

# This Week In Credit

## Uncertainty Ratchets Up

S&P Global  
Ratings

This report does not constitute a rating action.

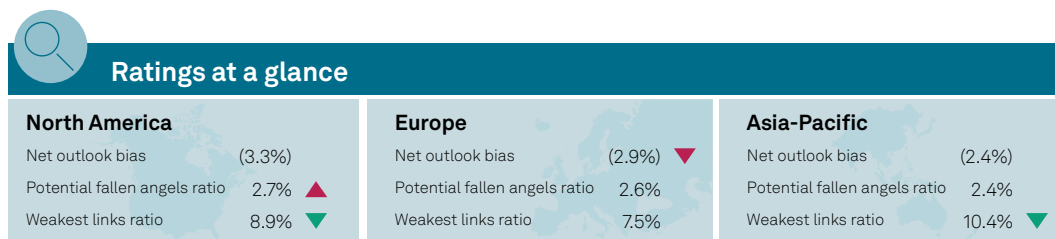
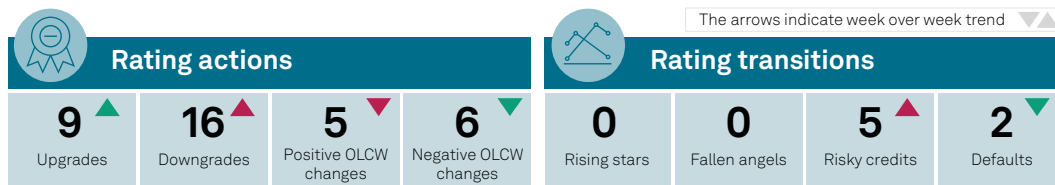
### The Top Line | Aug. 29, 2022

At Jackson Hole, the world's central bankers emphasized the battle to tame inflation is far from over. This suggests more challenging credit conditions may lie ahead. Market pricing indicators--already softening in recent weeks--certainly are signaling the same. Volatility will be a watchword this week as investors look for clues to central banks' future actions among European economic data releases and the U.S. jobs report.

### Key Takeaways

- Downgrades outpaced upgrades last week, with the possibility of debt restructurings looming for some issuers as higher costs, supply chain constraints, and slowing growth chip away at credit quality.
- Two defaults materialized--both U.S.-based companies. Carestream Health Inc. filed for Chapter 11 bankruptcy, while we downgraded The GEO Group Inc. to selective default and subsequently upgraded the company following completion of a distressed exchange.
- Credit pricing continues to soften, with U.S. and European investment-grade and speculative-grade spreads above their five-year averages.

### Ratings Performance Trends



Data as of Aug. 25, 2022. Note: Weekly rating actions, weekly transitions, and industries most at risk are all global data. Data excludes structured and public finance. Upgrades and downgrades exclude no debt corporate rating actions. 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

