

This Week In Credit

Market Optimism Under Pressure

This report does not constitute a rating action.

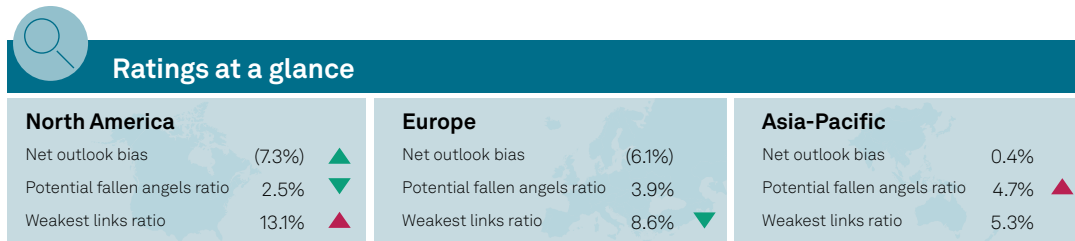
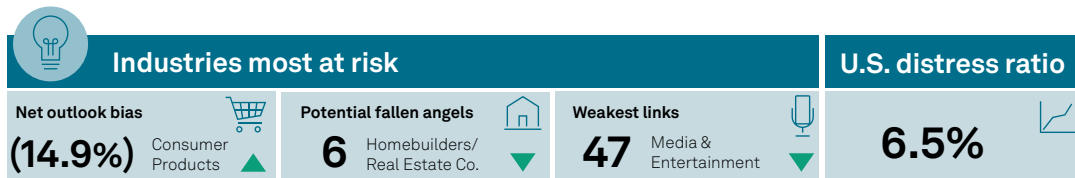
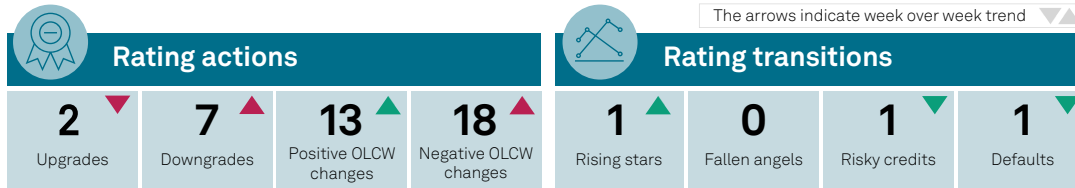
The Top Line | Feb. 13, 2023

The threat of persistent inflation is not going away despite market aspirations. Last week's U.S. CPI revisions—plus Russia's announcement it will cut oil production in March and the Chinese economy's brighter growth outlook—all point to ongoing inflationary pressures. The U.S. CPI numbers (out Tuesday) are probably the key release to watch out for this week, as are the U.S. and U.K. retail sales and European fourth-quarter GDP updates. Markets expect interest rates to rise again in the U.S. and Europe, while credit pricing optimism seems to be stalling, at least for now.

Key Takeaways

- Negative rating actions outpaced positive actions last week. European telecom issuers led downgrades while Nigerian financial services issuers led negative outlook and CreditWatch changes after we revised to negative our outlook on the long-term sovereign ratings.
- Austin Texas-based consumer products company KNB Holdings Corp filed for bankruptcy—it had been a risky credit (rated 'CCC+' or lower) since November 2021.
- It was a better week for primary issuance, notably including \$20 billion of U.S. leverage finance volumes. Intermediate benchmark yields widened appreciatively while there was a mixed picture for credit pricing, with credit default swap spreads wider across both investment and speculative grades.

Ratings performance trends



Data as of Feb. 9, 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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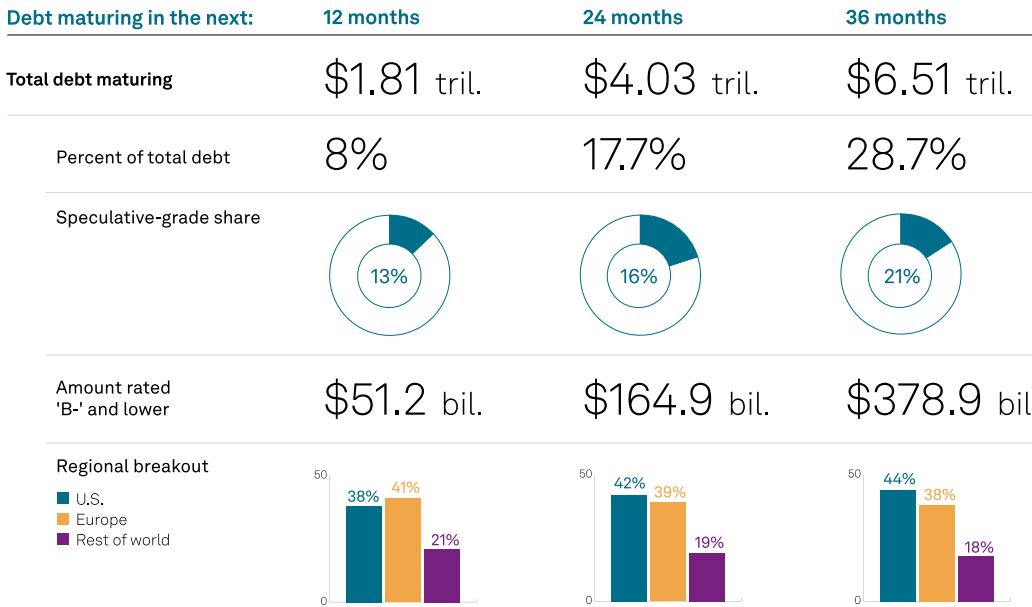
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Chart Of The Week

