

This Week In Credit

Recent Data Exacerbate Uncertainty

S&P Global
Ratings

This report does not constitute a rating action.

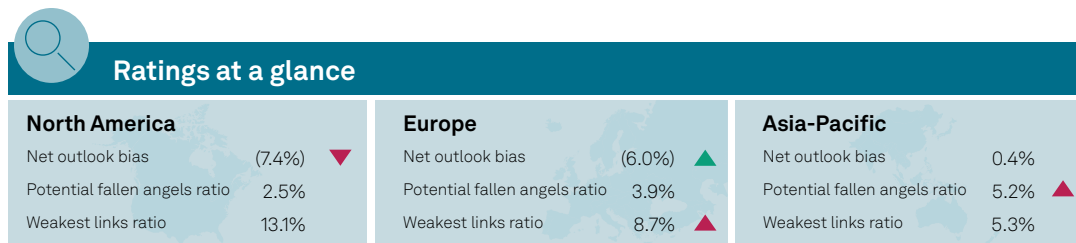
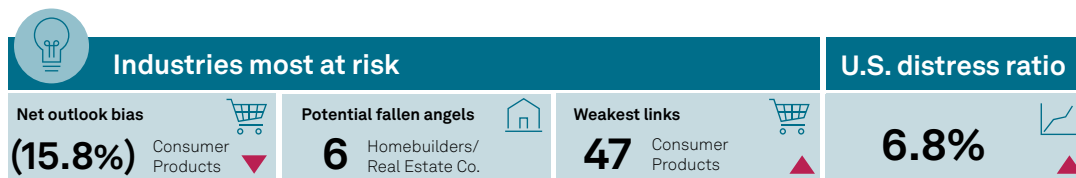
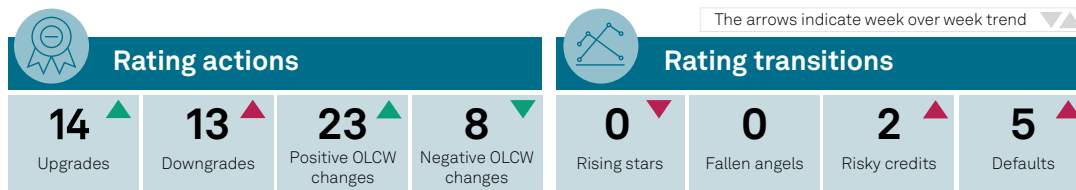
The Top Line | Feb. 20, 2023

Consumer products rating trends seem analogous to the overall economic picture. The sector led an increase in overall upgrades last week but its prospects appear far more uncertain, with the net outlook bias (negative 15.8%) continuing to deteriorate, implying more negative rating pressure ahead. On a macroeconomic level, data releases added to proof that global economic growth is not slowing as quickly as feared. However, they also provided further evidence that inflation remains persistent and well above target levels, leading to a sharp upward adjustment of market expectations for future interest rates. Higher-for-longer rates now seems more probable than possible, which will test issuers in consumer products and many other sectors.

Key Takeaways

- Upgrades made a comeback last week, while positive outlook/CreditWatch actions also jumped, easily surpassing negative actions.
- Defaults increased to five--all by U.S. issuers. S&P Global Ratings forecasts the U.S. speculative-grade default rate could more than double to 4% by year-end 2023 from 1.7% at year-end 2022.
- Intermediate benchmark yields continued to move sharply wider as markets quickly repriced policy rate assumptions. Credit pricing trends were mixed but also generally wider.

Ratings performance trends



Data as of Feb. 16, 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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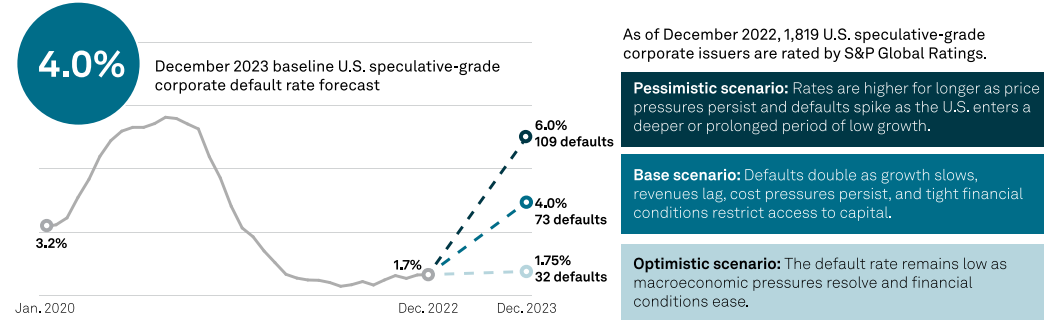
For more
Credit Market
Research
click here



Chart Of The Week

Chart 1

Doubling Of U.S. Default Rate Expected By December 2023



Data as of Dec. 30, 2022. This chart first appeared in "[Growing Strains Could Push The U.S. Speculative-Grade Corporate Default Rate To 4% By December 2023](#)," published Feb. 16, 2023, on RatingsDirect.

