

Report of visit of **Pedro Fialho, student of University of Michigan**, Ann Arbor to India for Innovation Project SVC-207

Title and code of the project

SVC-207

Determinants of Sovereign Ratings and its Implications for Economy and Financial System

Project Team

Dr. Mamta Arora, Associate Professor, Department of Commerce, Sri Venkateswara College, Delhi University

Dr. Shruti Mathur, Assistant Professor, Department of Commerce, Sri Venkateswara College, Delhi University

Ms. Latika Gupta, Assistant Professor, Department of ICT, Sri Venkateswara College, Delhi University

10 motivated students from Department of Commerce and Department of Statistics

Name of international student collaborating on this project

Pedro Fialho, University of Michigan

Objectives of the project

The principal objectives of the project are:

- To examine the fundamental determinants of sovereign ratings and evaluate if they are common across different international rating agencies
- To investigate if the relative importance of fundamental determinants has changed from the pre-economic crisis (upto September 2008) to the post-economic crisis period (after September 2008)
- To analyze the impact of sovereign rating change on default spreads and on stock market performance and exchange rate volatility

This study shall contribute to the international finance literature for both mature and emerging markets. The study will identify focus areas and provide policy suggestions for rating improvement.

Objectives shared with the student

The three rating agencies that we have been scrupulously studying in this project are Moody's, S&P and Fitch. Our student team is involved in data collection and analysis for Moody's and Fitch and review of literature. Pedro is helping us in meticulously analyzing the sovereign rating methodology of S&P, the ratings assigned by it to the different countries, any subsequent changes in these ratings since the original assignment etc. He is also doing a literature review to investigate if the relative importance of fundamental determinants has changed from the pre-economic crisis to the post economic crisis period. We have been regularly guiding him and addressing his queries regarding the work through email and Skype.

Highlights of Pedro's visit to India

We are extremely happy that Pedro visited India from 17th - 23rd July, 2014 and interacted with all of us. This was a brilliant opportunity for us to get to know each other better and work together on this interesting and germane project. We took him to meet our project mentor, Prof. Sanjay Sehgal, our college principal, Dr. P. Hemalatha Reddy and several distinguished faculty members of our Department. The discussions were highly fruitful and helped us explore many new avenues. We arranged numerous interaction sessions where all the faculty members and students involved in this project congregated to discuss different aspects of the project with Pedro. We also introduced him to different facets of Delhi by arranging local sightseeing for him so that he could go to famous tourist spots like Red Fort, India Gate, Raj Ghat, Humayun's Tomb, Dilli Haat etc. He remarked that he really enjoyed visiting these places and also liked the exotic Indian cuisine. He was extremely thankful to us for carefully making all the necessary arrangements for his comfortable and fruitful stay in Delhi. On the last day of his visit, he delivered an excellent presentation on his experience working on this project to Dr. Malashri Lal, Dean Academic Activities and Projects, Delhi University and Dr. Deepika Bhaskar, Deputy Dean Research, Delhi University. A few pictures are shown below which capture some memorable moments of Pedro's stay in Delhi:



Figure 1: Meeting with Dr. P. Hemalatha Reddy, Principal of Sri Venkateswara College



Figure 2: Interaction of Pedro with different faculty members in Sri Venkateswara College



Figure 3: Discussion on the project and Pedro's presentation with Dr. Mamta Arora



Figure 4: Pedro's Delhi sightseeing



Figure 5: Pedro's final presentation in Delhi University to Dr. Malashri Lal and Dr. Deepika Bhaskar

Future perspectives and suggestions

This initiative of virtual participation is extremely ingenious and amazing and we have truly enjoyed this wonderful collaboration which has been a win-win situation for all of us. We have gained from the unique perspective and insights that Pedro has brought to his project and he has learnt immensely from our experience and expertise in this field. During Pedro's visit to India, we had a very hectic but extremely rewarding week. It would be great if we could get an opportunity to interact with some of the professors at these coveted international universities and possibly visit these universities as well which could facilitate extremely productive collaborations.