

This Week In Credit

S&P Global
Ratings

Retail Is Testing Ratings Resilience As Risk Rises

This report does not constitute a rating action.

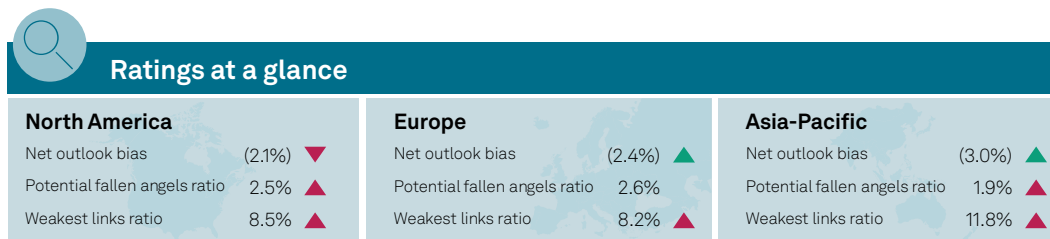
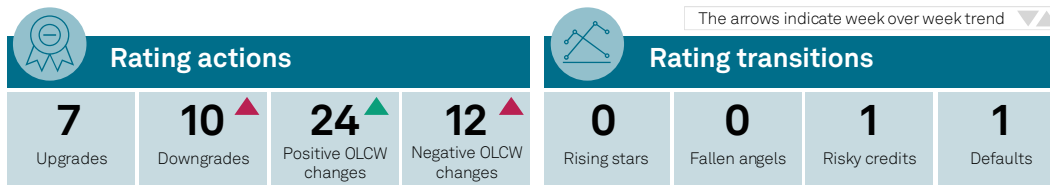
The Top Line | July 5, 2022

In the first half of the year, rating actions proved far less volatile than markets, with upgrades and downgrades broadly neutral and the negative bias for most sectors well below five-year averages. However, inflation, energy security, geopolitical uncertainty, and rapidly tightening financing conditions are increasingly putting pressure on issuers.

Key Takeaways

- The retail sector pushed downgrades past upgrades last week. Notably, U.S.-based drugstore retailer Rite Aid Corp. defaulted after completing a distressed exchange.
- The U.S. distress ratio--a key indicator of rising default risk--jumped this week to 8.7% from 6.4% last week and from 2.4% at end-May 2022.
- Funding conditions are becoming more restrictive, especially for speculative-grade issuers, with credit spreads in the U.S. and Europe rising sharply to over 550 basis points.

Ratings Performance Trends



Data as of July 1, 2022. Potential fallen angels and weakest links data as of July 1, 2022. Note: Weekly rating actions, weekly transitions, and industries most at risk are all global data. Source: S&P Global Ratings Research.

Newsletter Contacts

Nicole Serino
New York
+1-212-438-1396
nicole.serino@spglobal.com

Patrick Drury Byrne
Dublin
+353-1-568-0605
patrick.drurybyrne@spglobal.com

Jon Palmer, CFA
New York
+1-212-438-1989
jon.palmer@spglobal.com

Media Contacts

Jeff Sexton
New York
jeff.sexton@spglobal.com

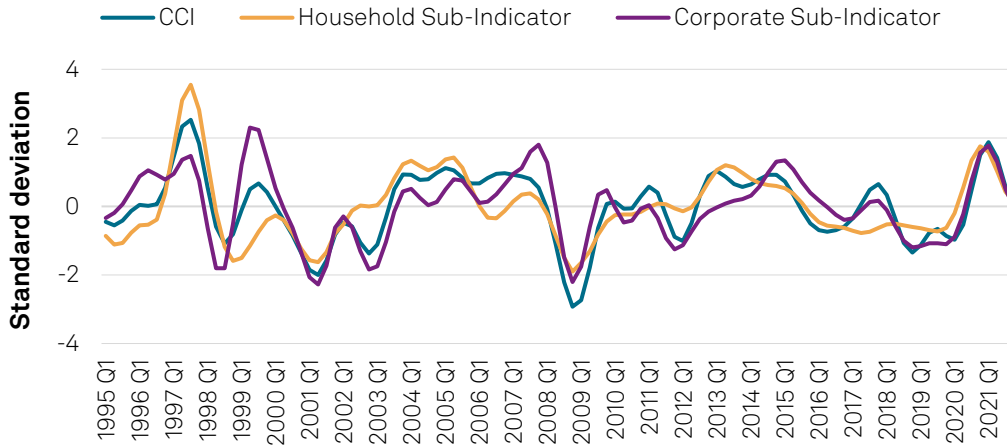
Michelle James
London
michelle.james@spglobal.com

