

# This Week In Credit

## Risks Persist Despite Market Rally

S&P Global  
Ratings

This report does not constitute a rating action.

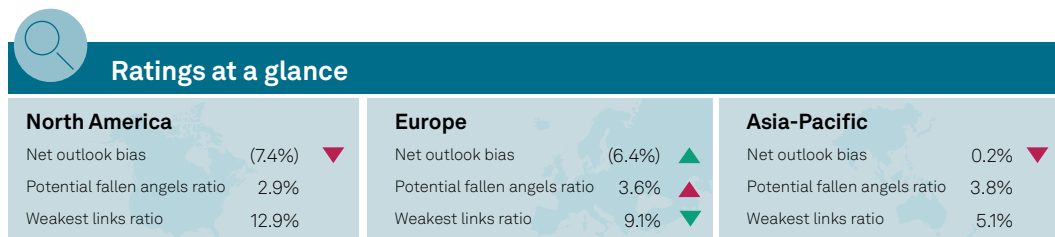
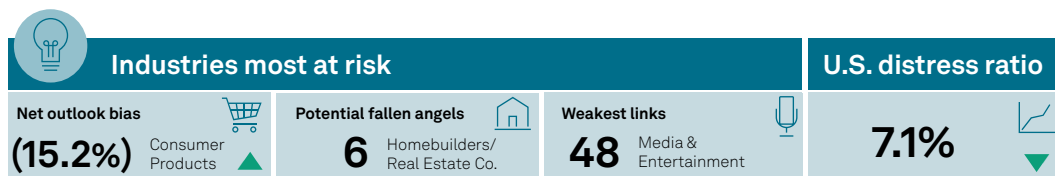
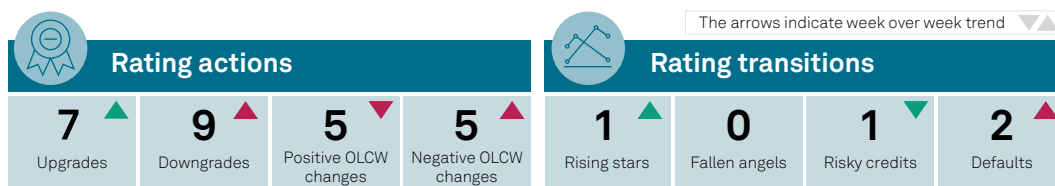
### The Top Line | Jan. 23, 2023

Our chart of the week provides a unique insight into credit trends last year. In a nutshell, downgrades increased 54%, upgrades fell 23%, and corporate defaults increased 15% year on year. Last week followed a similar pattern with negative rating actions and defaults slowly picking up after a quiet start to 2023. Despite what the early 2023 market rally might suggest, the risks underpinning 2022 rating trends have not gone away.

### Key Takeaways

- Rating movements were largely focused on U.S. speculative-grade issuers last week, with downgrades leading upgrades nine to seven. Of these, the retail sector had the most downgrades, including the default of U.S.-based Party City, which filed voluntary petitions for reorganization under chapter 11 of the U.S. bankruptcy code.
- Net outlook bias for the U.S. and Canada continued to push into negative territory, falling to -7.4% from -7.2% as credit pressures on U.S. nonfinancial corporates borrowers continue to take hold.
- Benchmark yields were volatile last week, tightening for the most part before widening on Friday. In terms of credit pricing--spreads generally tightened while credit default swaps generally widened. Overall issuance remains muted--particularly in the U.S.--although this more reflects the lack of speculative-grade activity to date in 2023.

### Ratings performance trends



Data as of Jan. 19, 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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# Chart Of The Week

Chart 1

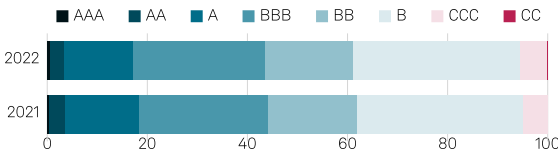
Downgrades increased 54% in 2022 while upgrades fell 23%

## Rating Actions And Distribution

### Rating actions

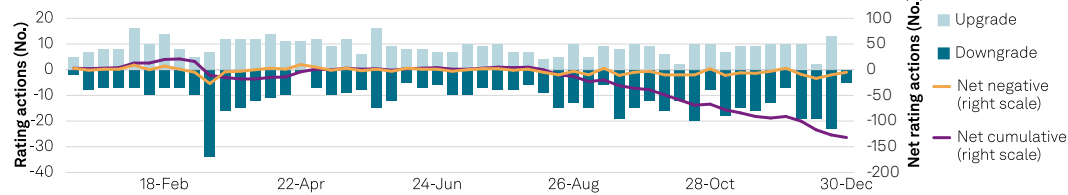
Rating	2021 (No.)	2022 (No.)	Change (%)
Upgrades	593	455	-23%
Downgrades	350	538	54%
<b>Outlook and CW</b>			
Positive	1227	643	-48%
Negative	337	586	74%

