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Fitch: U.S. Public Finance Downgrades Exceed Upgrades in 3Q'13.

Fitch Ratings-New York-24 October 2013: Fitch Ratings notes that during the third quarter of 2013 (3Q'13) and for the 19th consecutive quarter, U.S. public finance rating downgrades outnumbered upgrades. Both the number of downgrades and upgrades decreased compared to the second quarter. While the number of downgrades was at its lowest level since 3Q'10, it should be noted that the number of downgrades for the first three quarters of this year (164) is similar to the number of downgrades during the first three quarters of 2012 (157).

Negative actions are expected to remain elevated, as Negative Rating Outlooks exceeded Positive Rating Outlooks (3.2:1) at the end of 3Q'13. However, the ratio of Negative Outlooks to Positive Outlooks has been slowly decreasing for the last eight quarters and is at its lowest level since 3Q'09. The vast majority of rating actions (88%) during the third quarter were affirmations, with no change in Rating Outlook or Rating Watch status. Furthermore, 90% of ratings had a Stable Rating Outlook at the end of the third quarter.

Downgrades still account for a small percentage of total public finance rating actions. Fitch Ratings downgraded 39 credits, which represented approximately 4.6% of all rating actions and \$40.5 billion in par value. In 2Q'13, Fitch downgraded 68 credits. Fitch upgraded 23 credits, which represented 2.7% of all rating actions and \$94.3 billion in par value. In 2Q'13, Fitch upgraded 24 credits.

The number of downgrades exceeded upgrades by a margin of 1.7:1, which decreased from 2.8:1 in the prior quarter. The downgrade to upgrade ratio by par value also decreased to 0.4:1 from 5.5:1 in the prior quarter. The dramatic decrease in the ratio is largely due to the upgrade of California's GO bonds in August.

The full report 'U.S. Public Finance Rating Actions for Third Quarter 2013' summarizes these rating actions by sector and can be found at www.fitchratings.com.