For more
Credit Market
Research
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Chart Of The Week

Chart 1

Credit Cycle Signs Point To Heightened Credit Stress In Late 2022 Or Early 2023 Asia Ex-Japan Credit Cycle Indicator (CCI)



Data as of the fourth-quarter ended Dec. 31, 2021. Chart first appeared in "Credit Conditions Asia-Pacific Q3 2022: Costs Heighten, China Growth Tightens," published on June 28, 2022. Source: S&P Global Ratings Research.

Related Research

['BBB' Pulse: Pressures Mount, But The Positive Streak Continues.](#)
June 27, 2022

[White Paper: Introducing Our Credit Cycle Indicator.](#) June 26, 2022

[Global Credit Conditions Face Resurfacing Headwinds.](#) June 30, 2022

[Credit Conditions North America Q3 2022: Credit Headwinds Turn Stormy.](#) June 28, 2022

[Credit Conditions: Credit Conditions Asia-Pacific Q3 2022: Costs Heighten, China Growth Tightens.](#) June 28, 2022

[Credit Conditions Europe Q3 2022: Pain On The Horizon.](#) June 28, 2022

Upcoming Webinars

[Global Credit Conditions Q3 \(APAC\).](#) July 5

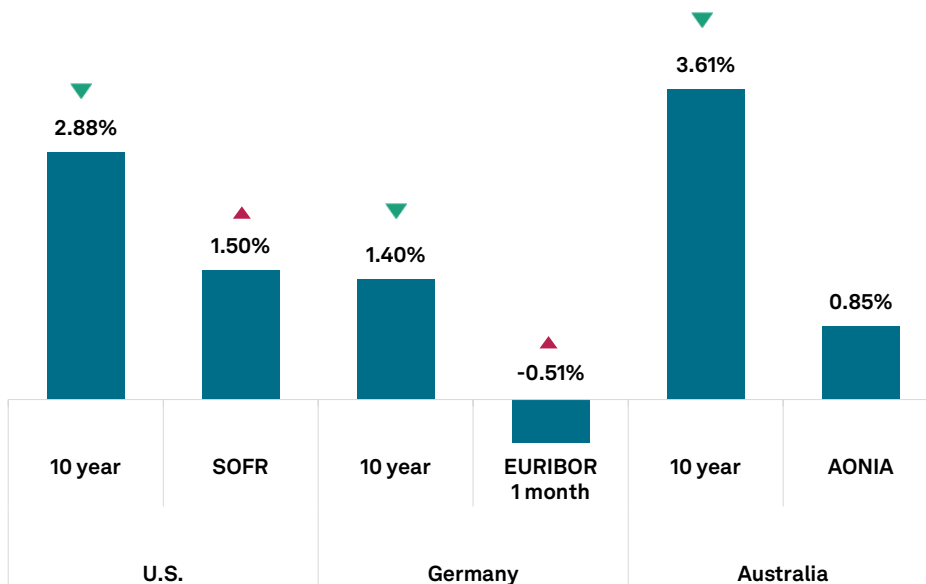
[Introducing Our Analysis Of EU Taxonomy Alignment.](#) July 6, 2022

[Mid-Year Update And Outlook For The New Zealand Corporate And Infrastructure Sectors.](#) July 7, 2022

Credit Market Conditions

Chart 2

Benchmark Yields



Leveraged Loan Indexes average bid price over the week

S&P/LSTA LLI (U.S.)

