Credit Market Research

Positive Global Corporate Finance Rating Activity Continues in 2006

Outlooks Offer Mixed View of Credit Quality Going Forward

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■ Summary

Global economic growth has remained fairly robust in 2006, continuing to support an environment of improving corporate credit quality. Fitch's global corporate finance downgrades have in fact continued to trail upgrades quarter-over-quarter, resulting in a year-to-date ratio of downgrades to upgrades of 0.5 to 1 for the three-quarter period ending in September, a wider margin of positive to negative rating actions than the 0.7 to 1 ratio recorded a year earlier. Upgrades have been especially strong among global banking and finance companies, exceeding downgrades by a ratio of 4 to 1 through September. Industrial issuers in North America and Europe, on the other hand, have continued to see more downgrades than upgrades in 2006, some due to performance issues and others to the heated pace of shareholder-friendly initiatives making headlines across the two regions. However, on a broader basis, including rating gains for industrial borrowers in emerging markets, the ratio of downgrades to upgrades for global industrials is also to date net positive at 0.7 to 1.

The distribution of Fitch's global rating outlooks at the end of September paints a mixed picture of the probable direction of rating activity over the next 12 to 24 months. The mix of positive to negative outlooks remains firmly net positive across the universe of Fitch-rated global financial institutions, suggesting further rating improvement for financial issuers, while credit quality among Fitch rated industrials, especially in the United States and Europe, is expected to continue to deteriorate. At the end of September, 14% and 13% of U.S. and European industrial issuer ratings carried negative outlooks, while 7% and 8%, respectively, enjoyed positive outlooks.

Fitch Ratings Global Corporate Finance Rating Actions by Sector* — 3Q06 YTD

	Downgrades		Upgrades	
Sector	Number of Actions	As % of Sector	Number of Actions	As % of Sector
Banks and Securities Firms	20	1.6	187	14.6
Finance and Leasing Companies and REITs	29	13.0	22	9.9
Insurance**	8	3.3	14	5.7
Financial Institutions Total	**57**	**3.3**	**223**	**12.8**
Industrials (Excluding Global Power)	109	11.2	133	13.7
Global Power	14	3.9	37	10.4
Industrials Total	**123**	**9.3**	**170**	**12.8**
Grand Total	**180**	**5.9**	**393**	**12.8**

*Includes IDR and senior debt rating actions, which may include actions taken on both parent and subsidiary ratings. **Excludes Insurance Financial Strength rating actions. IDR – Issuer default rating. REITs – Real estate investment trusts. YTD – Year to date.

November 29, 2006

Fitch Ratings Global Corporate Finance Rating Actions By Region* — 3Q06 YTD

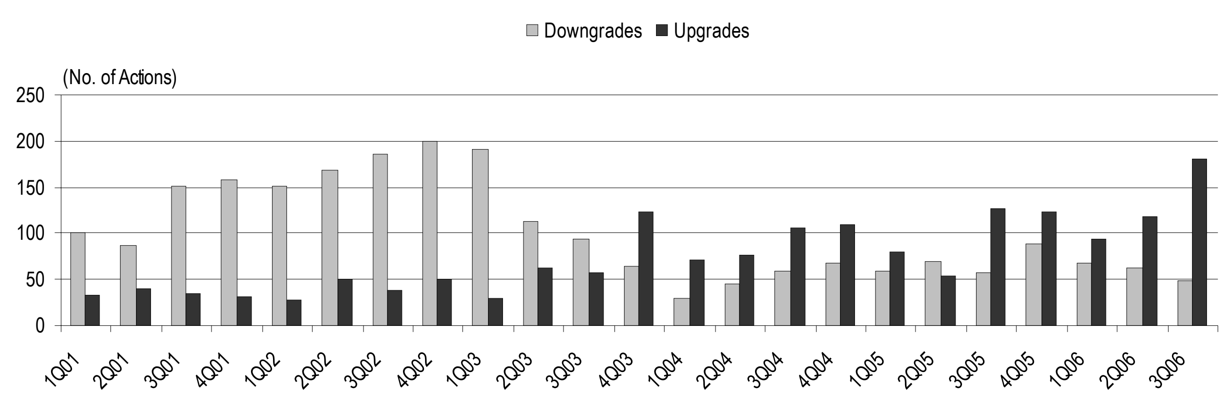
	Downgrades		Upgrades	
Sector	Number of Actions	As % of Region	Number of Actions	As % of Region
Asia/Pacific	19	4.8	45	11.3
Europe	43	4.6	112	12.1
Latin America and Caribbean	14	8.1	91	52.6
Middle East and Africa	3	2.1	30	21.3
North America	101	7.0	115	8.0
Total	**180**	**5.9**	**393**	**12.8**

*Includes IDR and senior debt rating actions, which may include actions taken on both parent and subsidiary ratings. IDR – Issuer default rating. YTD – Year to date.

Report Highlights

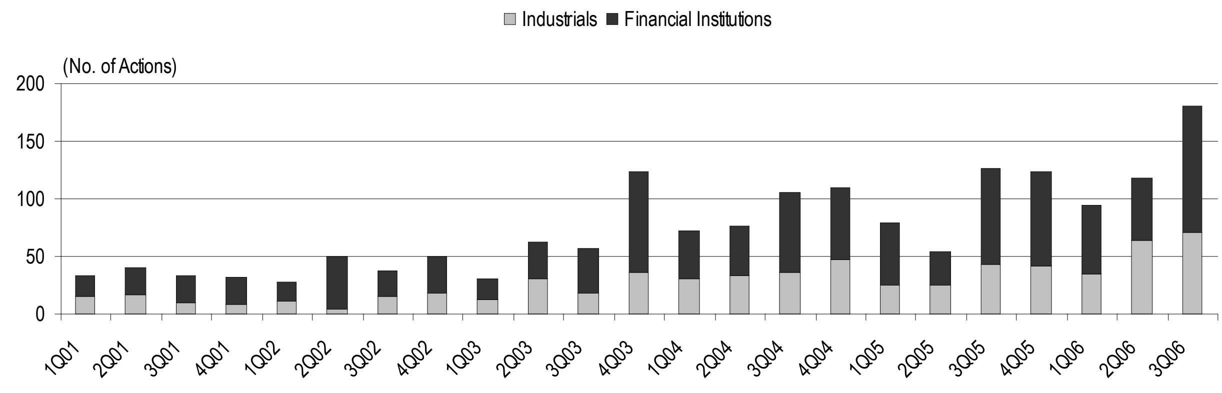
- Upgrades dominated Fitch's global corporate finance rating activity for the 2006 three-quarter period with 180 total downgrades and 393 upgrades. The resulting ratio of downgrades to upgrades of 0.5 to 1 was a slight improvement over the 0.7 to 1 ratio recorded a year earlier.
- Regionally, whether an emerging or developed market, upgrades outpaced downgrades. In Europe, downgrades lagged upgrades by a ratio of 0.4 to 1, while in the Asia/Pacific region upgrades trumped downgrades by a similar margin. In North America, the ratio was more balanced, with a ratio of downgrades to upgrades of 0.9 to 1. Country-specific rating changes, however, were mixed with downgrades topping upgrades notably in Australia, Canada and the United Kingdom.
- Banks led all financial institutions and in fact, all sectors with 187 upgrades. The majority of banking upgrades originated in Europe, which accounted for 78. Turning to downgrades, consumer and commercial finance companies topped all financial institutions in downgrade totals with 29, consisting predominantly of Ford Motor Company's (Ford) global financing subsidiaries, downgraded alongside the parent during the three-quarter period.
- Among global industrials, downgrades increased 40% year-over-year; however, sovereign and country ceiling-related upgrades neutralized the impact on the final ratio, ending the period with downgrades trailing upgrades by a ratio of 0.7 to 1.
- A meaningful number of industrial downgrades were due to a continuation of shareholder-oriented activities, such as leveraged buyouts and debt-financed share buyback programs. Other downgrades were related to performance issues, in particular in the troubled U.S. automotive industry.
- Downgrades of Ford and General Motors Corp. (GM) stirred the marketplace as the two issuers and their subsidiaries fell deeper into speculative grade territory. In addition, auto parts manufacturer Dana Corp. became another industry casualty, filing for bankruptcy in March

Fitch Global Corporate Finance Rating Actions — 2001–3Q06 YTD*



*Includes IDR and senior debt rating actions, which may include actions taken on both parent and subsidiary ratings. IDR – Issuer default rating. YTD – Year to date.

