Risk Factors for Forecasting PDs

Nature	Description	Level/Trend 1,2/
Economy-wide	Return of domestic stock market index	Current
	Short-term domestic interest rate	Current
Firm-specific	Financial statements-based factors	
	Liquidity (cash + short-term investments/total assets)	Trend and level
	Profitability (Net income/total assets)	Trend and level
	Market-based factors	
	Distance-to-default (volatility adjusted leverage)	Trend and Level
	Size (market capitalization relative to median market capitalization)	Trend and Level
	Market misvaluation (market cap + total liabilities/ total assets)	Current
	Idiosyncratic volatility	Current

1/ The level is computed as the 12-month average value of the factor.

2/ The trend is computed as the difference between the current value of the factor and its 12-month average