### Rating distribution (%)



### Global rating actions\*

2022 weekly rating actions



Data through Dec. 30, 2022. Sources: S&P Global Ratings Research & Insights. This chart first appeared in "[Ratings Performance Insights: 2022 In Review](#)", published Jan. 19, 2023, on RatingsDirect.

## Related Research

[Ratings Performance Insights 2022 In Review](#), Jan. 19, 2023

[Default, Transition, and Recovery: Gaps Open As Global Corporate Defaults Increase By 15% In 2022](#), Jan. 18, 2023

[Credit Trends: U.S. Corporate Bond Yields As Of Jan. 11, 2023](#), Jan. 17, 2023 (published weekly)

## Upcoming Webinars

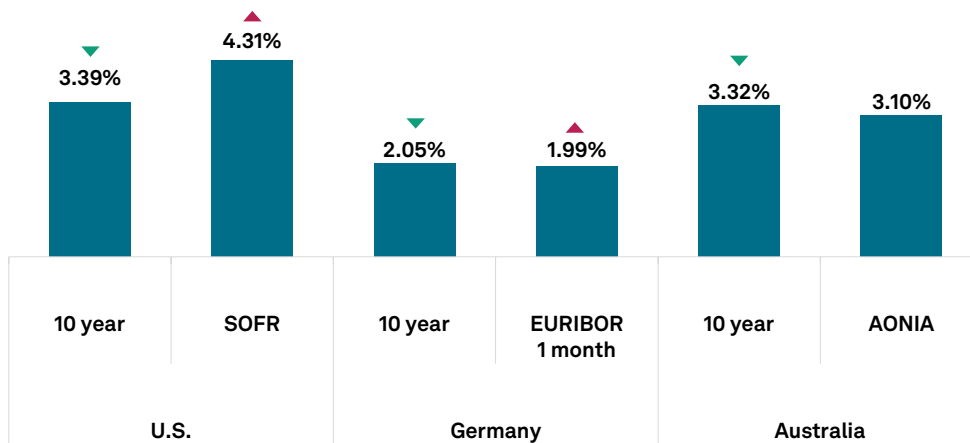
[Monthly European Banking Insights Webinar: The Top Trends Shaping European Bank Ratings In 2023](#), Jan. 24-25, 2023

[Ratings Performance Insights](#), Jan. 31, 2023

# Credit Market Conditions

Chart 2

## Benchmark yields



## Leveraged Loan Indexes average bid price over the week

Morningstar LSTA US LLI

**94** ▲ 0.25%

Morningstar ELLI (Europe)

**93** ▲ 0.89%

Chart 3

Secondary market credit spreads

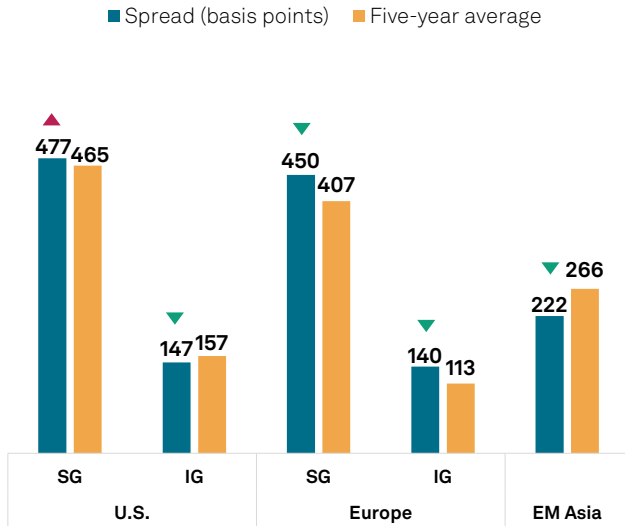
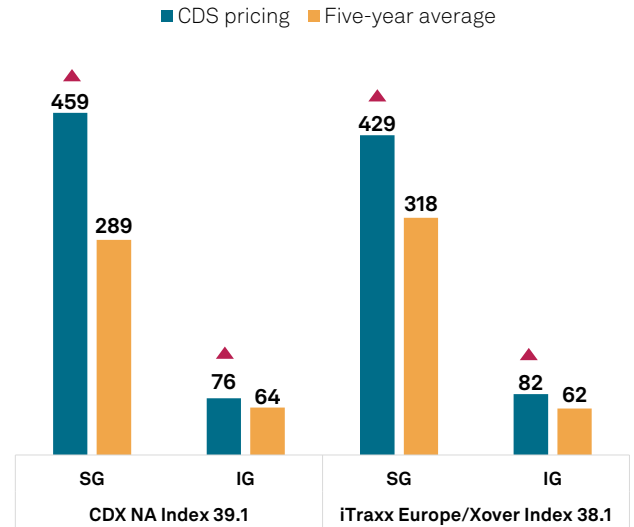