Global Corporate Finance Upgrades — 2001–3Q06 YTD*

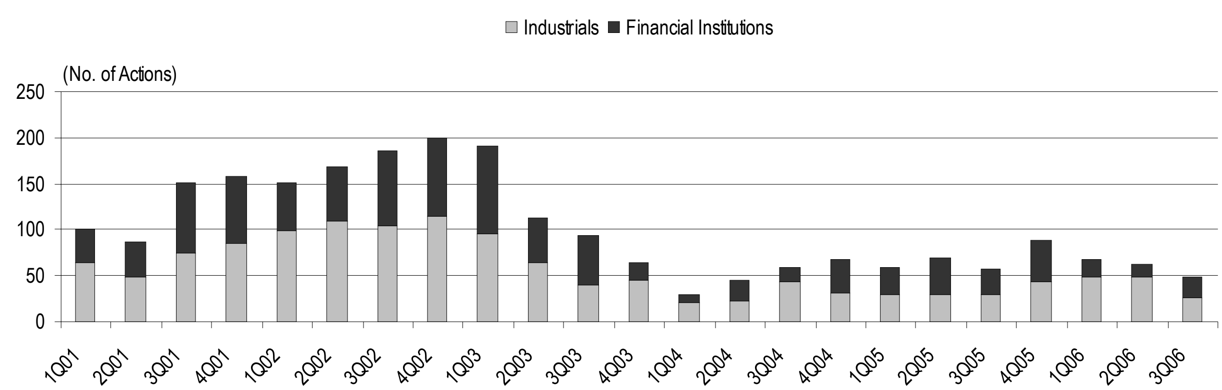


*Includes IDR and senior debt rating actions, which may include actions taken on both parent and subsidiary ratings. IDR – Issuer default rating. YTD – Year to date.

2006. Elsewhere, the telecommunication sector experienced significant downgrades as well, totaling 25, most notably Mediacom as well as several Canadian and European telecom concerns including Vodafone Group Plc.

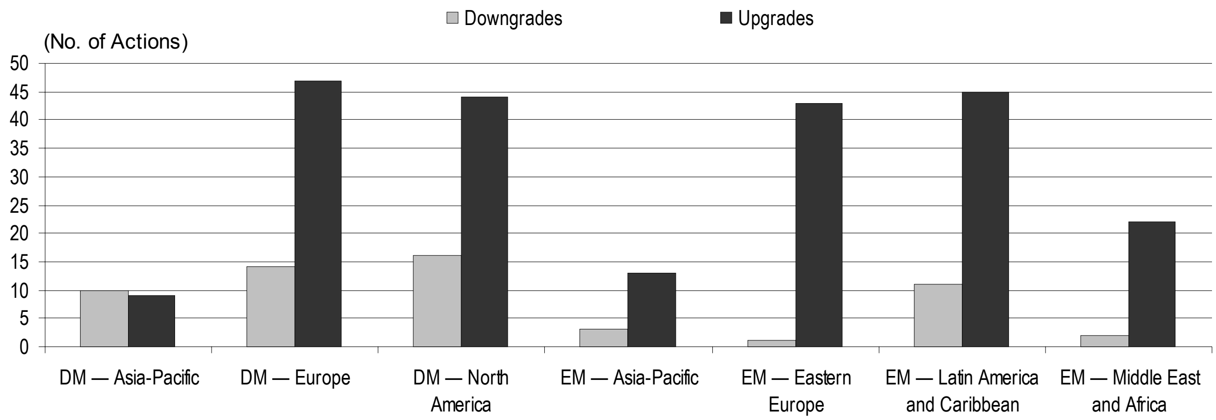
- Merger and acquisition (M&A) activity also contributed to numerous rating actions, both up and down the rating scale. According to Bloomberg, global M&A deal volume through the third quarter of 2006 totaled roughly $2.5 trillion, up 34% year-over-year.
- Among Latin American credits, upgrades surpassed downgrades effortlessly, thanks largely to the second-quarter sovereign upgrade of Brazil and the upward revision to country ceilings within the region. As a result, Latin American banking and finance upgrades outshined downgrades by nearly 4 to 1, while the distance between upgrades and downgrades was 15 to 1 among the region's industrials.
- Improving performance among Asia/Pacific banks and industrials, predominantly in Japan, supplied a sufficient number of upgrades to move upgrades in front of downgrades by a ratio of 2 to 1 in the first three quarters of 2006.
- The number of "fallen angels" dropped in the first three quarters of 2006 to 17, declining by almost 50% year-over-year. Meanwhile rising stars climbed more than twofold, spurred by M&A activity and upgrades related to sovereign and country ceiling-related upgrades.
- Another sign of the benign global credit environment, the high yield default rate across U.S. and European markets continued to contract

Global Corporate Finance Downgrades — 2001–3Q06 YTD*



*Includes IDR and senior debt rating actions, which may include actions taken on both parent and subsidiary ratings. IDR - Issuer default rating. YTD – Year to date.

Fitch Ratings Global Financial Institutions Rating Activity by Region*
(3Q06 YTD)



*Includes issuer default rating (IDR) and senior debt rating actions, which may include actions taken on both parent and subsidiary ratings. DM – Developed market. EM – Emerging market. YTD – Year to date.

from already low levels in 2005 with both regions registering year-to-date default rates of less than half a percent, according to Fitch's U.S. and European high yield par default indices.

- The majority, or 84%, of Fitch global corporate finance rating outlooks remained stable at the end of the third quarter of 2006, just shy of the 85% recorded a year earlier. Further, 9% of ratings carried positive outlooks compared with 7% carrying negative outlooks. However, differences in the distribution of outlooks were pronounced across regions and sectors, with industrials in developed markets in particular showing more negative than positive outlooks and financial institutions enjoying the reverse.