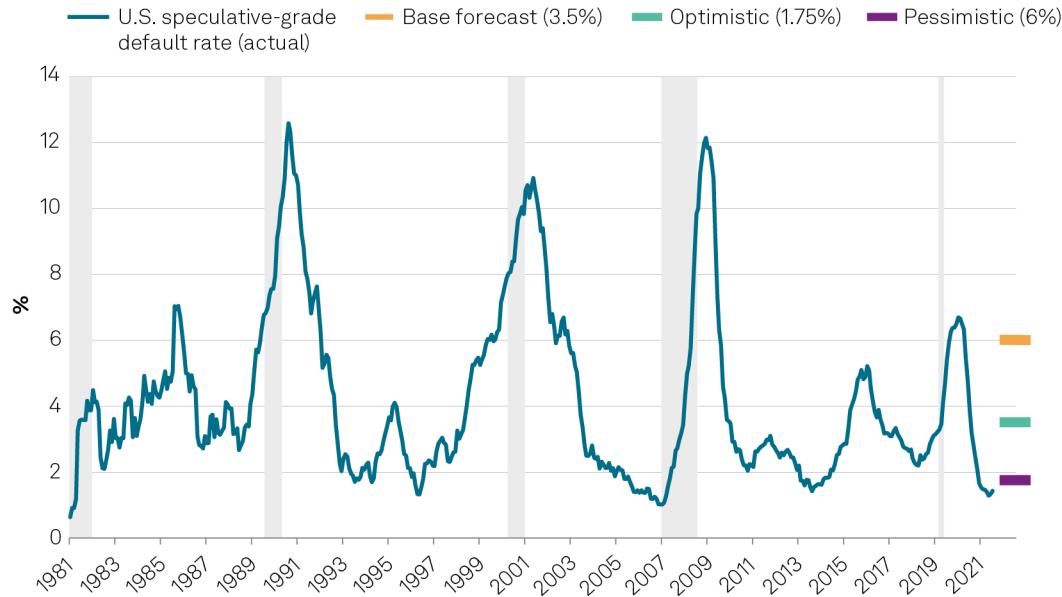
**Michelle Lei**  
Beijing  
michelle.lei@spglobal.com

For more  
Credit Market  
Research  
[click here](#)

# Chart Of The Week

Chart 1

## U.S. Trailing-12-Month Speculative-Grade Default Rate Could Reach 3.5% By June 2023



Note: Shaded areas are periods of recession as defined by the National Bureau of Economic Research. Sources: S&P Global Ratings Research and S&P Global Market Intelligence's CreditPro®. Chart first appeared in "[The U.S. Speculative-Grade Corporate Default Rate Could Reach 3.5% By June 2023](#)," published Aug. 18, 2022.

## Related Research

[The European Speculative-Grade Corporate Default Rate Could Rise To 3% By June 2023](#), Aug. 22, 2022

[U.S. Corporate Bond Yields As Of August 17, 2022](#), Aug. 19, 2022 (published weekly)

[Middle Market CLOs Face Unexpected Headwinds Amid Rising Private Debt Demand](#), Aug. 15, 2022

## Upcoming Webinars

[Breakfast With The Economists 2022 - New Zealand Session](#), Aug. 30, 2022

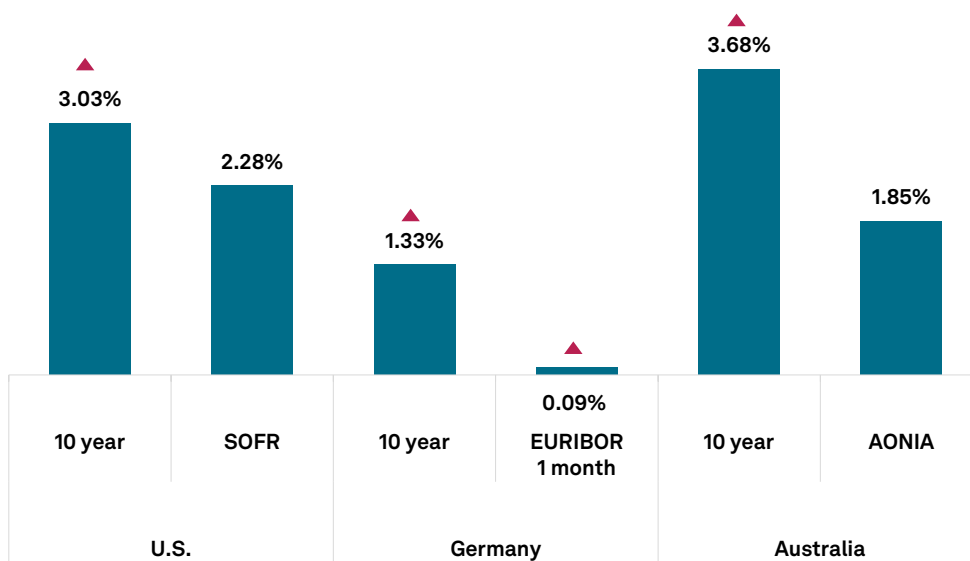
[Asia-Pacific BBB's: More Angels Could Fall Over The Next 12 Months](#), Sept. 1, 2022

