Substantial risk | CCC+ |
| Extremely speculative | CCC |
| In default with little prospect for recovery | CCC- |
| | CC |
| | C |
| In default | D |
| | D |
| | D |

Table 1: S&P rating symbols

What are the similarities between Moody's and S&P Ratings?

- Both Moody's and S&P ratings are identified as Nationally Recognized Statistical Rating Organizations (NRSRO) by the U.S. Securities and Exchange Commission (SEC).

What is the difference between Moody's and S&P Ratings?

| Moody's vs S&P Ratings | |
|--|---|
| Moody's ratings is the standardized ratings scale the company uses to assess the creditworthiness of borrowers by Moody's Investors Service. | S&P ratings is the standardized ratings scale the company uses to assess the creditworthiness of borrowers by Standard & Poor's Financial Services. |
| Credit Rating Symbols | |
| Credit rating symbols of Moody's are Aaa, Aa, A, Baa, Ba, B, Caa, Ca, C. | AAA+, BBB+, CCC+, D are the credit rating symbols of S&P. |
| Number of Outstanding S | |
| Moody's has 1 million outstanding ratings. | S&P has 1.2 million outstanding ratings. |

Summary – Moody's and S&P Ratings

The difference between Moody's and S&P ratings largely depend on the finance company that the respective rating is offered. Both have different rating symbols, making it easier to distinguish between the two types of ratings. Companies who seek to obtain a credit rating can select either Moody's or S&P following due consideration. However, while important in assessing the creditworthiness, these ratings have no value in guaranteeing borrowers' future ability to meet financial obligations since the ratings are based on past information, thus should not be used as the sole basis for investment decisions.

References:

1. "Ratings Definitions." About Moody's Ratings: Ratings Definitions – Moody's. N.p., n.d. Web. [Available here](#). 07 July 2017.
2. "S&P Global Ratings Definitions." Standard & Poor's | Americas. N.p., n.d. Web. [Available here](#). 07 July 2017.
3. Shen, Lucinda. "Now There Are Only Two U.S. Companies With the Highest Credit Rating." Now There Are Just Two Triple A-Rated U.S. Companies | Fortune.com. Fortune, 27 Apr. 2016. Web. [Available here](#). 07 July 2017.

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1. "Moody's Analytics logo" By Moody's Corporation – Extracted from [Moody's Analytics](#) (Public Domain) via [Commons Wikimedia](#)
2. "World countries Standard & Poor's ratings" By BlankMap-World6,_compact.svg: Canuckguy et al. World countries Standard & Poor's ratings.png: NovaNovaBn et al. derivative work: DOSGuy (talk) – BlankMap-World6,_compact.svg ([CC BY-SA 3.0](#)) via [Commons Wikimedia](#)

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