Financial Institutions Lead Upgrades in First Three Quarters of 2006

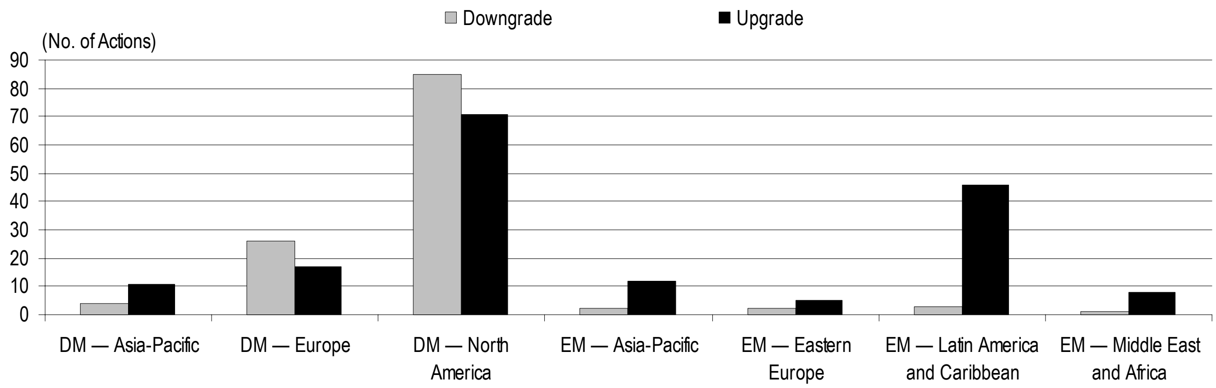
Overall, Fitch global corporate finance rating performance proved mostly positive in the first three quarters of 2006, despite some mixed results, namely among industrials. Upgrades continued to surpass downgrade totals, meaning ratings have been on a positive upswing for a three-year period, following the most recent economic slowdown in 2001. Year-over-year, downgrade totals remained relatively flat, while upgrades experienced a more than 50% increase thus far in 2006. The resulting ratio of downgrades to upgrades improved on a year-over-year basis to 0.5 to 1, from 0.7 to 1.

From a regional perspective, the majority of Fitch global corporate finance rating actions occurred within North America and Europe, accounting for 38% and 27%, respectively, of all rating actions during the first three quarters of 2006. Since more than 70% of all Fitch-rated corporate finance ratings originate within these two regions, the large representation among rating activity comes as no surprise.

As evidenced by the Global Corporate Finance Rating Actions by Region chart on page 2, upgrades surpassed downgrades within each regional category. The margin of upgrades over downgrades was as much as 10 to 1 (Middle East and Africa) and as little as 1.1 to 1 (North America). However, examining the data at a more granular level, on a country-by-country basis, reveals results were somewhat mixed during the three quarter period. For example, despite the overwhelming number of countries where upgrades dominated downgrade totals, there were countries like the UK, which experienced more downgrades than upgrades, resulting in a downgrade to upgrade ratio of 1.4 to 1 for the first three quarters of 2006, due in part to weakening performance and stockholder-friendly initiatives of industrial issuers. Additionally, when the total global corporate finance rating changes for the period are examined minus actions related to sovereign or country ceiling upgrades, the resulting ratio is on par with that of the year-earlier period, 0.7 to 1.

Among financial institutions, banks contributed the majority of upgrades as well as to Fitch's overall

Fitch Ratings Global Industrial Rating Activity by Region*
(3Q06 YTD)



*Includes Issuer default rating (IDR) and senior debt rating actions, which may include actions taken on both parent and subsidiary ratings. DM – Developed market. EM – Emerging market. YTD – Year to date.

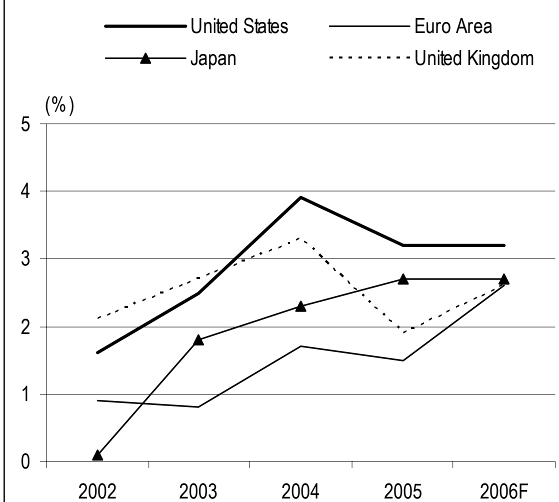
rating activity in the first three quarters. Additionally, banks upgraded in conjunction with a sovereign or country ceiling rating change were not in short supply during the period, accounting for 19% and 24%, respectively, of all bank upgrades during the period. M&A deal activity that prompted an upgrade during the period affected an additional 9% of bank upgrades, including the Ukraine's Bank Mriya (to 'BB–'from 'CCC+') on the closing of a deal to sell a majority stake to Vneshtorgbank, and MBNA Corp. (to 'AA–'from 'BBB+') upon the closing of its merger with Bank of America Corp.

As for sovereign-related actions, those occurred as both downgrades and upgrades, but the overwhelming majority consisted of upgrades. For instance, Brazil's upgrade to 'BB' from 'BB–' provided for 14 upgrades among Brazilian banking and finance companies. Country ceiling revisions for 40 countries resulted in 45 banking upgrades during the period across Europe, Latin America and Asia.

Upgrades topped the global insurance sector as well, with the bulk of upgrades associated with company performance. Europe and U.S. insurance companies dominated upgrades during the period; notable names included Aetna Inc. (to 'A' from 'A–') and Royal London Mutual Insurance Society (to 'A–' from 'BBB+'). Amid the handful of downgrades in the insurance sector was PXRE Group Ltd., downgraded due in part to a release of new estimates for 2005-related hurricane losses.

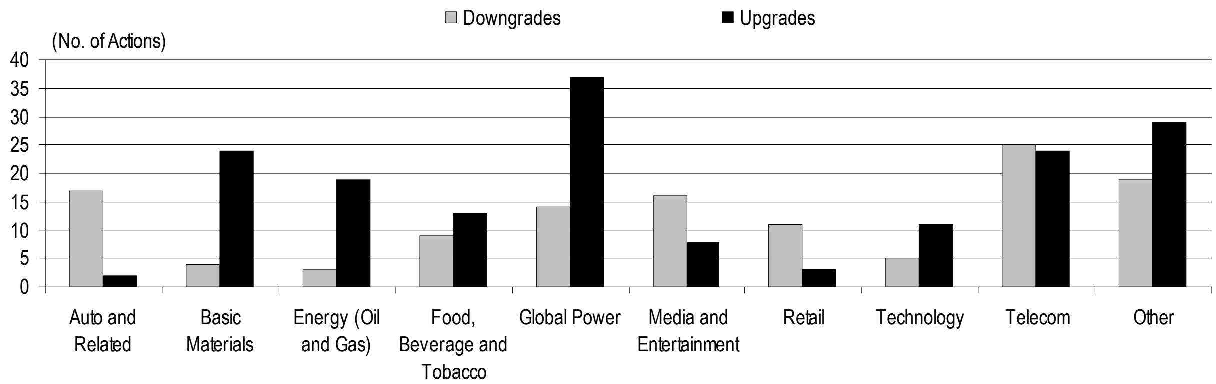
Another story resonating within the financial institutions sector stemmed from the U.S. auto industry, as it involves the downgrades of the consumer financing arms of major industrial companies, such as U.S. automotive manufacturers, Ford and GM, themselves recipients of downgrades during the period. Along with the parents, U.S. domestic and international subsidiaries, both industrial and financial, received downgrades over the period. Among those downgraded, Ford Motor Credit Company was lowered to 'B' from 'BB+' at the same time Ford was lowered to 'B' from 'BB+'. International subsidiaries in Australia and Canada received downgrades as well, helping elevate the number of downgrades of consumer finance and leasing companies to 29 for the first three quarters of 2006.

