

# This Week In Credit

## Early Optimism May Be Short Lived

This report does not constitute a rating action.

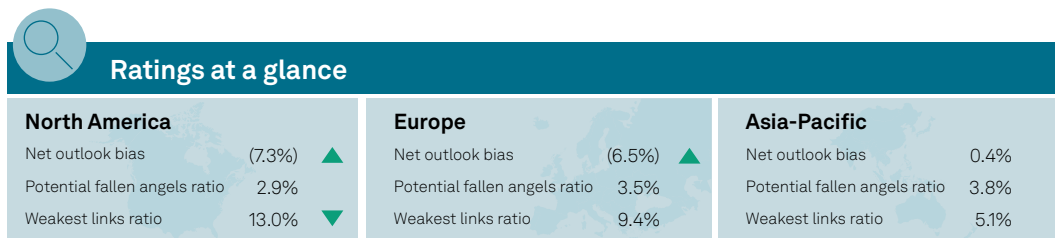
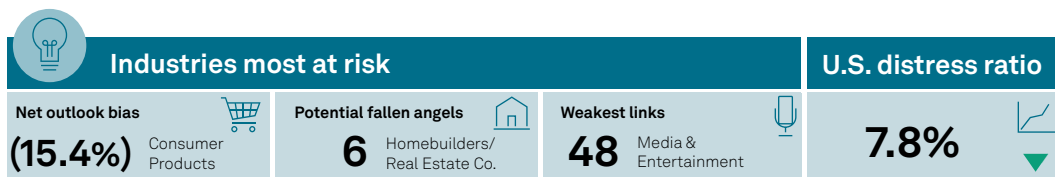
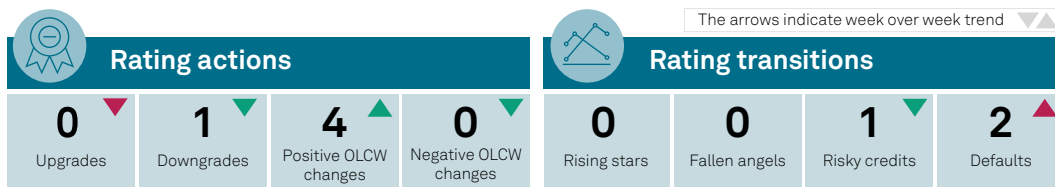
### The Top Line | Jan. 9, 2023

A lack of global rating actions and the improved market tone at the start of 2023 should not be taken as an early sign of stable future rating performance. On the contrary, the outlook for 2023 remains highly uncertain with risks to the downside. The timing and extent of any U.S. Federal Reserve pivot is still unclear despite recent data releases, while the barrage of 2022 interest rate hikes--with more likely to come in early 2023--plus slower economic growth will likely have detrimental effects on credit performance. The release of December U.S. consumer price index numbers on Thursday and the start of the fourth-quarter reporting season on Friday will provide early temperature checks.

### Key Takeaways

- The first default of 2023 came from Moran Foods, LLC--its second selective default in less than three years. The company was one of two U.S.-based issuers that completed distressed exchanges last week.
- With just one downgrade (excluding defaults) last week, it was a slow start to the year for rating actions. Contract development and manufacturing company Curia Global Inc. was downgraded on weakening credit metrics due to underperformance amid inflation and rising rates.
- We also saw an improved credit market tone. Benchmark yields fell, spreads tightened, and primary issuance picked up--albeit from low levels.

### Ratings performance trends



Data as of Jan. 5, 2023. 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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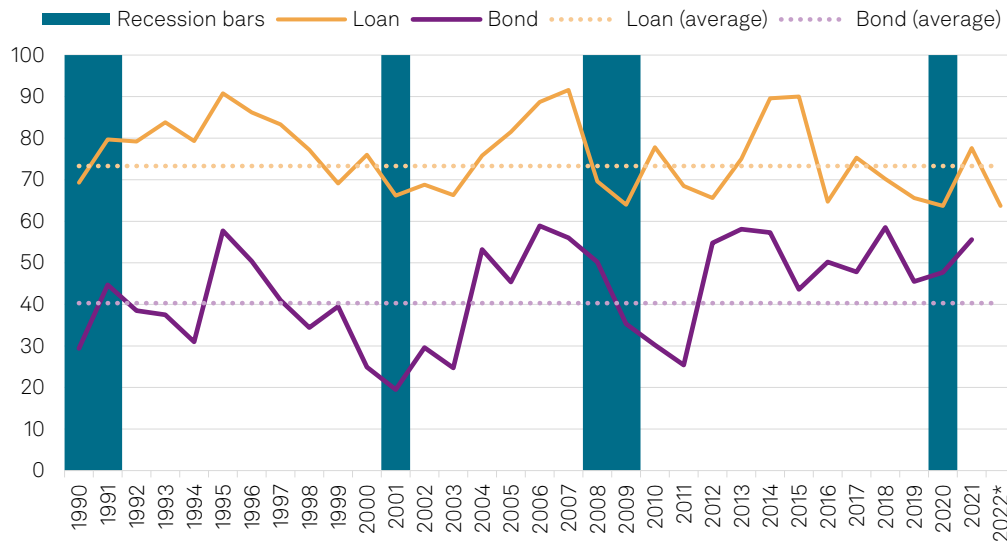
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# Chart Of The Week