Chart 1

The Overhang Of Pandemic Era Debt Begins To Mature In 2025



Includes bonds, loan and revolver credit facilities rated by S&P Global ratings. This chart first appeared in "[Global Refinancing--Pandemic-Era Debt Overhang Will Add To Financing Pressure In The Coming Years](#)," published Feb. 7, 2023, on RatingsDirect.

Related Research

[Global Refinancing--Pandemic-Era Debt Overhang Will Add To Financing Pressure In The Coming Years](#), Feb. 7, 2023

[Credit Trends: U.S. Corporate Bond Yields As Of Feb. 2, 2023](#), Feb. 2, 2023 (published weekly)

[This Month In Credit: Risk Remains For Weaker Borrowers Despite Cooling Inflation](#), Jan. 27, 2023

Upcoming Webinars

[Monthly Asia-Pacific Credit Focus - February 14](#), Feb. 14, 2023

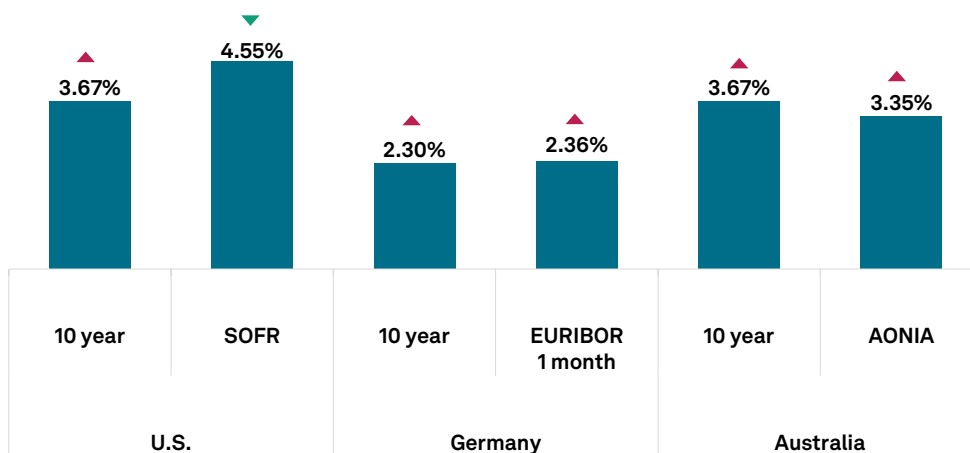
[Latin America Monthly Spotlight: Latin America 2023 Credit Ratings Trends](#), Feb. 14, 2023

[U.S. Banking Update](#), Feb. 15, 2023

Credit Market Conditions

Chart 2

Benchmark yields



Leveraged loan indices average bid price over the week

Morningstar LSTA US LLI

95 ▲ 0.36%

Morningstar ELLI (Europe)