Global GDP Growth



GDP – Gross domestic product. F – Forecast.
Source: Fitch Global Economics.

Fitch Ratings Global Industrial Rating Activity by Sector*
(3Q06 YTD)



*Includes Issuer default rating (IDR) and senior debt rating actions, which may include actions taken on both parent and subsidiary ratings. YTD – Year to date.

■ Global Industrials: Autos Apply the Brakes

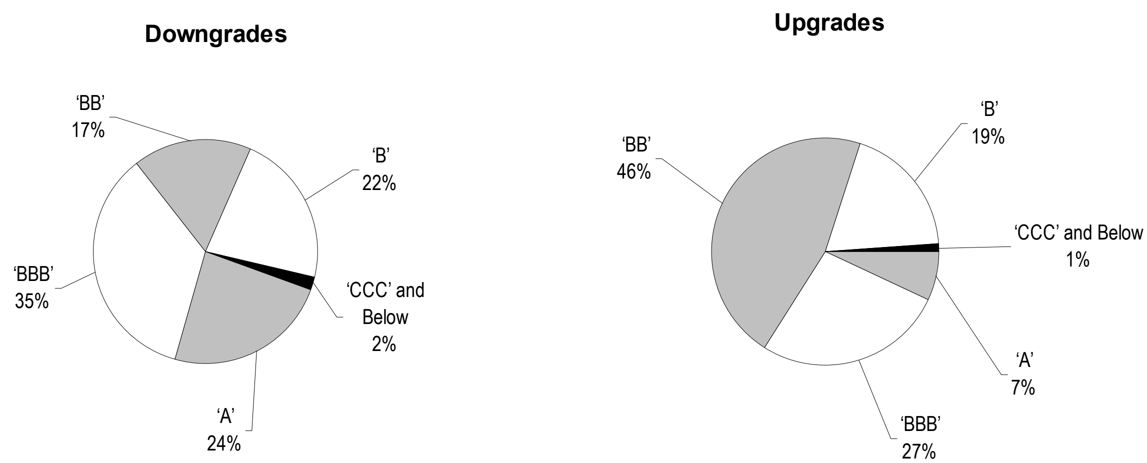
As noted above, global industrials (minus global power) saw downgrades nearly even with upgrades, in a fashion similar to year-earlier levels. Paving the way for industrial downgrades were auto industry giants Ford and GM. Two of the Big Three U.S. automakers received downgrades further into speculative grade territory, the result of continued deteriorating results for both manufacturers. Each company facing similar challenges, with eroding market share and burdened with pension and health care legacy issues, received downgrades, with Ford experiencing the greater movement to 'B' from 'BB+', and GM to 'B' from 'B+'. The impact of the deteriorating market share and high costs has trickled down to the automotive suppliers that are closely aligned with Detroit. Among those U.S. auto suppliers downgraded during the first nine months of 2006 were two fallen angels, Lear Corporation to 'B' from 'BBB–' and American Axle & Manufacturing Holdings, Inc. to 'BB' from 'BBB–'.

Telecommunications led all global industrials in the highest number of total downgrades, with 25 during the first three quarters of 2006. Accounting for the majority of those downgrades was U.S.-based Mediacom (to 'B' from 'B+') and its 11 subsidiaries, lowered upon concerns over company leverage. Other telecom downgrades included Bell Canada and Telefonica SA of Spain, both lowered to 'BBB+' from 'A', with similar rationale—concerns about company leverage. Telecoms were not without upgrades, in fact, at a similar pace, matching downgrades almost step-for-step, with 24 during the period. Among those upgraded were Canada's Rogers Communications, Inc. (to 'BB' from 'BB–') and MCI, Inc. (MCI, to 'A–' from 'B'), which landed back in investment grade territory following its acquisition by Verizon Communications. Meanwhile, halfway across the globe, China Mobile Limited received an upgrade to 'A' from 'A–', due to positive performance and its leading market position.

The media and entertainment sector also received a number of downgrades during the 2006 three-quarter period, arising from M&A activity as well as shareholder-friendly initiatives. The media sector has experienced a revolution of sorts in recent years, with the advent of Web media, satellite radio and increased cable options, making a challenging environment for some companies and creating opportunities for others. One area under particular pressure is the print medium—as circulation declines due to Web competition, so too does advertising revenue, leaving some companies with equity performance anxiety, possibly turning to shareholder-friendly initiatives which simultaneously boosts company leverage. Case in point; Tribune Co.'s decisions to perform a stock buyback and explore further options to create additional shareholder value sent leverage up and its rating down, resulting in a downgrade to 'BB+' from 'A–'.

Global power issuers experienced the most upgrades of any industrial sector, with 37. Improving company operating performance went hand in hand with leverage reduction to provide the foundation for many of the upgrades. Among those global issuers

Fitch Ratings Global Industrials by Rating Category — 3Q06 YTD*



*Includes IDR and senior debt rating actions, which may include actions taken on both parent and subsidiary ratings. IDR – Issuer default rating. YTD – Year to date.

upgraded were Chile's AES Gener S.A. (to 'BB+' from 'BB') and with a move from speculative grade to investment grade, rising star NorthWestern Corporation to 'BBB–' from 'BB+' in the United States.

The sovereign rating upgrade of Brazil affected industrials as well, including 18 companies from various sectors, from metals and mining to telecom. Furthermore, country ceiling-related upgrades of industrial credits provided an additional 29 upgrades during the three-quarter period. Among those countries affected by the country ceiling upward revisions was Brazil, resulting in Brazilian issuers being affected by both changes, including Companhia Siderurgica Nacional (to 'BBB–' from 'BB') and Telemar Norte Leste S.A. (to 'BB+' from 'BB–').

Sovereign Upgrades Top Downgrades Through the Third Quarter

Once again, upgrades dominated sovereign rating activity leading downgrades by 12 to 1 during the first three quarters of 2006, expanding the margin from the year-earlier period when upgrades led downgrades by 3 to 1. Thus, credit quality continued to improve on a global basis and in particular among several emerging markets countries, from which 10 of the 12 upgrades originated. The only developed countries receiving upgrades during the first three quarters of 2006 were Belgium and Bermuda, both to 'AA+' from 'AA'.

Among the emerging market upgrades, Brazil (to 'BB' from 'BB–') had the most impact on the ratings of other credits, leading to 32 finance and industrial upgrades during the period. Brazil's improving economic conditions and progress toward more stringent fiscal policies translated into improved risk prospects for the country's industrials and financing institutions. Other emerging market sovereigns upgraded in the first three quarters included the Russian Federation to 'BBB+' from 'BBB' and India to 'BBB–' from 'BB+'.

The lone sovereign downgrade during the first three quarters of 2006 was the Islamic Republic of Iran to 'B+' from 'BB–'. The downgrade reflects the continuing friction between Iran and the global community regarding its nuclear program.

Additionally, country ceiling upward revisions for 40 countries in August paved the way for more than 70 additional upgrades during the third quarter of 2006, cementing the continuation of the positive rating drift evident over the past three years. Country ceilings are, in effect, a cap on all foreign currency ratings of entities originating within each country Fitch rates. These constraints on foreign currency ratings capture the risk of exchange controls or transfer and convertibility risk. For more information on country ceilings visit www.fitchratings.com.