Chart 1

## Short-lived rebound for post-pandemic loan recoveries (%)



Data through September 2022; tallied for the year of emergence. Loans include term loans and revolving credit facilities; bonds include bonds and notes. Only includes instruments that emerged following default from U.S. issuers. \*2022 bond recoveries excluded due to small sample size. This chart first appeared in "U.S. Recovery Study: The Bump In Post-COVID Corporate Debt Recoveries Starts To Fade," published Dec. 16, 2022, on RatingsDirect.

## Related Research

[Credit Trends: U.S. Corporate Bond Yields As Of Jan. 4, 2023](#), Jan. 6, 2023 (published weekly)

[U.S. Recovery Study: The Bump In Post-COVID Corporate Debt Recoveries Starts To Fade](#), Dec. 16, 2022.

[2021 Annual Greater China Corporate Default And Rating Transition Study](#), Dec. 23, 2022

[U.S. Public Finance Credit Quality Remains Stable In The Third Quarter](#), Dec. 20, 2022

[2021 Annual Infrastructure Default And Rating Transition Study](#), Dec. 19, 2022

[Global Corporate Defaults Push Past 2021's Year-End Total](#), Dec. 16, 2022

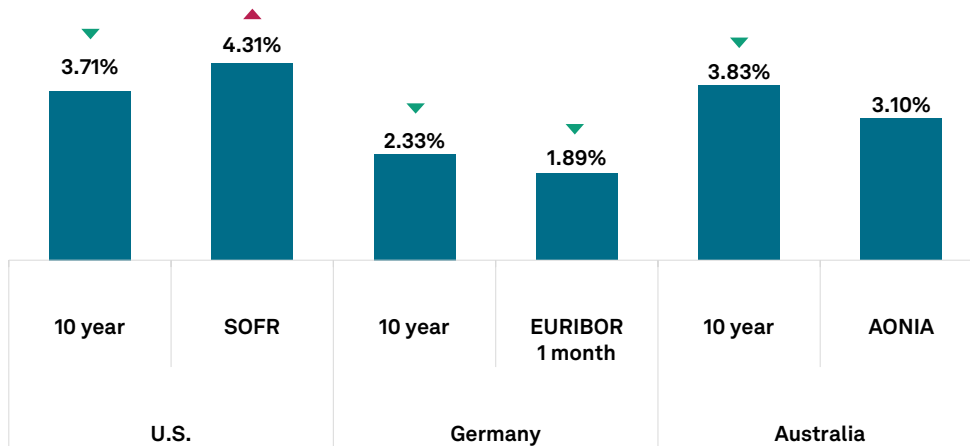
## Upcoming Webinars

[Structured Finance Outlook for 2023](#), Jan. 12, 2023

# Credit Market Conditions

Chart 2

## Benchmark yields



## Leveraged Loan Indexes average bid price over the week

Morningstar LSTA US LLI

**93** ▲ 0.27%

Morningstar ELLI (Europe)

