

# S&P downgrades nine European countries

## Commentary

16 January 2012

### Overview

The decision by S&P to downgrade nine European countries on Friday should not be seen as a huge surprise, given their financial positions and the threat of recession.

Arguably the timing of the announcement was a surprise as to our mind there has been no significant change in the prospects of these economies over the last six months and S&P could have taken this action before. Their decision to do so now is only likely to increase the focus on credit rating agencies.

The downgrades may increase the borrowing costs of the countries involved with perhaps more pressure coming to bear on peripheral states, such as Cyprus, Italy and Portugal. The impact on countries such as France and Austria is likely to be minimal. However, from a wider perspective S&P's decision is not a game changer and the focus remains on the ability of policymakers to agree a credible solution to the euro-zone crisis.

Against this backdrop, markets will continue to be volatile. As always, our investment teams will focus on fundamentals, such as balance sheet strength, earnings resilience and structural growth potential in our bottom-up, stock picking approach, core attributes which we feel will be key to survival in these challenging times.

Country	Old Rating	New Rating	Cut
Austria	AAA	AA+	One notch
Belgium	AA	AA	None
Cyprus	BBB	BB+	Two notches
Estonia	AA-	AA-	None
Finland	AAA	AAA	None
France	AAA	AA+	One notch
Germany	AAA	AAA	None
Ireland	BBB+	BBB+	None
Italy	A	BBB+	Two notches
Luxembourg	AAA	AAA	None
Malta	A	A-	One notch
Netherlands	AAA	AAA	None
Portugal	BBB-	BB	Two notches
Slovakia	A+	A	One notch
Slovenia	AA-	A+	One notch
Spain	AA-	A	Two notches

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