92 ▼ (1.17%)

S&P ELLI (Europe)

90 ▲ 0.24%

Chart 3

Secondary Market Credit Spreads

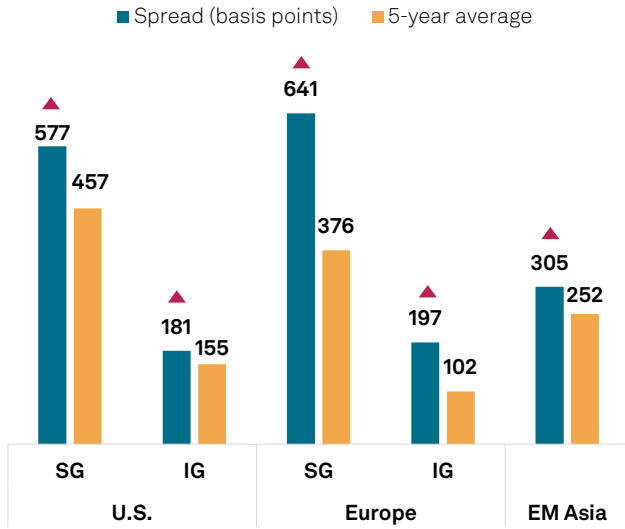
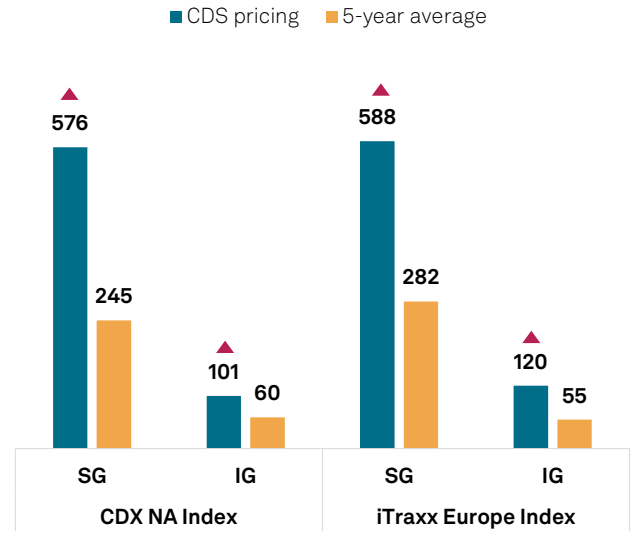


Chart 4

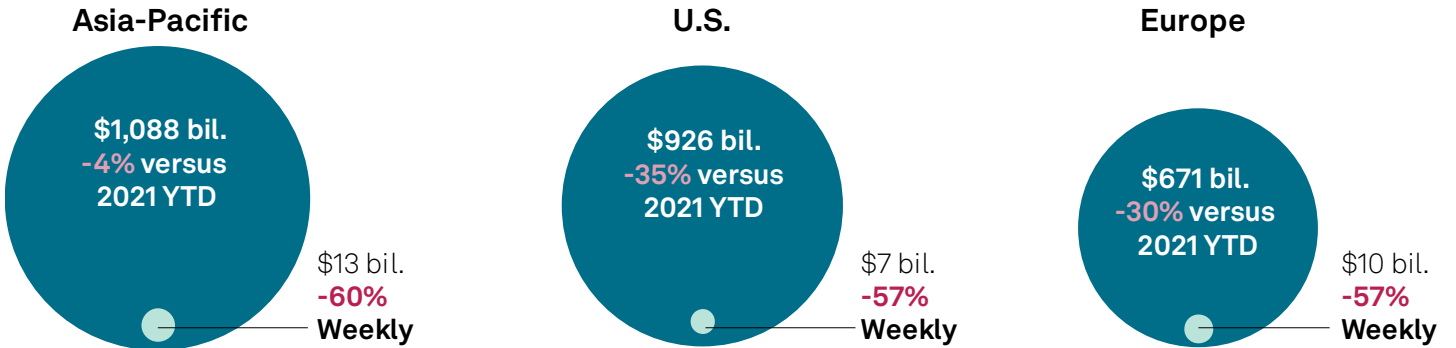
CDS Pricing



The arrows indicate weekly trends. All data as of July 1, 2022, except, Europe SG, Europe IG and EM Asia credit spreads, and SOFR data are as of June 30, 2022. Leveraged loan data source: Leveraged Commentary and Data; S&P/LSTA Leveraged Loan Index; S&P European Leveraged Loan Index. Sources: S&P Global Ratings Research, Ice Data Indices LLC, ICE BofA Euro High Yield Index Option-Adjusted Spread (BAMLHE00EHY1OAS), retrieved from the Federal Reserve Bank of St. Louis, IHS Markit.

