



May 2025

Moody's Downgrade of US Long-Term Ratings

Frank Gutierrez | Senior Director, Head of Portfolio Management & Trading

Keith Lawler | Senior Vice President, Head of Credit Research

On May 16, Moody's Corporation downgraded the United States of America's long-term issuer and senior unsecured ratings to Aa1 from Aaa. Moody's released a statement on the downgrade, noting "This one-notch downgrade on our 21-notch rating scale reflects the increase over more than a decade in government debt and interest payment ratios to levels that are significantly higher than similarly rated sovereigns."¹

With the downgrade, Moody's adjusted its outlook to "stable." "The US economy is unique among the sovereigns we rate. It combines very large scale, high average incomes, strong growth potential and a track-record of innovation that supports productivity and GDP growth. While GDP growth is likely to slow in the short term as the economy adjusts to higher tariffs, we do not expect that the US' long-term growth will be significantly affected." (ibid.)

- Moody's cut the US long-term issuer senior unsecured rating one level from Aaa to Aa1. There was no change to the short-term rating. All three rating agencies maintain the highest short-term rating at P-1 (Moody's), A-1+ (S&P®) and F1+ (Fitch).
- This downgrade was roughly 18 months in the making, as Moody's lowered the US outlook from "stable" to "negative" in November 2023.

- Moody's was the last of the three major credit rating agencies to downgrade the US from its highest level. Fitch and S&P downgraded the US in 2023 and 2011, respectively. Currently, all of the agencies' ratings are aligned at Aa1/AA+/AA+ with "stable" outlooks.
- It is expected that certain issuers' ratings will follow the downgrade shortly, including direct rating impacts on US government-sponsored enterprises and agencies (who have direct credit linkages), and indirect impact on some US banks and insurers, infrastructure issuers, and state and local governments.

We do not expect any impact on Dreyfus Aaa/AAA money market fund (MMF) ratings as a result of the downgrade.*

We expect limited market reaction similar to the anticipated Fitch downgrade in 2023 as opposed to the S&P surprise action in 2011.

We do not expect to see any MMF outflows on the back of the downgrade.

We do not believe this will have any impact on MMF investments as it relates to changing haircuts in their respective collateral schedules.

We believe Dreyfus is well positioned to meet our clients' investment needs with the depth and breadth of experience we bring to this asset class.



Frank Gutierrez

Senior Director, Head of Portfolio Management & Trading

Frank is the Head of Portfolio Management & Trading for Dreyfus. Frank is the lead portfolio manager overseeing the Dreyfus portfolio management and trading teams for Dreyfus money market funds, BNY Mellon offshore liquidity funds, sub-advised money market funds, and BNY Mellon's collective investment funds. With a career spanning more than two decades, Frank has deep expertise in government and credit portfolio management and trading as well as Federal Reserve policy and macroeconomics.

Previously, Frank was a senior portfolio manager and trader with J.P. Morgan Asset Management in Global Liquidity. He had direct responsibility for the day-to-day management of over \$250 billion in assets, across U.S. treasury, government and credit in various vehicles including money market funds, Undertakings for Collective Investment in Transferable Securities (UCITS), and separately managed accounts (SMAs). He has also developed deep expertise in repurchase agreements, repo blockchain, Federal Reserve policy and macroeconomics. Frank has been in the investment industry since 1999.

Frank earned a BA from Rutgers University with a major in economics. Frank is also a board member for Dominicans on Wall Street (DOWS), a nonprofit focused on financial literacy, education and professional development of Hispanic professionals and students.



Keith Lawler

Senior Vice President, Head of Credit Research

Keith is a Senior Vice President and head of credit research for Dreyfus. He is responsible for oversight of the issuer-approved lists dedicated to Dreyfus money market and short duration investment strategies and BNY Mellon cash collateral re-investment portfolios. Keith chairs the Dreyfus Counterparty Credit Risk Research Committee and the Dreyfus Environmental, Social, and Governance (ESG) Committee. He also serves as a member of the Dreyfus Money Market Liquidity Oversight Group and the Stress Test Assessment Team. Prior to joining the firm in July 2000, Keith spent four years in the Securities Valuation Office (SVO) of the National Association of Insurance Commissioners (NAIC) where he was a senior associate financial institutions analyst responsible for analyzing fixed income securities held in insurance company investment portfolios.