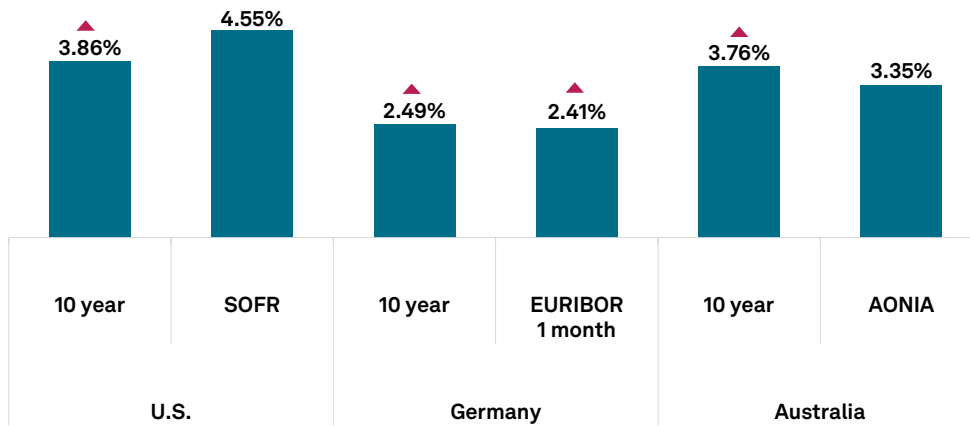
Related Research

- [ESG In Credit Ratings February 2023](#), Feb. 16, 2023
- [Credit Trends: U.S. Corporate Bond Yields As Of Feb. 16, 2023](#), Feb. 16, 2023 (published weekly)
- [Growing Strains Could Push The U.S. Speculative-Grade Corporate Default Rate To 4% By December 2023](#), Feb. 16, 2023
- [The European Speculative-Grade Corporate Default Rate Could Rise To 3.25% By December 2023, Amid Uncertain Backdrop](#), Feb. 16, 2023
- [Corporate Default Momentum Continues With Eight Defaults In January](#), Feb. 13, 2023

Credit Market Conditions

Chart 2

Benchmark yields



Upcoming Webinars

- [U.S. Municipal Sustainable Bonds: Momentum To Continue In 2023](#), Feb. 23, 2023
- [Friday Credit Focus: What We're Watching - Risks To The Credit Markets In 2023](#), Feb. 24, 2023

Leveraged loan indices average bid price over the week

Morningstar LSTA US LLI

95 ▼ (0.20)%

Morningstar ELLI (Europe)

94 ▼ (0.04)%

Chart 3

Secondary market credit spreads

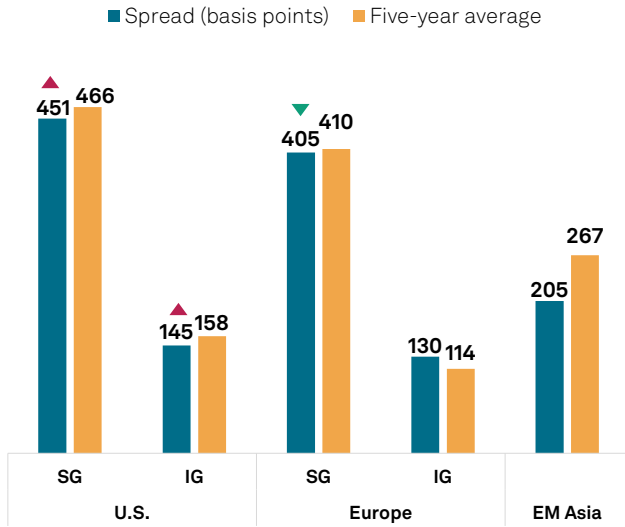
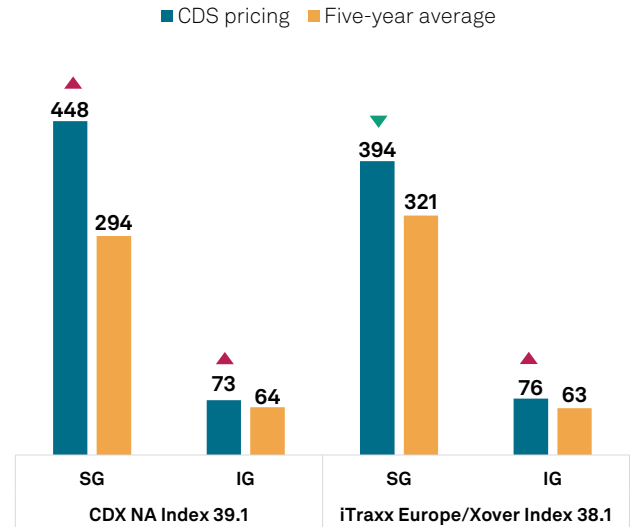