Chart 5

Corporate Debt Issuance



Data as of June 30, 2022. Corporate bond issuance is the most recent weekly total and the percentage weekly change. YTD--Year to date. Note: U.S. and Europe (totals include bonds and leveraged loans) and Asia-Pacific (total only includes bonds). Leveraged loan data source: Leveraged Commentary and Data. Source: S&P Global Ratings Research.

Table 1

Top 10 Rating Actions By Debt Volume

Date	Action	Issuer	Industry	Country	To*	From*	Debt volume (mil. \$)
June 30, 2022	Upgrade	TotalEnergies SE	Oil & Gas	France	A+/Stable	A/Positive	55,401
June 30, 2022	Downgrade	Endo International PLC	Health Care	Ireland	CCC/Negative	CC/Watch Neg	31,558
June 29, 2022	Upgrade	PBF Holding Co. LLC	Utility	U.S.	BB-/Positive	B+/Stable	7,950
June 29, 2022	Upgrade	Range Resources Corp.	Oil & Gas	U.S.	BB/Stable	BB-/Stable	3,800
June 28, 2022	Upgrade	BAE Systems PLC	Aerospace & Defense	U.K.	BBB+/Stable	BBB/Stable	3,700
June 29, 2022	Downgrade	Suncorp-Metway Ltd.	Financial Institution	Australia	A+/Negative	AA-/Stable	3,572
June 28, 2022	Upgrade	Posco Holdings Inc.	Metals, Mining & Steel	South Korea	A-/Stable	BBB+/Positive	2,967
June 28, 2022	Upgrade	Callon Petroleum Co.	Oil & Gas	U.S.	B/Positive	B-/Watch Pos	2,500
July 1, 2022	Downgrade	Bed Bath & Beyond Inc.	Retail/Restaurants	U.S.	B-/Negative	B+/Negative	1,500
June 29, 2022	Downgrade	Mitel Networks (International) Ltd.	High Technology	U.K.	CCC/Negative	CCC+/Stable	1,380

*Long-term issuer credit rating/Outlook or CreditWatch status. Source: S&P Global Ratings.

Table 2

This Week's Defaults

Date	Parent company	Country/market	Subsector	To	From	Reason
June 30, 2022	Rite Aid Corp.	U.S.	Retail/Restaurants	SD	CC	Distressed exchange

Research Contributors

Yogesh Kumar
Mumbai

Nivritti Mishra
Mumbai

Deegant Pandya
New York

Bushra Dawawala
Mumbai

Glossary And Abbreviations

Ratings Performance Trends

Fallen angels--Issuers downgraded to speculative grade from investment grade.

Investment grade--Issuers rated 'BBB-' or above.

Negative bias--Percentage of issuers with a negative outlook or on CreditWatch.

Net outlook bias--Percentage of issuers with a positive bias minus those with a negative bias.

OLCW--Outlooks and CreditWatch placements.

Positive bias--Percentage of issuers with a positive outlook or CreditWatch placement.

Potential fallen angels--Issuers rated 'BBB-' with either a negative outlook or CreditWatch placement.

Potential fallen angel ratio--The number of potential fallen angels divided by the population of issuers rated in the 'BBB' category.

Rising stars--Issuers upgraded to investment grade from speculative grade.

Risky credits--Issuers in the 'CCC' rating category.

Speculative grade--Issuers rated 'BB+' or below.

U.S. distress ratio--Proportion of speculative-grade issues with option-adjusted composite spreads of more than 1,000 basis points relative to U.S. Treasury bonds.

Weakest links--Issuers rated 'B-' and below with either a negative outlook or CreditWatch placement.

Weakest links ratio--The number of weakest links divided by the total speculative-grade ratings population.

Credit Market Conditions

AONIA--Reserve Bank of Australia Cash Rate.

EM--Emerging markets.

EURIBOR--Euro Interbank Offered Rate.

IG--Investment grade.

SG--Speculative grade.

SOFR—Secured overnight financing rate.

Note: For definitions of ratings, outlooks, CreditWatch status, and other credit terms, see: "S&P Global Ratings Definitions."

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