Chart 4

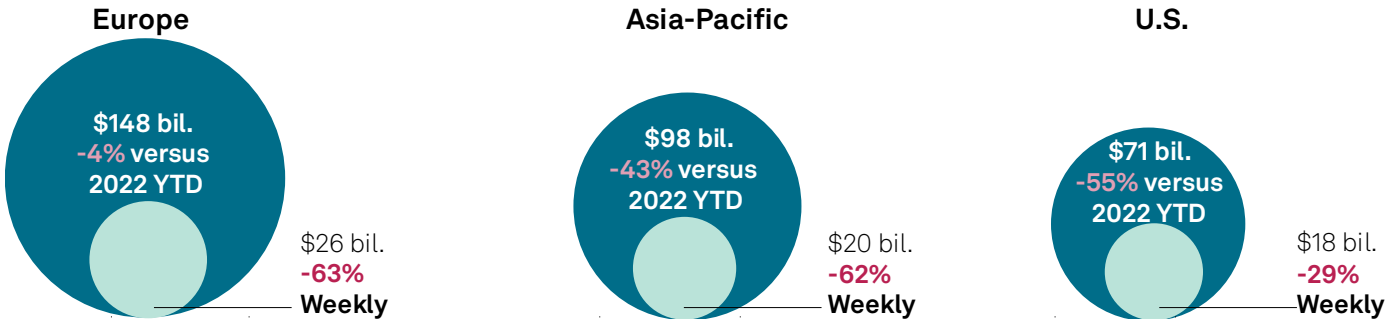
CDS pricing



The arrows indicate weekly trends. Data as of Jan. 19, 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. 19, 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 10 upgrades and downgrades by debt

Date	Action	Issuer	Industry	Country	To*	From*	Debt volume (mil. \$)
Jan. 13, 2023	Downgrade	Qurate Retail Inc.,	Retail/restaurants	U.S.	B-/Negative	B+/Stable	7,602
Jan. 19, 2023	Upgrade	PetSmart LLC	Retail/restaurants	U.S.	B+/Stable	B/Positive	4,650
Jan. 17, 2023	Upgrade	Booz Allen Hamilton Inc.	Aerospace & defense	U.S.	BBB-/Stable	BB+/Positive	3,368
Jan. 19, 2023	Upgrade	Life Time Inc.,	Media & entertainment	U.S.	B-/Positive	CCC+/Positive	2,250
Jan. 19, 2023	Downgrade	Party City Holdings Inc., (PC Nextco Holdings LLC)	Retail/restaurants	U.S.	D	CCC/Negative	1,712
Jan. 13, 2023	Upgrade	Bach Finance Ltd.	Consumer products	Cayman Islands	B/Stable	B-/Stable	1,630
Jan. 19, 2023	Downgrade	Learfield Communications, LLC	Media & entertainment	U.S.	CCC-/Negative	CCC+/Negative	1,089
Jan. 18, 2023	Downgrade	Wolverine World Wide Inc.	Consumer products	U.S.	BB-/Stable	BB/Negative	750
Jan. 13, 2023	Downgrade	Martin Midstream Partners L.P.	Utilities	U.S.	CCC/Watch Dev	B-/Stable	691
Jan. 17, 2023	Downgrade	Lucky Bucks, LLC	Media & entertainment	U.S.	CCC-/Watch Neg	CCC/Negative	555

Data as of Jan. 19, 2023. Note: Rating actions include financial and nonfinancial corporates and sovereign issuer credit ratings. SD--Selective default. NBF--Nonbank financial institution. \*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
Jan. 19, 2023	Party City Holdings Inc., (PC Nextco Holdings LLC)	U.S.	Retail/restaurants	D	CCC	Bankruptcy
Jan. 16, 2023	Americanas S.A. (Lojas Americanas S.A.)	Brazil	Retail/restaurants	D	B	Missed interest and principal payment

Data as of Jan. 19, 2023. 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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