[Monthly Friday Credit Focus: Global Ratings Outlook](#), Sept. 9, 2022

# Credit Market Conditions

Chart 2

## Benchmark Yields



## Leveraged Loan Indexes average bid price over the week

Morningstar LSTA US LLI

**95** ▼ (0.52%)

Morningstar ELLI (Europe)

**93** ▼ (0.22%)

Chart 3

Secondary Market Credit Spreads

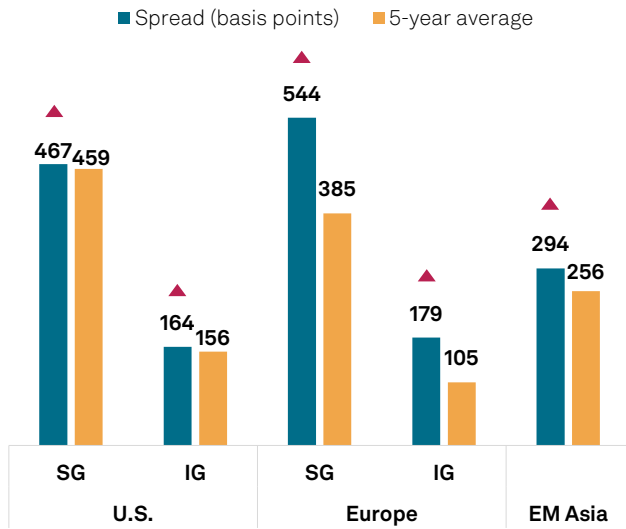
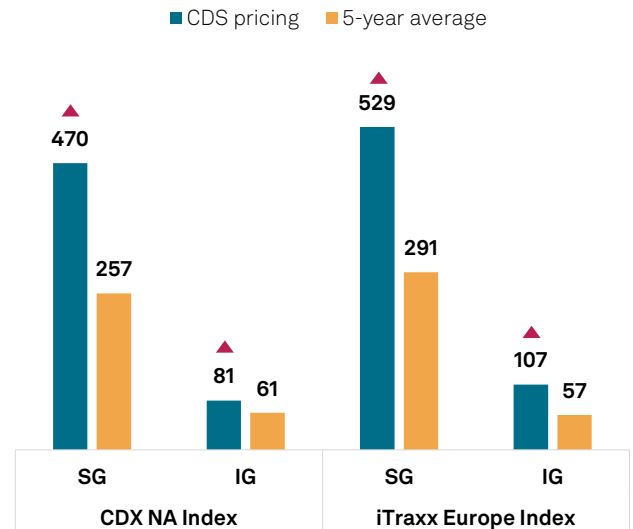


