

# This Week In Credit

## Focus On The Horizon

S&P Global  
Ratings

This report does not constitute a rating action.

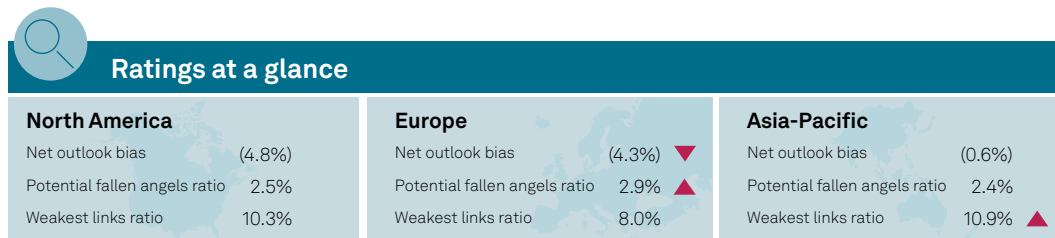
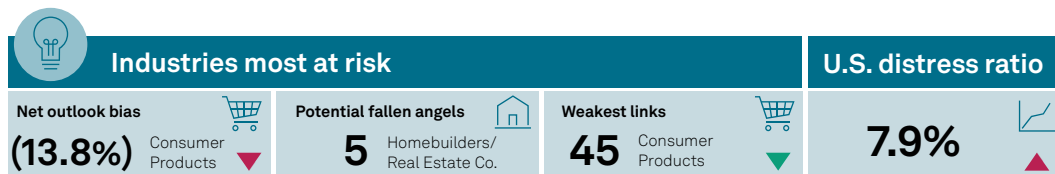
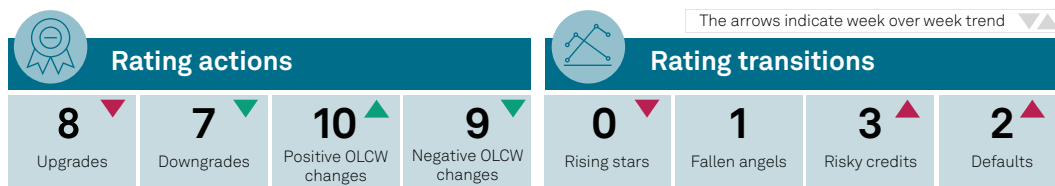
### The Top Line | Oct. 3, 2022

Recession and rates fears will continue to stalk credit markets this week. The balance of global risks remains firmly on the downside after a bruising end to Q3 for investors. The OPEC+ meeting (Wednesday) and U.S. payrolls report (Friday) are likely to provide key temperature checks, but fragility rather than stability will remain the watchword for markets.

### Key Takeaways

- Rating trends improved slightly from the previous week, with a lower number of downgrades and fewer negative outlook/CreditWatch revisions, a trend that may only be temporary given rising economic and credit risks.
- Homebuilders/real estate replaced consumer products as the sector with the highest number of potential fallen angels.
- The negative net outlook bias in Europe ticked up to 4.3% this week from 3.8%, signaling a potential rise in future downgrades as winter bears down on the continent.
- Last week, across the globe, benchmark yields and credit spreads widened sharply as financing costs rose and risk appetite waned. Meanwhile, the U.S. distress ratio--a leading indicator of defaults--increased to 7.9%.

### Ratings performance trends



Data as of Sept. 29, 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 and confidential rating actions. Downgrades exclude transitions to default and confidential rating actions. Includes sovereigns with and without zero debt. Defaults from confidential issuers are included in the default tally. Source: S&P Global Ratings Credit Research & Insights.

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# Chart Of The Week

Chart 1

Negative exceeds positive as ESG-related actions pick up  
ESG in credit ratings, Sept. 2022

