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Fitch's US Credit Downgrade Sparks Criticism Along With Unease

- Decision reflects expected fiscal deterioration, Fitch says
- Bond market shrugs off downgrade, eyes Wednesday US refunding

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By Benjamin Purvis, and Simon Kennedy
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Fitch cut the US's sovereign credit grade one level from AAA to AA+. The move comes just two months after it warned the rating was under threat as lawmakers flirted with default by battling over raising the nation's debt limit.

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Fitch's action echoed one made in 2011 by S&P Global Ratings, which was never reversed. Although few investors see Treasuries shedding their status as the safest haven and most reliable source of collateral, the downgrade is still a spotlight on the worsening US fiscal outlook.

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Fitch had warned that it was weighing cutting the credit grade back in May, when Democrat and Republican lawmakers were at odds over raising the borrowing limit and the Treasury was only weeks away from running out of cash.

While that crisis was ultimately averted, Fitch nonetheless said that the repeated debt-limit clashes and eleventh-hour resolutions have eroded confidence in the country's fiscal management.