Keith has an MBA and a BA from Manhattan College.

Endnote

¹ Moody's Ratings. Rating Action, Moody's Ratings downgrades United States ratings to Aa1 from Aaa; changes outlook to stable. New York, May 16, 2025.

* Fund ratings are statements of opinion, not statements of fact or recommendations to buy, sell or hold the shares of a fund.

Fitch Ratings, Moody's and S&P are global credit rating agencies that award credit rating grades to a country or large corporate borrower indicating the probability of default. Fitch Ratings (Fitch) is a system for rating investments' credit quality and default risk, such as corporate bonds and sovereign debt. It uses a letter system that ranges from AAA (very high quality) to D (defaulted).

Moody's ratings are a system used to assess the credit risk of fixed-income obligations. The ratings range from Aaa (highest quality) to C (lowest quality), with 21 notches in total. They are divided into two categories: Investment Grade, which indicates financially sound companies, and Speculative Grade, which indicates companies with a higher risk of defaulting. Moody's ratings help investors understand the likelihood that a borrower will meet its financial obligations. S&P Global Ratings (S&P) is an American credit rating agency and a division of S&P Global that publishes financial research and analysis on stocks, bonds, and commodities.

Disclosure

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.

All investments involve risk, including the possible loss of principal. Certain investments have specific or unique risks. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment.

This material has been provided for informational purposes only and should not be construed as investment advice or a recommendation of any particular investment product, strategy, investment manager or account arrangement, and should not serve as a primary basis for investment decisions. Prospective investors should consult a legal, tax or financial professional in order to determine whether any investment product, strategy or service is appropriate for their particular circumstances. This document may not be used for the purpose of an offer or solicitation in any jurisdiction or in any circumstances in which such offer or solicitation is unlawful or not authorized. Views expressed are those of the author stated and do not reflect views of other managers or the firm overall. Views are current as of the date of this publication and subject to change. This information may contain projections or other forward-looking statements regarding future events, targets or expectations, and is only current as of the date indicated. There is no assurance that such events or expectations will be achieved, and actual results may be significantly different from that shown here. The information is based on current market conditions, which will fluctuate and may be superseded by subsequent market events or for other reasons. References to specific securities, asset classes and financial markets are for illustrative purposes only and are not intended to be, and should not be, interpreted as recommendations. Charts are provided for illustrative purposes and are not indicative of the past or future performance of any BNY product. Some information contained herein has been obtained from third party sources that are believed to be reliable, but the information has not been independently verified. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission.

Indices referred to herein are used for comparative and informational purposes only and have been selected because they are generally considered to be representative of certain markets. Comparisons to indices as benchmarks have limitations because indices have volatility and other material characteristics that may differ from the portfolio, investment or hedge to which they are compared. The providers of the indices referred to herein are not affiliated with Mellon Investments Corporation (MIC), do not endorse, sponsor, sell or promote the investment strategies or products mentioned herein and they make no representation regarding the advisability of investing in the products and strategies described herein. Investors cannot invest directly in an index.

BNY Investments is one of the world's leading investment management organizations, encompassing BNY's affiliated investment management firms and global distribution companies. BNY is the corporate brand of The Bank of New York Mellon Corporation and may be used to reference the corporation as a whole and/or its various subsidiaries generally.

Mellon Investments Corporation (MIC) is a registered investment adviser and subsidiary of The Bank of New York Mellon Corporation. MIC is composed of two divisions; Mellon, which specializes in index management, and Dreyfus, which specializes in cash management and short duration strategies. Securities are offered through BNY Mellon Securities Corporation (BNYSC), a registered broker-dealer and affiliate of MIC.

Personnel of certain of our BNY affiliates may act as: (i) registered representatives of BNY Mellon Securities Corporation (in its capacity as a registered broker-dealer) to offer securities and certain bank-maintained collective investment trusts (Funds), (ii) officers of The Bank of New York Mellon (a New York chartered bank) to offer Funds, and (iii) Associated Persons of BNY Mellon Securities Corporation (in its capacity as a registered investment adviser) to offer separately managed accounts managed by BNY firms.

For more market perspectives and insights from our teams, please visit www.dreyfus.com.