Fallen Angels Decline, While Rising Stars Climb

A positive sign for credit quality during the period was a decline in the number of fallen angels, i.e., issuers downgraded from investment grade to speculative grade. Fallen angels totaled just 17 during the period, down almost 50% from the year-earlier period. The defining event for this group of fallen angels was evenly divided between credit events and M&A-related activity. Noteworthy fallen angels in the period, not previously mentioned, included computer software company CA, Inc. (to 'BB+' from 'BBB–'), and Italy's Banca Popolare di Intra (to 'BB' from 'BBB–').

Rising stars, issuers upgraded from speculative grade to investment grade, increased twofold during the first three quarters of 2006, when compared with year-earlier totals. Sovereign-related upgrades contributed to the jump in rising stars, of which nine issuers crossed over into high grade territory as a result of the changes to Brazil's country ceiling ratings, with an additional eight as the result of upgrades to India, Peru and Romania's sovereign ratings. Likewise, 10 issuers received an upgrade because of closings of M&A and related deals, which resulted in an investment grade rating. Issuers such as MCI, received a multi-notch upgrade (to 'A–'from 'B'), as the result of its acquisition by Verizon. These notable rising stars moved in the opposite direction of their ultimate parent, GM. GMAC Commercial Mortgage Bank and subsidiaries were upgraded to 'BBB' following a spin-off of Capmark Financial Group by General Motors Acceptance Corp. (GMAC), lessening the mortgage companies' debt burden as a result. (For more information regarding fallen angels and rising stars turn to Appendix 1 on page 12.)

Of note, upon examining issuers on the cusp of investment grade (see Appendix 2 on page 13), the edge, although slight, belongs to those credits on the cusp of becoming rising stars, as opposed to fallen angels. However, the number of issuers within both categories has declined by nearly 50% year-over-

Fitch U.S. and International Financial Institutions Outlook Distribution by Sector

(% of All Outlooks; Sept. 30, 2005, Versus Sept. 30, 2006)

		Rating Outlook		
	Date	Negative	Stable	Positive
Fitch U.S. Financial Institutions Outlook Distribution by Sector				
Banks and Financial Institutions	September 2005	7	88	5
	September 2006	5	83	12
Insurance	September 2005	6	89	5
	September 2006	2	97	1
REIT	September 2005	5	88	8
	September 2006	0	87	13
Totals	September 2005	6	88	6
	September 2006	4	87	10
Fitch International Financial Institutions Outlook Distribution by Sector (Excludes United States)*				
Banks and Financial Institutions	September 2005	5	90	6
	September 2006	4	86	10
Insurance	September 2005	2	98	0
	September 2006	5	93	2
REIT	September 2005	0	85	15
	September 2006	0	89	11
Totals	September 2005	4	90	6
	September 2006	4	86	10
Financial Institutions by Region				
Asia/Pacific	September 2005	6	81	14
	September 2006	6	83	12
Europe**	September 2005	2	93	5
	September 2006	2	91	7
Latin American and the Caribbean	September 2005	23	77	0
	September 2006	19	75	6
North America	September 2005	7	88	5
	September 2006	4	87	10
Financial Institutions Totals	September 2005	6	89	6
	September 2006	4	87	9

*Excludes outlook evolving. **Excludes stable outlooks assigned to 1300 banks in Germany's Genossenschaflicher FinanzVerbund banking network. REIT – Real estate investment trust. Note: Numbers may not add to 100% due to rounding.

Fitch U.S. Industrial Outlook Distribution by Sector

(% of All Outlooks; Sept. 30, 2005, Versus Sept. 30, 2006)

		Rating Outlook		
Sector For Report	Date	Negative	Stable	Positive
Aerospace and Defense	September 2005	9	82	9
	September 2006	13	73	13
Auto and Related	September 2005	27	64	9
	September 2006	50	40	10
Basic Materials	September 2005	7	79	14
	September 2006	7	87	7
Building, Construction and Materials	September 2005	5	75	20
	September 2006	0	95	5
Consumer Products	September 2005	7	71	21
	September 2006	17	67	17
Energy (Oil and Gas)	September 2005	3	93	3
	September 2006	4	93	4
Food, Beverage and Tobacco	September 2005	13	85	3
	September 2006	27	63	10
Global Power	September 2005	6	87	7
	September 2006	12	82	6
Health Care	September 2005	16	76	8
	September 2006	11	86	4
Industrial Products and Services	September 2005	12	72	16
	September 2006	5	91	3
Leisure and Lodging	September 2005	8	92	0
	September 2006	8	83	8
Media and Entertainment	September 2005	11	78	11
	September 2006	27	73	0
Retailing	September 2005	33	52	15
	September 2006	31	62	8
Technology	September 2005	14	62	24
	September 2006	21	68	12
Telecommunications	September 2005	21	65	14
	September 2006	8	82	10
Transportation	September 2005	33	58	8
	September 2006	0	82	18
All U.S. Industrials	September 2005	12	78	10
	September 2006	14	79	7

year, indicating that fallen angels and rising stars in 2007 will in all likelihood, come in below levels recorded thus far in 2006.

■ Outlooks Suggest More Rating Gains for Financial Institutions, More Downgrades for Industrials

As of September 2006, Fitch's rating outlooks remained exceptionally stable in a side-by-side comparison with year-earlier data. In fact, 84% of all global corporate finance IDR and long-term issuer rating outlooks were stable, just short of the 85% recorded a year earlier. In addition, the share of positive outlooks grew from 7% to 9% for the universe of corporate entities rated by Fitch. The distribution of outlooks is of great interest to investors since it offers a view of probable near-term rating trends. Fitch's rating outlooks reflect an entity's financial and business trends over a horizon of one to two years. Most outlooks, similar to ratings, tend to be stable, with the degree of stability and the relationship of positive to negative outlooks tied to economic, credit or industry cycles. As illustrated most vividly by the current outlook mix for the U.S. automotive sector, the ratings of companies in industries under duress, not surprisingly, are usually marked with a strongly skewed ratio of more negative than positive outlooks, indicating net/net further rating deterioration ahead.

While Fitch's outlook data at the end of September was generally positive with the vast majority of ratings on stable outlook and slightly more positive than negative outlooks overall, an examination of the data on a broad sector-by-sector basis revealed substantial disparities in the probable direction of credit quality among sectors and regions. For example, global financial institutions, as shown in the Financial Institutions Outlook table on page 8, continued to enjoy a high level of stable outlooks—87% versus 89% a year earlier—and a wider margin of positive to negative outlooks (at the end of September, 9% of financial institution outlooks were positive and 4% negative, compared with a mix of

Fitch International Industrials Outlook Distribution by Sector (Excludes U.S.)
(% of All Outlooks; Sept. 30, 2005, Versus Sept. 30, 2006)

