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# Moody's Downgrades Greece Further

By DAVID JOLLY

PARIS — Moody’s Investors Service cut Greece’s credit rating Monday after concluding that the euro-zone bailout plan announced last week will require private-sector holders of Greek debt to take credit losses.

The credit rating agency offered a generally positive assessment of the plan agreed to by European leaders on Thursday, saying it “benefits all euro area sovereigns by containing the contagion risk that would likely have followed a disorderly payment default on existing Greek debt.”

But Moody’s expressed concern about “the negative precedent set by the endorsement of distressed exchanges” between Greece and its creditors, a reference to the bond swaps that private investors will undertake.

Those holding Greek debt are “virtually certain” to suffer losses, it said.

The restructuring element was an essential component of the deal because Germany and several other countries had insisted that no new rescue for Greece was possible without banks bearing part of the pain. Fitch Ratings said Friday that doing so would constitute a restricted default.

The agency said it downgraded Greece’s debt ratings from Caa1, already deep in junk-bond territory, to

Ca — one step above default — “to reflect the expected loss implied by the proposed debt exchanges.” It said it would reassess that rating once the deal has been completed.

“While the rating agency believes that the overall package carries a number of benefits for Greece — a slightly reduced debt trajectory, lower debt-servicing costs, as well as reduced reliance on financial markets for years to come — the impact on Greece’s debt burden is limited,” Moody’s added.

Standard & Poor’s and Fitch have also rated Greece as junk, or non-investment grade.

The Greek government responded with disdain to the downgrade Monday.

“All governments pay a subscription to these agencies,” Reuters cited Elias Mosialos, a government spokesman, as telling Radio 9. “We, I think, do not need the reviews anymore. They have no practical value. Perhaps the finance ministry should end its subscription.”

Even if the rescue plan manages to hold speculators at bay, Greece remains heavily indebted relative to the size of its economy, and needs to expand gross domestic product if it is to grow out of the trap it is facing.

In Berlin, Germany’s economy minister, Philipp Roesler, was planning a conference for Wednesday to foster investment and growth in Greece, The Associated Press reported.

Evangelos Venizelos, the Greek finance minister, was on his way Monday to Washington for discussions with officials including Christine Lagarde, the International Monetary Fund chief, Treasury Secretary Timothy Geithner and Charles Dallara, the head of the Institute for International Finance.

The euro was little changed against other major currencies Monday and European markets were down less than 1 percent in morning trading. The yield on the Greek 10-year bond rose 9 basis point to 13.82 percent.

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