94 ▲ 0.70%

Chart 3

Secondary market credit spreads

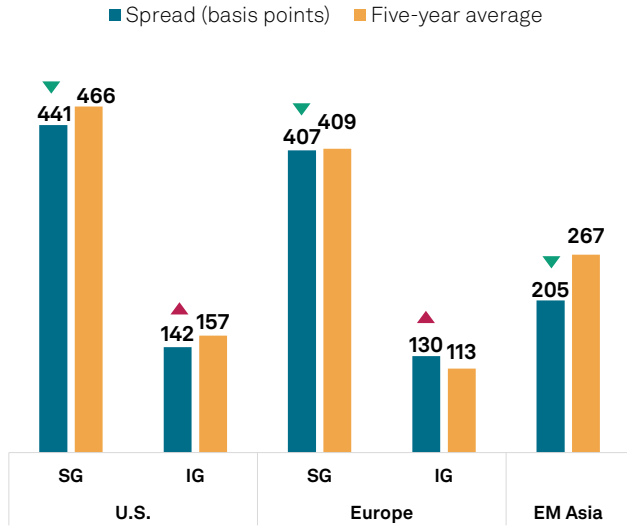
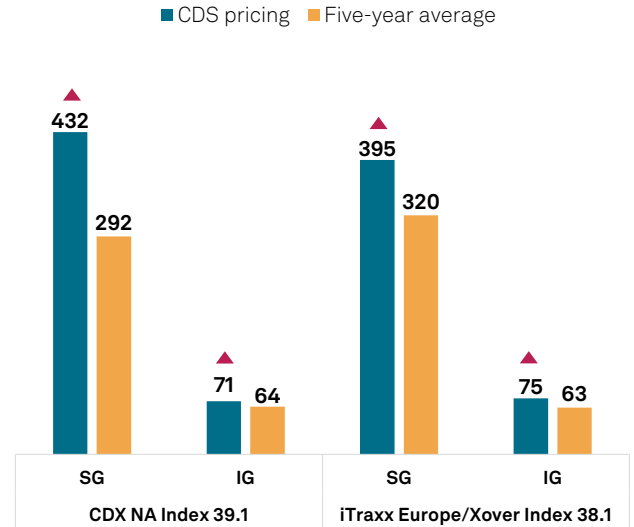


Chart 4

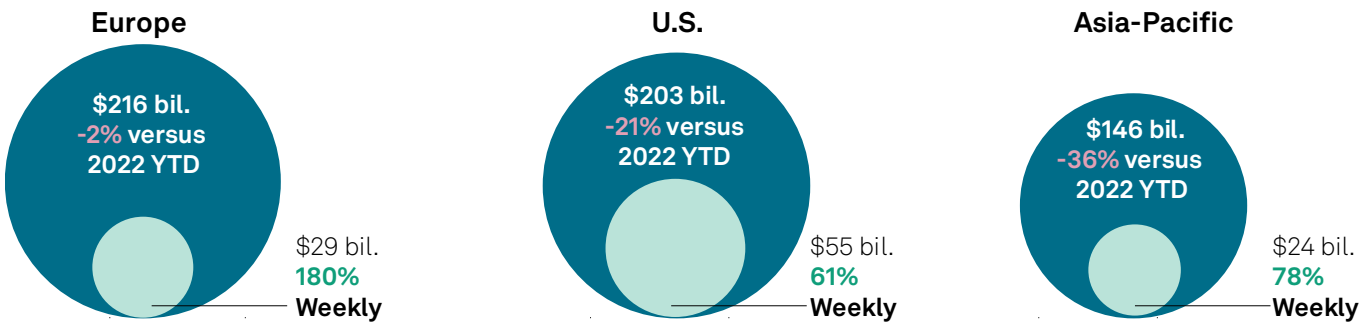
CDS pricing



The arrows indicate weekly trends. Data as of Feb. 9, 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 Feb. 9, 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. \$)
Feb. 7, 2023	Upgrade	Nokia Corp.	High Technology	Finland	BBB-/Stable	BB+/Positive	3,712
Feb. 9, 2023	Upgrade	Euronext N.V.	Financial Institutions	Netherlands	BBB+/Stable	BBB/Positive	3,260
Feb. 6, 2023	Downgrade	Hanesbrands Inc.	Consumer Products	U.S.	BB-/Negative	BB/Negative	3,092
Feb. 7, 2023	Downgrade	Proximus S.A.	Telecommunications	Belgium	BBB+/Stable	A-/Stable	2,550
Feb. 8, 2023	Downgrade	Genesis Care Pty Ltd.	Health Care	Australia	CCC-/Negative	CCC/Negative	1,574
Feb. 9, 2023	Downgrade	Kemper Corp.	Financial Institutions	U.S.	BBB-/Stable	BBB/Watch Neg	1,200
Feb. 8, 2023	Downgrade	Tosca IoM Ltd.	Telecommunications	United Kingdom	B-/Stable	B/Negative	823
Feb. 9, 2023	Downgrade	Technicolor Creative Studios SA	Media & Entertainment	France	CCC-/Watch Neg	CCC+/Negative	663
Feb. 7, 2023	Downgrade	Altisource Portfolio Solutions S.A.	Financial Institutions	Luxembourg	CC/Negative	CCC+/Negative	412
Feb. 9, 2023	Downgrade	KNB Holdings Corp.	Consumer Products	U.S.	D/NM	CCC-/Negative	295

Data as of Feb. 9, 2023. 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
Feb. 9, 2023	KNB Holdings Corp.	U.S.	Consumer Products	D	CCC-	Bankruptcy

Data as of Feb. 9, 2023. D--Default. 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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