		Rating Outlook		
Sector For Report	**Date**	**Negative**	**Stable**	**Positive**
Aerospace and Defense	September 2005	20	80	0
	September 2006	17	67	17
Auto and Related	September 2005	31	69	0
	September 2006	24	71	5
Basic Materials	September 2005	3	92	6
	September 2006	2	90	8
Building, Construction and Materials	September 2005	18	82	0
	September 2006	4	96	0
Consumer Products	September 2005	14	71	14
	September 2006	13	75	13
Energy (Oil and Gas)	September 2005	0	88	13
	September 2006	6	80	14
Food, Beverage and Tobacco	September 2005	15	79	6
	September 2006	6	81	14
Global Power	September 2005	3	91	5
	September 2006	8	90	2
Health Care	September 2005	0	100	0
	September 2006	0	88	13
Industrial Products and Services	September 2005	14	76	10
	September 2006	9	83	9
Leisure and Lodging	September 2005	40	60	0
	September 2006	50	50	0
Media and Entertainment	September 2005	0	78	22
	September 2006	0	80	20
Retailing	September 2005	57	43	0
	September 2006	41	59	0
Technology	September 2005	5	85	10
	September 2006	0	86	14
Telecommunications	September 2005	17	75	8
	September 2006	11	76	14
Transportation	September 2005	5	90	5
	September 2006	0	94	6
All Non-U.S. Industrials	September 2005	11	82	7
	September 2006	9	83	9
Industrials by Region				
Asia/Pacific	September 2005	12	81	8
	September 2006	8	88	4
Europe	September 2005	14	79	7
	September 2006	13	79	8
Latin American and the Caribbean	September 2005	1	93	6
	September 2006	1	93	6
North America	September 2005	12	78	10
	September 2006	13	79	10
Industrial Totals	September 2005	11	80	9
	September 2006	11	81	8

6% and 6%, respectively, a year earlier). However, as shown in the table, the distribution varied across regions and broad products, with REITs in particular showing the best mix of positive to negative outlooks.

U.S. industrials, in contrast, showed a different pattern, with negative outlooks exceeding positive outlooks and by a wider margin than a year earlier, suggesting further credit deterioration among the industrials, especially among automotive, retail, and media and entertainment sectors.

The mix of positive to negative outlooks among Fitch-rated industrials in Europe and Asia was also skewed on the downside. Industrial issuers in Europe in particular faced many of the same issues as their U.S. counterparts, namely the strong trend toward LBOs and other shareholder-oriented activities

In conclusion, rating outlooks provide a broad view of the direction of rating activity and hence credit quality. Fitch's outlooks at the end of the third quarter suggest that upgrades are expected to continue to top downgrades among the universe of Fitch-rated financial institutions while credit quality among Fitch-rated industrials, especially U.S. industrials, is expected to continue to deteriorate.

Methodology

Commencing in August 2005 with the introduction of Fitch's long-term IDRs, rating action statistics for Fitch's global corporate finance rating activity report described here, were calculated using Fitch's new long-term IDR, where assigned. For other issuers not yet assigned IDRs in the 2005–2006 period and for historical purposes, the long-term issuer rating (a proxy of default risk) was used to capture rating changes as in previous studies.

All worldwide Fitch publicly rated corporate finance long-term IDRs and long-term senior debt ratings from 2001–third-quarter 2006 (year-to-date) were included in this study. Rating actions were counted for this report capturing each rating action at the modifier level during the given period, which may include multiple actions to a single issuer, unlike Fitch's Global Corporate Transition data, which examines the beginning-of-the-year rating versus the end-of-the-year rating.

The occurrence and timing of both rating upgrades and downgrades for corporate issuers can be attributed to changes in qualitative and/or quantitative factors. Both qualitative and quantitative measures are used to assess the business and financial risks of corporate issuers. Qualitative analysis includes examining industry risk, operating environment, market position, management and accounting policies. In contrast, the quantitative aspect of Fitch's corporate ratings focuses on a company's policies in relation to operating strategies, acquisitions and divestitures, leverage targets, dividend policy and financial goals. An important component in the analysis is the company's ability to generate cash, which is reflected by the ratios that measure profitability and coverage on a cash flow basis.

Fitch's continuing data enhancement efforts may result in slightly different statistics than in previously published studies. Therefore, this most recent study supersedes all prior versions.

■ Appendix 1

Global Corporate Finance Fallen Angels and Rising Stars
(1/1/06–9/30/06)