## Total ESG-driven credit rating actions, August vs. July 2022

▲ Increase ▼ Decrease



## August 2022 positive rating action breakdown



## August 2022 negative rating action breakdown

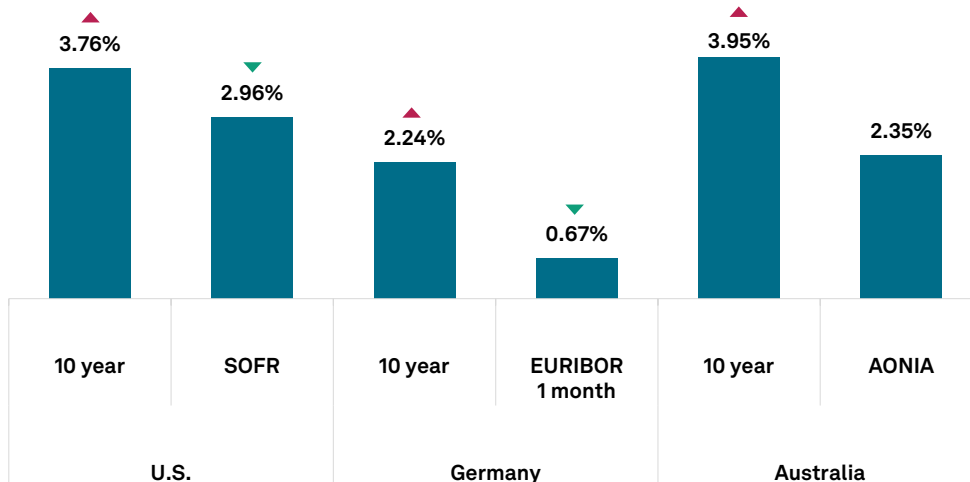


Note: Data as of Aug 31, 2022. ESG-related rating actions are those where ESG credit factors were a key driver of the decision to change a credit rating, outlook, or CreditWatch status. S&P Global Ratings considers ESG credit factors to be those ESG factors that may influence the capacity and willingness of an issuer to meet its financial commitments. Rating actions include rating, CreditWatch, and outlook changes in August 2022. Total rating actions include the assignment of stable outlooks to ratings previously on CreditWatch developing. ESG--Environmental, social, and governance. Chart first appeared in "[ESG In Credit Ratings Newsletter September 2022](#)," published Sept. 29, 2022, on RatingsDirect.

# Credit Market Conditions

Chart 2

## Benchmark yields



## Leveraged Loan Indexes average bid price over the week

Morningstar LSTA US LLI

**92** ▼ (1.65%)

Morningstar ELLI (Europe)

**90** ▼ (2.66%)

## Related Research

[Global Credit Conditions Q4 2022 Darkening Horizons](#), Sept. 29, 2022

['BBB' Pulse: Remaining Resilient Despite Rising Risks](#), Sept. 28, 2022

[Credit Conditions Europe Q4 2022 Hunkering Down For Winter](#), Sept. 27, 2022

[U.S. Corporate Bond Yields As Of Sept. 28, 2022](#), Sept. 29, 2022 (published weekly)

## Upcoming Webinars

[European Financial Institutions Conference 2022: European Banks - Seeking Agility In A Changing World](#), Oct. 4, 2022

Chart 3

Secondary market credit spreads

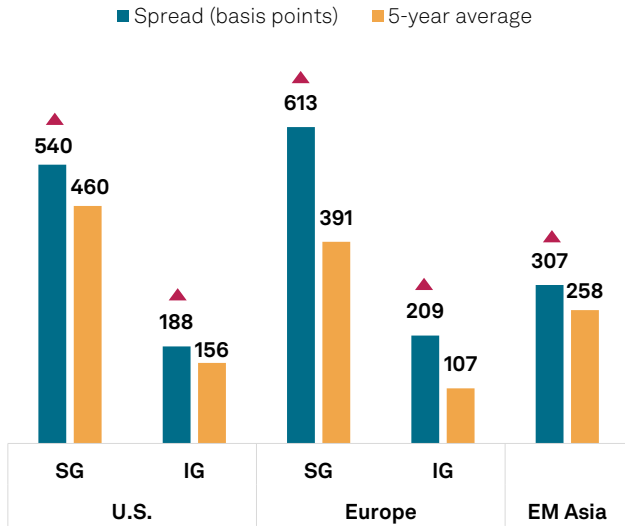
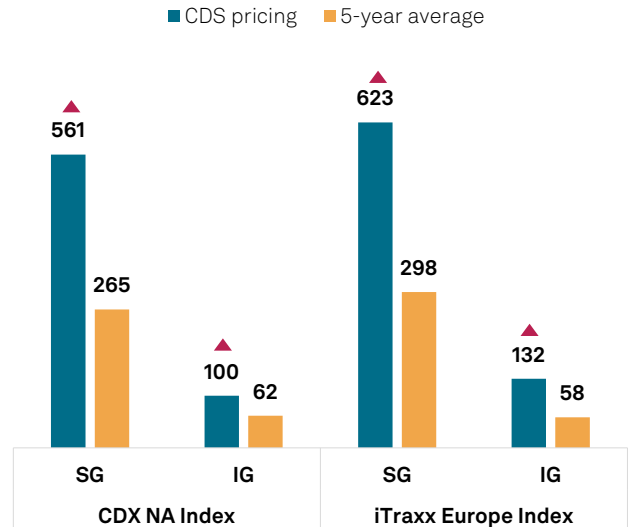