Chart 4

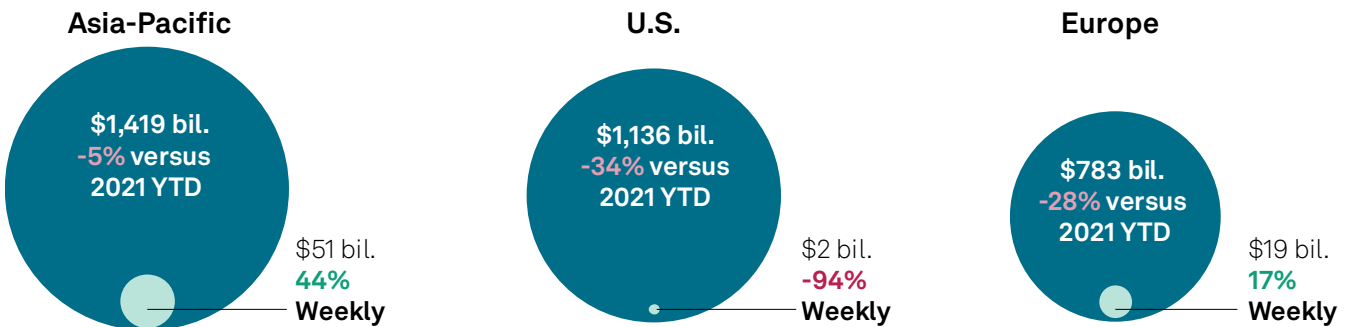
CDS Pricing



The arrows indicate weekly trends. All data as of Aug. 25, 2022. Leveraged loan data source: Leveraged Commentary and Data (LCD) from PitchBook, a Morningstar company; Morningstar LSTA U.S. Leveraged Loan Index; Morningstar European Leveraged Loan Index. Sources: S&P Global Ratings Research, Ice Data Indices LLC, ICE BofA Euro High-Yield Index Option-Adjusted Spread, retrieved from the Federal Reserve Bank of St. Louis, S&P Global Market Intelligence.

Chart 5

Corporate Debt Issuance



Data as of Aug. 25, 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 (LCD) from PitchBook, a Morningstar company. Source: S&P Global Ratings Research.

Table 1

## Top 10 Upgrades And Downgrades By Debt

Date	Action	Issuer	Industry	Country	To*	From*	Debt volume (mil. \$)
Aug. 23, 2022	Upgrade	Bombardier Inc.	Aerospace and defense	Canada	B-/Stable	CCC+/Positive	6,360
Aug. 25, 2022	Upgrade	ONE Gas Inc.,	Utilities	U.S.	A-/Stable	BBB+/Watch Pos	4,400
Aug. 24, 2022	Upgrade	Mid-America Apartment Communities Inc.,	Homebuilders/real estate companies	U.S.	A-/Stable	BBB+/Positive	4,343
Aug. 24, 2022	Downgrade	Artera Services, LLC	Capital goods	U.S.	CCC+/Stable	B-/Negative	3,952
Aug. 23, 2022	Upgrade	CCC Intelligent Solutions Inc.	High technology	U.S.	B+/Stable	B/Stable	2,050
Aug. 23, 2022	Downgrade	Audacy Inc.	Media and entertainment	U.S.	CCC+/Negative	B-/Negative	1,780
Aug. 19, 2022	Downgrade	GEO Group (The) Inc.	Consumer products	U.S.	SD	CC/Negative	1,692
Aug. 22, 2022	Downgrade	Bed Bath & Beyond Inc.	Retail/restaurants	U.S.	CCC/Negative	B-/Negative	1,500
Aug. 24, 2022	Upgrade	Performance Food Group Inc.	Consumer products	U.S.	BB-/Stable	B+/Positive	1,275
Aug. 19, 2022	Upgrade	Stagwell Inc.	Media and entertainment	U.S.	BB-/Stable	B+/Stable	1,100

Data as of Aug. 25, 2022. Note: Rating actions include financial and nonfinancial corporates and sovereign issuer credit ratings. \*Long-term issuer credit rating/Outlook or CreditWatch status. Source: S&P Global Ratings. SD--Selective default.

Table 2

## This Week's Defaults

Date	Parent company	Country/market	Subsector	To	From	Reason
Aug. 19, 2022	GEO Group (The) Inc.	U.S.	Consumer products	SD	CC	Distressed exchange
Aug. 23, 2022	Carestream Health Inc.	U.S.	Health care	D	CC	Bankruptcy

Data as of Aug. 25, 2022. SD--Selective default. D--Default.

## 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."

Copyright 2022 © by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.spglobal.com/ratings](http://www.spglobal.com/ratings) (free of charge) and [www.ratingsdirect.com](http://www.ratingsdirect.com) (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.spglobal.com/ratings/usratingsfees](http://www.spglobal.com/ratings/usratingsfees).

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.