**91** ▲ 0.11%

Chart 3

Secondary market credit spreads

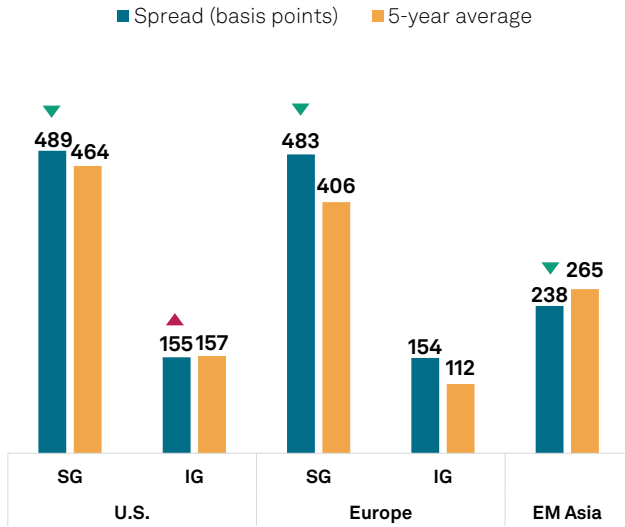
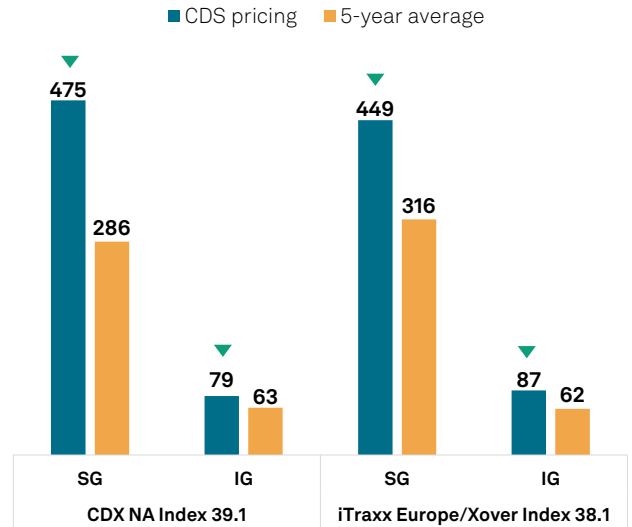


Chart 4

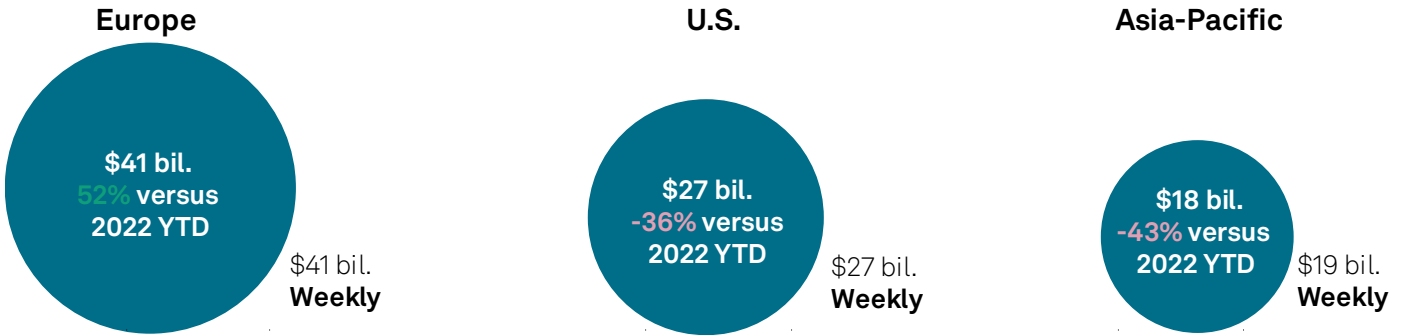
CDS pricing



The arrows indicate weekly trends. Data as of Jan. 5, 2023. 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 Jan. 5, 2023. Corporate bond issuance is the most recent weekly total and the percentage weekly change. 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. YTD--Year to date. Source: S&P Global Ratings Credit Research & Insights.

Table 1

### Top three upgrades and downgrades by debt

Date	Action	Issuer	Industry	Country	To*	From*	Debt volume (mil. \$)
Dec. 30, 2022	Downgrade	Diebold Nixdorf Inc.	High technology	U.S.	SD	CC/Negative	2,687
Jan. 4, 2023	Downgrade	Curia Global Inc.	Health care	U.S.	CCC+/Stable	B-/Stable	1,190
Jan. 3, 2023	Downgrade	Moran Foods, LLC (SAL Acquisition Corp.)	Retail/restaurants	U.S.	SD	CCC+/Negative	334

Data as of Jan. 5, 2023. Note: Rating actions include financial and nonfinancial corporates and sovereign issuer credit ratings. SD--Selective default. \*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
Dec. 30, 2022	Diebold Nixdorf Inc.	U.S.	High technology	SD	CC	Distressed exchange
Jan. 3, 2023	Moran Foods, LLC (SAL Acquisition Corp.)	U.S.	Retail/restaurants	SD	CCC+	Distressed exchange

Data as of Jan. 5, 2023. SD--Selective 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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