Chart 4

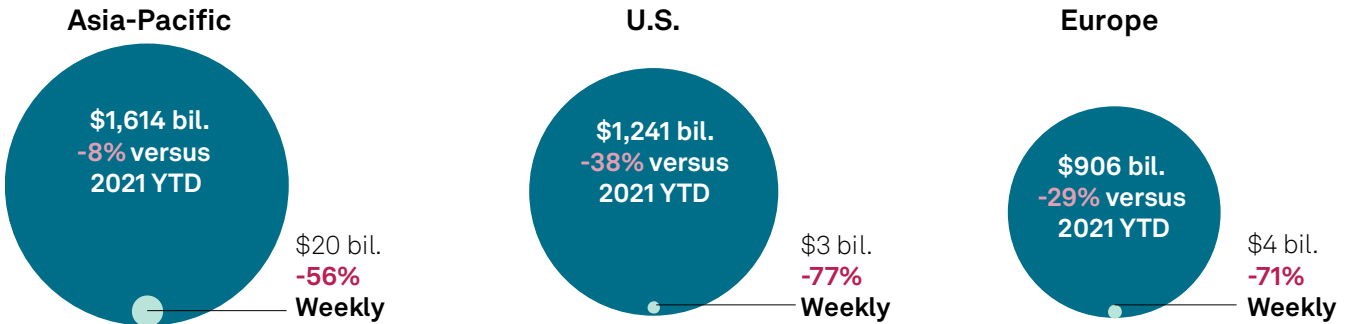
CDS pricing



The arrows indicate weekly trends. Data as of Sept. 29, 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 Credit Research & Insights, 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 Sept. 29, 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 Credit Research & Insights.

Table 1

## Top 10 upgrades and downgrades by debt

Date	Action	Issuer	Industry	Country	To*	From*	Debt volume (mil. \$)
Sept. 27, 2022	Upgrade	KazMunayGas NC JSC	Oil & Gas	Kazakhstan	BB+/Negative	BB/Negative	5,750
Sept. 26, 2022	Upgrade	Sitel Group SA	Media & Entertainment	Luxembourg	BB/Stable	BB-/Watch Pos	2,621
Sept. 23, 2022	Downgrade	Wheel Pros Inc.,	Automotive	U.S.	CCC+/Negative	B-/Negative	1,540
Sept. 23, 2022	Downgrade	Anadolu Efes Biracilik ve Malt Sanayii AS	Consumer Products	Turkey	BB+/Negative	BBB-/Watch Neg	1,500
Sept. 27, 2022	Upgrade	Laredo Petroleum Inc.	Oil & Gas	U.S.	B/Stable	B-/Positive	1,400
Sept. 27, 2022	Downgrade	At Home Group Inc.	Retail/Restaurants	U.S.	B-/Negative	B/Negative	1,400
Sept. 29, 2022	Downgrade	National CineMedia Inc.	Media & Entertainment	U.S.	CCC/Negative	B-/Negative	1,220
Sept. 29, 2022	Downgrade	Superannuation and Investments FinCo Pty Ltd.	Financial Institutions	Australia	BB-/Stable	BB/Stable	1,122
Sept. 23, 2022	Upgrade	SIRVA Inc.	Transportation	U.S.	B-/Stable	CCC+/Negative	850
Sept. 23, 2022	Upgrade	Pharmanovia Bidco Ltd.	Health Care	U.K.	B/Stable	B-/Stable	664

Data as of Sept. 29, 2022. Note: Rating actions include financial and nonfinancial corporates and sovereign issuer credit ratings. \*Long-term issuer credit rating/outlook or CreditWatch status. Downgrades include defaults. Source: S&P Global Ratings Credit Research & Insights.

Table 2

## This week's defaults

Date	Parent company	Country/market	Subsector	To	From	Reason
Sept. 27, 2022	Confidential	Confidential	Retail/Restaurants	SD	CC	Confidential
Sept. 28, 2022	Phoenix Services International LLC	U.S.	Metals, Mining & Steel	D	CCC+	Bankruptcy

Data as of Sept. 29, 2022. Defaults from confidential issuers are included. D--Default. Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

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# 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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