Issuer	Sector	Country	Date of Action	Rating Before	Rating After	Event
Fallen Angels						
Albertson's Inc.	Retailing	United States	5/1/06	'BBB'	'BB–'	M
Alltel Georgia Communications	Telecommunications	United States	6/2/06	'A'	'BB+'	M
American Axle & Manufacturing Holdings, Inc.	Auto Suppliers	United States	3/9/06	'BBB–'	'BB'	C
ARAMARK Corporation (and Subsidiary)	Food, Beverage and Tobacco	United States	8/8/06	'BBB'	'BB–'	M
AutoNation, Inc.	Retailing	United States	3/7/06	'BBB–'	'BB+'	C
Banca Popolare di Intra	Banks	Italy	6/13/06	'BBB–'	'BB'	C
CA, Inc.	Technology	United States	6/30/06	'BBB–'	'BB+'	C
Freescale Semiconductor, Inc.	Technology	United States	9/21/06	'BBB–'	'BB+'	M
Hilton Hotels Corp.	Lodging	United States	2/23/06	'BBB–'	'BB'	M
Lear Corporation	Auto Suppliers	United States	1/6/06	'BBB–'	'BB+'	C
Peabody Energy (Formerly P&L Coal Holding Corp.)	Basic Materials	United States	9/14/06	'BBB–'	'BB+'	M
RadioShack Corporation	Retailing	United States	8/22/06	'BBB'	'BB+'	C
Scottish Re Group Limited	Insurance	Cayman Islands	8/22/06	'BBB–'	'BB'	C
SuperValu Inc.	Retailing	United States	5/1/06	'BBB'	'BB–'	M
Tribune Co.	Media and Entertainment	United States	9/22/06	'BBB–'	'BB+'	C
Univision Communications, Inc.	Media and Entertainment	United States	6/27/06	'BBB–'	'BB'	M
Rising Stars						
AES El Salvador	Global Power	El Salvador	8/17/06	'BB+'	'BBB–'	S
Aker Kvaerner Oil & Gas Group AS	Energy (Oil and Gas)	Norway	9/27/06	'BB+'	'BBB–'	C
Alcoa Aluminio S.A.	Basic Materials	Brazil	6/29/06	'BB+'	'BBB–'	S
Aracruz Celulose S.A.	Basic Materials	Brazil	6/29/06	'BB+'	'BBB–'	S
Banca Comerciala Romana	Banks	Romania	9/1/06	'BB+'	'BBB–'	S
Banca IFIS S.p.A.	Banks	Italy	2/10/06	'BB+'	'BBB–'	C
Companhia de Bebidas das Americas (AmBev)	Food, Beverage and Tobacco	Brazil	1/30/06	'BB+'	'BBB–'	S
Companhia Siderurgica de Tubarao (CST)	Basic Materials	Brazil	6/29/06	'BB+'	'BBB–'	S
Companhia Siderurgica Nacional (CSN)	Basic Materials	Brazil	8/17/06	'BB+'	'BBB–'	S
Companhia Vale do Rio Doce (CVRD)	Basic Materials	Brazil	6/29/06	'BB+'	'BBB–'	S
CST Overseas	Basic Materials	Brazil	6/29/06	'BB+'	'BBB–'	S
Cummins Inc.	Auto and Related	United States	5/30/06	'BB+'	'BBB–'	C
Edison International	Global Power	United States	9/27/06	'BB'	'BBB–'	C
Export Import Bank of India (EXIM)	Banks	India	8/3/06	'BB+'	'BBB–'	S
Freescale Semiconductor, Inc.	Technology	United States	8/4/06	'BB+'	'BBB–'	M
Gerdau Acominas S.A.	Basic Materials	Brazil	6/29/06	'BB+'	'BBB–'	S
GMAC Commercial Mortgage Bank (and Two Affiliates)	Financial Services	United States	3/23/06	'BB+'	'BBB'	M
Hsinchu International Bank	Banks	Taiwan	1/10/06	'BB+'	'BBB–'	C
ICICI Bank Limited	Banks	India	8/16/06	'BB+'	'BBB–'	S
Impexbank	Banks	Russian Federation	5/4/06	'B–'	'BBB–'	M
Independent Bank Corp	Banks	United States	7/26/06	'BB+'	'BBB–'	C
Jih Sun Securities Corp., Ltd	Banks	Taiwan	9/29/06	'BB+'	'BBB–'	C
Legrand SA	Industrial Products and Svcs	France	4/24/06	'BB+'	'BBB–'	C
Maytag Corporation	Consumer Products	United States	3/31/06	'B+'	'BBB'	M
MCI Inc.	Telecommunications	United States	1/4/06	'B'	'A–'	M
Minera Mexico, S.A. de C.V.	Basic Materials	Mexico	5/3/06	'BB+'	'BBB–'	C
National Hydroelectric Power Corporation (NHPC)	Global Power	India	8/1/06	'BB+'	'BBB–'	S
Northwest Pipeline Corp.	Global Power	United States	5/15/06	'BB+'	'BBB–'	C
NorthWestern Corporation	Global Power	United States	3/30/06	'BB+'	'BBB–'	C
NTPC Limited	Global Power	India	8/1/06	'BB+'	'BBB–'	S
OAO Gazprom	Energy (Oil and Gas)	Russian Federation	7/13/06	'BB+'	'BBB–'	C
Partners Trust Bank (and Subsidiary)	Banks	United States	2/13/06	'BB'	'BBB–'	M
Peabody Energy (Formerly P&L Coal Holding Corp.)	Basic Materials	United States	5/5/06	'BB+'	'BBB–'	C
RBTT Financial Holdings Limited	Banks	Trinidad and Tobago	9/7/06	'BB+'	'BBB–'	C
Reliance Industries Ltd	Energy (Oil and Gas)	India	8/1/06	'BB+'	'BBB–'	S
Rockland Trust Co.	Banks	United States	7/26/06	'BB+'	'BBB–'	C
Samarco Mineracao S.A.	Basic Materials	Brazil	6/29/06	'BB+'	'BBB–'	S
Scotiabank El Salvador, S.A.	Banks	El Salvador	8/17/06	'BB+'	'BBB–'	S
Southern Copper Corporation (SCC)	Basic Materials	Peru	5/3/06	'BB+'	'BBB–'	C
State Bank of India	Banks	India	8/3/06	'BB+'	'BBB–'	S
Sterling Savings Bank (and Subsidiary)	Banks	United States	3/22/06	'BB+'	'BBB–'	C
Sumitomo Metal Industries, Ltd	Basic Materials	Japan	5/30/06	'BB–'	'BBB–'	C
Sumitomo Realty & Development Co. Ltd.	Property/Real Estate	Japan	3/15/06	'BB+'	'BBB–'	C
Telefonica del Peru, S.A.A. (TDP)	Telecommunications	Peru	9/6/06	'BB+'	'BBB–'	S
Transcontinental Gas Pipe Line Corp.	Global Power	United States	5/15/06	'BB+'	'BBB–'	C
Votorantim Participacoes S.A. (VPAR)	Industrial Products and Svcs	Brazil	6/29/06	'BB+'	'BBB–'	S
Western Financial Bank	Banks	United States	3/1/06	'BB'	'AA–'	M
Xerox Corporation (and Two Subsidiaries)	Technology	United States	8/8/06	'BB+'	'BBB–'	C

C – Credit Event. M – Merger/acquisition/divestiture related. S – Sovereign/sovereign ceiling related.

Appendix 2

Global Corporate Finance Ratings at the Cusp of Investment Grade

(As of Sept. 30, 2006)

Issuer	Industry Sector	Country	Rating	Rating Watch/ Outlook Status
Potential Fallen Angels				
Rated ‘BBB–’ on Rating Watch Negative				
Alcatel SA	Technology	France	‘BBB–’	Rating Watch Negative
Allgemeine Hypothekenbank Rheinboden	Banks	Germany	‘BBB–’	Rating Watch Negative
Bausch & Lomb	Health Care	United States	‘BBB–’	Rating Watch Negative
Commonwealth Edison Co.*	Global Power	United States	‘BBB–’	Rating Watch Negative
Heritage Property Investment Trust, Inc.	REIT	United States	‘BBB–’	Rating Watch Negative
Highwoods Properties, Inc. (and Subsidiary)	REIT	United States	‘BBB–’	Rating Watch Negative
Reckson Associates Realty Corp. (and Subsidiary)	REIT	United States	‘BBB–’	Rating Watch Negative
Rated ‘BBB–’ on Rating Outlook Negative				
McClatchy Company (and Subsidiary)	Media and Entertainment	United States	‘BBB–’	Rating Outlook Negative
Monongahela Power Co.	Global Power	United States	‘BBB–’	Rating Outlook Negative
NeaFidi - Societa Cooperativa di Garanzia Colletiva Fidi	Banks	Italy	‘BBB–’	Rating Outlook Negative
TXU Corp. (and Subsidiary)	Global Power	United States	‘BBB–’	Rating Outlook Negative
Tyson Foods, Inc.	Food, Beverage and Tobacco	United States	‘BBB–’	Rating Outlook Negative
Investment Grade Candidates				
Rated 'BB+' on Rating Watch Positive				
Cathay General Bancorp (and Subsidiary)	Financial Institutions	United States	‘BB+’	Rating Watch Positive
Slovenske Elektrarne, a.s.	Global Power	Slovakia	‘BB+’	Rating Watch Positive
Rated ‘BB+’ on Rating Outlook Positive				
AES Gener S.A.	Global Power	Chile	‘BB+’	Rating Outlook Positive
Arrow Electronics, Inc.	Technology	United States	‘BB+’	Rating Outlook Positive
ASML Holding N.V.	Technology	Netherlands	‘BB+’	Rating Outlook Positive
Avnet, Inc.	Technology	United States	‘BB+’	Rating Outlook Positive
Bank of Ayudhya	Banks	Thailand	‘BB+’	Rating Outlook Positive
Cassa di Risparmio della Provincia di Chieti Spa	Banks	Italy	‘BB+’	Rating Outlook Positive
JSC KazTransOil	Energy (Oil and Gas)	Kazakhstan	‘BB+’	Rating Outlook Positive
Kobe Steel, Ltd.	Basic Materials	Japan	‘BB+’	Rating Outlook Positive
Shin Kong Securities	Banks	Taiwan	‘BB+’	Rating Outlook Positive
Taylor Capital Group, Inc.	Banks	United States	‘BB+’	Rating Outlook Positive
TD Ameritrade Holding Corporation	Financial Institutions	United States	‘BB+’	Rating Outlook Positive
TMB Bank	Banks	Thailand	‘BB+’	Rating Outlook Positive
TNK-BP International Ltd.	Energy (Oil and Gas)	Russian Federation	‘BB+’	Rating Outlook Positive

*Rating Watch Negative assigned November 2006.

