

# Loss Trends Monthly

Your Snapshot of Default and Recovery Data Trends from Standard & Poor's Risk Solutions

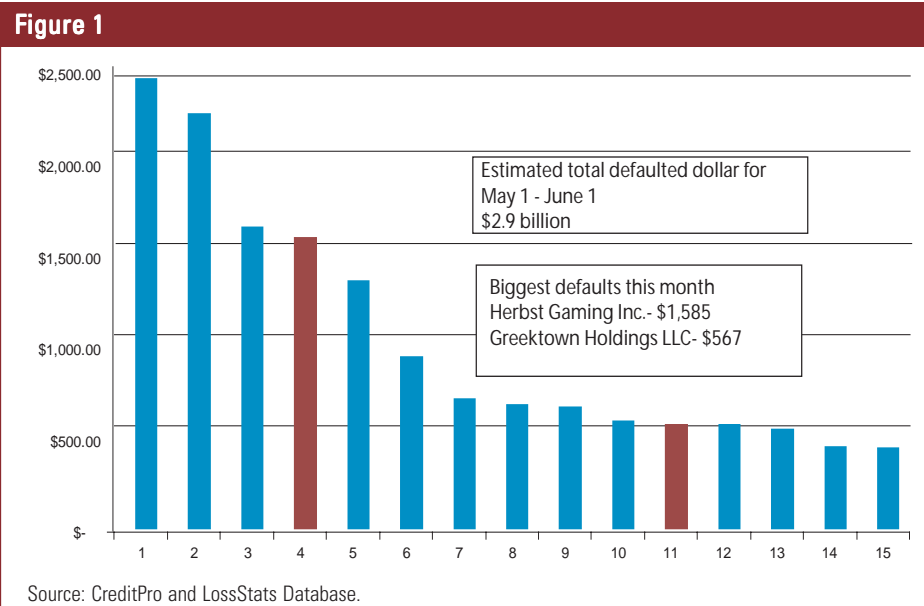
June 2008

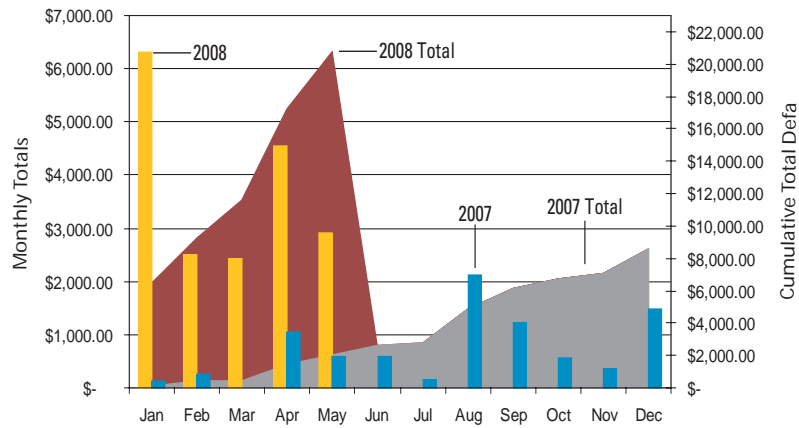
## This Month's Defaults: In May, The Gaming Industry Loses Big

Two large gaming company defaults in May helped spotlight the accumulating problems in an industry once seen as relatively resistant to the effects of economic downturns. Herbst Gaming Inc. defaulted on \$1.6 billion in debt, while the Greektown Holdings LLC default affected \$567 million. Both are among the 15 largest defaults we have seen so far in 2008 (See Figure1).

In combination with smaller losses, this brought the estimated total of defaulted debt in May to \$2.9 billion. That monthly total was far below January's record \$6.3 billion in defaults, but still far ahead of the May 2007 total and also high enough to keep cumulative defaults through the end of May 2008 at \$18.7 billion (See Figure 2); a strikingly high figure that is more than the total default volume in all of 2006 (\$7.1 billion) and 2007 (\$8.5 billion), combined.