Chart 4

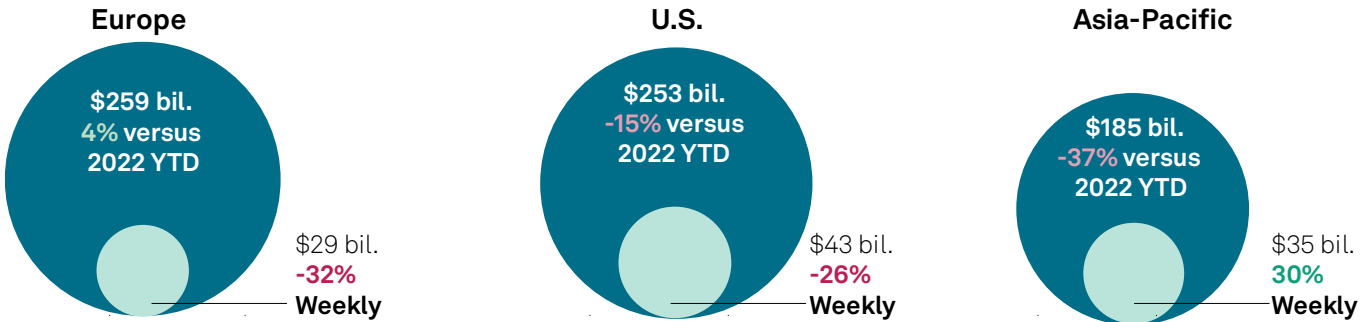
CDS pricing



The arrows indicate weekly trends. Data as of Feb. 16, 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. 16, 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. 10, 2023	Downgrade	Lumen Technologies Inc.	Telecommunications	U.S.	B+/Negative	BB-/Stable	26,648
Feb. 16, 2023	Downgrade	3M Co.	Capital goods	U.S.	A/Watch Neg	A+/Watch Neg	15,020
Feb. 16, 2023	Upgrade	Uber Technologies Inc.	High technology	U.S.	B+/Positive	B/Positive	8,264
Feb. 16, 2023	Downgrade	Entegris Inc.	High technology	U.S.	BB-/Stable	BB+/Stable	6,190
Feb. 16, 2023	Downgrade	Sabre Corp.	Media & entertainment	U.S.	B-/Stable	B/Negative	5,938
Feb. 13, 2023	Upgrade	Coty Inc.	Consumer products	U.S.	BB-/Stable	B+/Positive	5,272
Feb. 15, 2023	Downgrade	Diamond Sports Holdings LLC	Media & entertainment	U.S.	D/--	CCC-/Negative	3,857
Feb. 14, 2023	Upgrade	CAA Holdings LLC	Media & entertainment	U.S.	B+/Stable	B/Stable	3,135
Feb. 16, 2023	Downgrade	Diversified Healthcare Trust	Homebuilders/real estate co.	U.S.	CCC+/Negative	B/Watch Neg	2,850
Feb. 16, 2023	Downgrade	Cimpress PLC	Media & entertainment	Ireland	B/Stable	B+/Stable	2,466

Data as of Feb. 16, 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. D--Default. Source: S&P Global Ratings Credit Research & Insights.

Table 2

This week's defaults

Date	Parent company	Country/market	Subsector	To	From	Reason
Feb. 10, 2023	Yak Access LLC	U.S.	Capital goods	D	CCC	Distressed exchange
Feb. 14, 2023	K&N Parent Inc.	U.S.	Auto	D	CCC-	Distressed exchange
Feb. 15, 2023	99 cents only stores LLC	U.S.	Retail/restaurants	SD	CCC+	Missed payments
Feb. 15, 2023	Avaya Holdings Corp.	U.S.	High technology	D	CC	Bankruptcy
Feb. 15, 2023	Diamond Sports Holdings LLC	U.S.	Media & entertainment	D	CCC-	Missed payments

Data as of Feb. 16, 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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