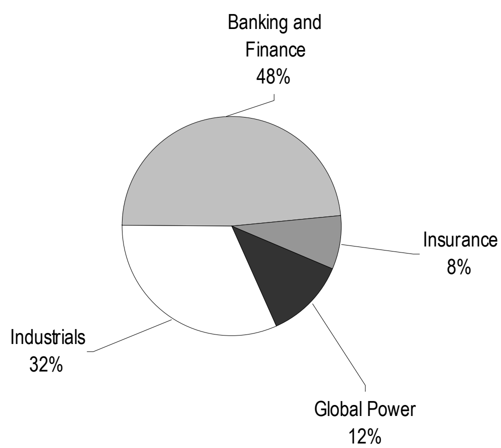
Appendix 3A

Fitch Global Corporate Finance Rating Actions*

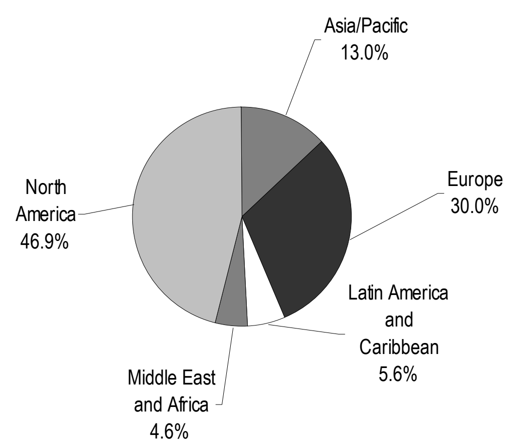
	Downgrades		Upgrades	
Sector	**3Q06 YTD**	**3Q05 YTD**	**3Q06 YTD**	**3Q05 YTD**
Banks and Securities Firms*	20	21	187	130
Finance and Leasing Companies and REITs*	29	65	22	21
Insurance* **	8	12	14	16
Financial Institutions Total	**57**	**98**	**223**	**167**
Industrials (Excluding Global Power)*	109	68	133	68
Global Power*	14	20	37	25
Industrials Total	**123**	**88**	**170**	**93**
Subnationals and Supranationals	0	1	7	6
Sovereigns (Long Term Foreign Currency)	1	4	12	12
Grand Total	**181**	**191**	**412**	**278**

*Includes IDR and senior debt rating actions, which may include actions taken on both parent and subsidiary ratings. **Excludes Insurance Financial Strength rating actions. IDR – Issuer default rating. REITs – Real estate investment trusts. YTD – Year to date through third-quarter.

Fitch Global Corporate Finance Ratings Distribution by Sector
(As of Sept. 2006)



Fitch Global Corporate Finance Ratings Distribution by Region*
(As of Sept. 2006)



*May not add to 100% due to rounding.

Appendix 3B

Fitch Ratings Global Corporate Finance Rating Activity by Region*

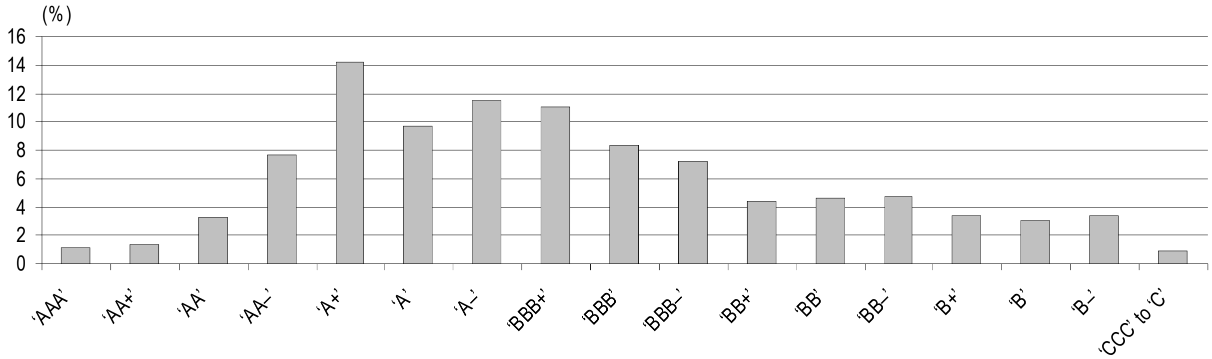
(3Q06 YTD)

	No. of Actions		As a % of Regional Ratings	
	Downgrades	Upgrades	Downgrades	Upgrades
Financial Institutions				
DM — Asia-Pacific	10	9	4	4
DM — Europe	14	47	2	6
DM — North America	16	44	1	3
EM — Asia-Pacific	3	13	2	8
EM — Eastern Europe	1	43	1	36
EM — Latin America and Caribbean	11	45	6	26
EM — Middle East and Africa	2	22	1	16
Industrials				
DM — Asia-Pacific	4	11	2	5
DM — Europe	26	17	3	2
DM — North America	85	71	6	5
EM — Asia-Pacific	2	12	1	7
EM — Eastern Europe	2	5	2	4
EM — Latin America and Caribbean	3	46	2	27
EM — Middle East and Africa	1	8	1	6

*Includes IDR and senior debt rating actions, which may include actions taken on both parent and subsidiary ratings. IDR – Issuer default rating. DM – Developed Market, EM – Emerging Market. YTD – Year to date.

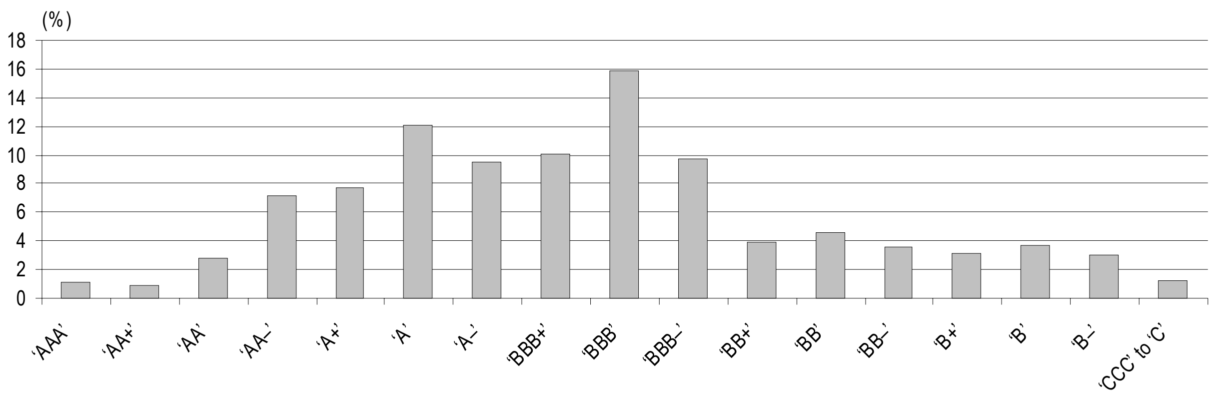
Appendix 3C

Fitch Ratings International Corporate Finance Ratings Distribution (Excluding U.S.)*
(As of Sept. 30, 2006)



*IDR and senior debt ratings, which may include ratings of both parent and subsidiary. Excludes Issuer default ratings (IDRs) assigned to approximately 1,300 banks in Germany's Genossenschaftlicher FinanzVerbund banking network.

Fitch Ratings U.S. Corporate Finance Ratings Distribution*
(As of Sept. 30, 2006)



*IDR and senior debt ratings, which may include ratings of both parent and subsidiary. IDR – Issuer default rating