The 12-month trailing global default rate for speculative grade companies in May was 1.45%, a steady rise from March and April, when it was 1.12% and 1.29%, respectively. But while the volume of defaults has been increasing, the number of companies defaulting this month eased up a bit. Only six companies defaulted in May, as opposed to nine in April. Altogether, 32 issuers have defaulted since January 1, 2008.

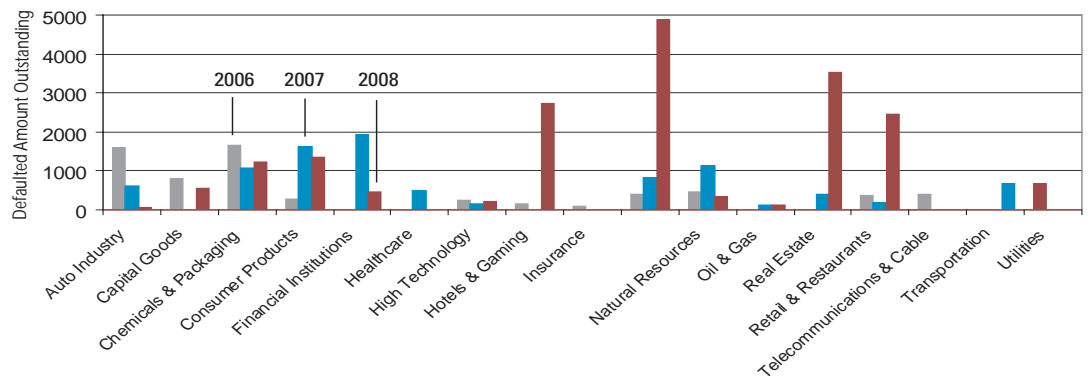


**Figure 2**

Source: CreditPro and LossStats Database.

### The Vulnerable Sectors

The media and entertainment sector remains the source of the greatest default volume, with \$4.9 billion year-to-date. The real estate sector is the second-largest source of defaults, at \$3.5 billion so far in 2008, with the hotel and gaming sector the third largest, at \$2.7 billion. Finally, the retail and restaurant sector, which has been hard-pressed by the economic slump, accounts for the fourth-largest amount of defaulted debt year-to-date, at \$2.5 billion.

**Figure 3**

Source: CreditPro and LossStats Database.

All of these groups are showing substantially higher defaults than they did in 2007 (See Figure 3). While year-to-date defaults in media and entertainment have risen approximately six fold over the 2007 total, the real estate totals so far this year are running at nearly nine times their 2007 totals, as is total default volume in the retail and restaurant sector. Meanwhile, the hotel and gaming business, so hard hit this year, did not record any default in 2007.

The financial services industry, despite its well-publicized troubles, has seen less defaults year-to-date than the four hardest-hit sectors. Defaults in the industry have totaled \$475 million year-to-date. Last year, the financial sector, however, registered \$1.9 billion in defaults. In 2006, this sector registered none.

The default numbers in the Loss Trends Monthly are drawn from preliminary dollar estimates entered into Standard & Poor's Risk Solutions' CreditPro and LossStats Database and reflect defaults in the Standard & Poor's global rated universe.

CreditPro® is a powerful, simple-to-use desktop application developed by Standard & Poor's. It allows clients to analyze the data compiled in Standard & Poor's ongoing default and transition analysis study to assess probabilities of default.

LossStats® Database is a comprehensive set of credit loss information compiled by Standard & Poor's. It provides loss given default data based on over 800 public and private U.S. companies that have defaulted since 1987.

## About Risk Solutions

Standard & Poor's Risk Solutions provides products and services that help financial institutions, corporations and public sector entities worldwide measure, manage and mitigate credit risk as well as make informed decisions that can improve risk-adjusted return. Located in 23 countries, Standard & Poor's has played a leading role for more than 140 years as an essential part of the world's financial infrastructure.

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