

Preoccupied With Payrolls

This report does not constitute a rating action.

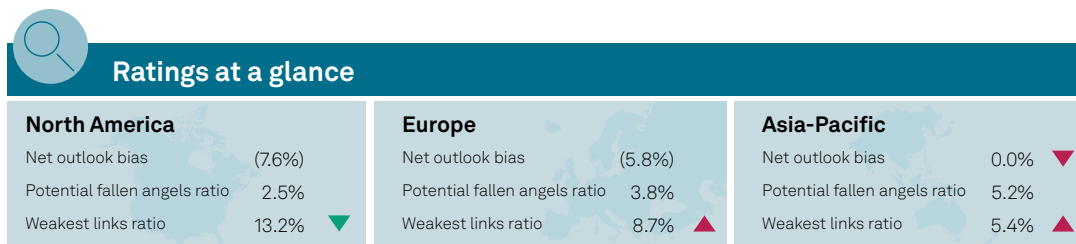
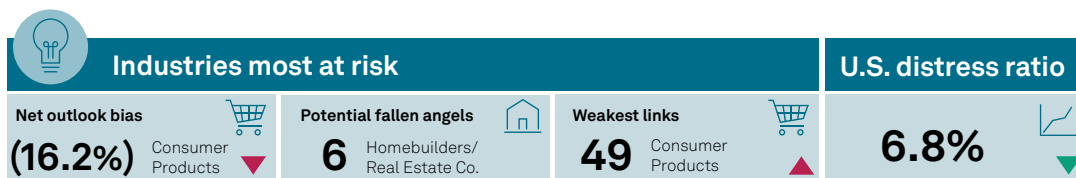
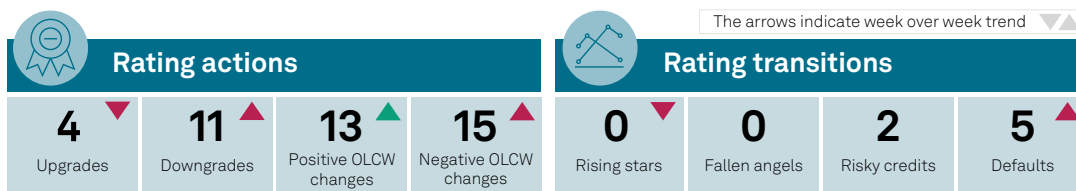
The Top Line | March 6, 2023

14 corporate defaults in the past three weeks and renewed downward rating pressure provide the backdrop to a busy week ahead for macroeconomic data insights. Central banks will meet to discuss monetary policy, including in Australia (Tuesday), Canada (Wednesday), and Japan (Friday). However, everyone's looking toward Friday's U.S. non-farm payrolls figures, after last month's report triggered a sharp increase in rate expectations and stifled this year's market rally. Further good news on the jobs front could be bad news for markets.

Key Takeaways

- Negative outlooks and CreditWatch changes were highest in the capital goods sector with four, followed by health care with three. Of the 13 positive outlook changes, seven were in the banking sector, five stemming from Austrian banks' improved operational performance.
- Defaults remain elevated, with five in North America, led by health care with three, and one each from retail/restaurants and media/entertainment.
- The credit pricing picture remains mixed as markets await macro data. Spreads generally tightened, although CDS spreads widened. Issuance declined everywhere except in the U.S.

Ratings performance trends



Data as of March 2, 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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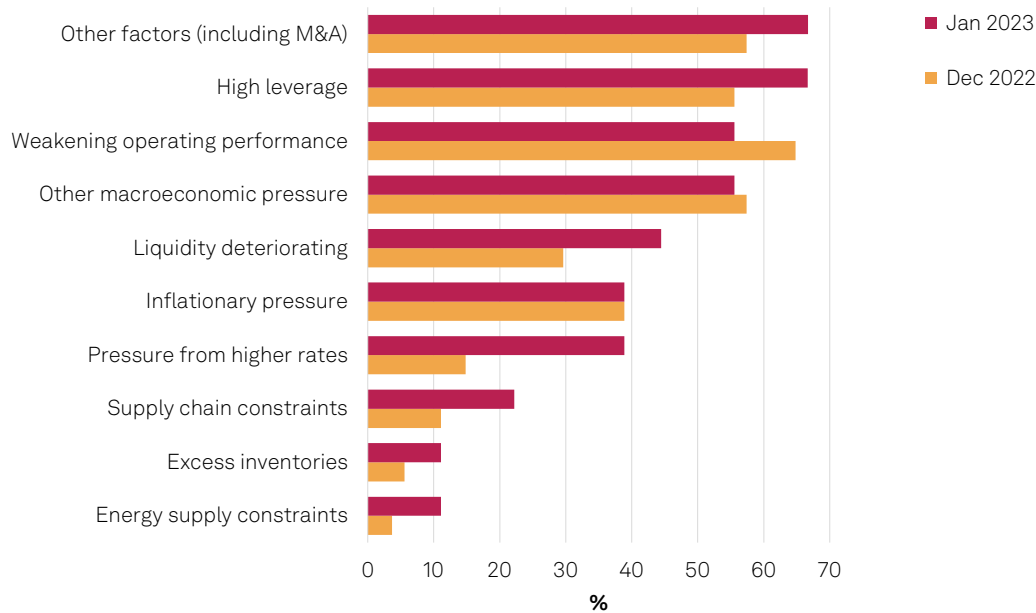
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Credit Market
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Chart Of The Week

Chart 1

High Leverage And Other Factors (Including M&A) Were Part Of Most New Potential Downgrades In January



Data as of Jan. 31, 2023. We take stock of the main risks outlined in the new potential downgrades and weakest links ratings reports and group them in different qualitative factors. This chart first appeared in "This Month In Credit: Consumer Health Complicates Credit Picture (February 2023)", published on Feb. 27, 2023, on RatingsDirect. Source: S&P Global Ratings Credit Research & Insights.

Related Research

[This Month In Credit: Consumer Health Complicates Credit Picture \(February 2023\)](#), Feb. 27, 2023

[The U.S. Leveraged Loan Default Rate Could Reach 2.5% By December 2023 As High Costs Catch Leveraged Credit](#), March 2, 2023.

[Credit Trends: U.S. Corporate Bond Yields As Of Mar/1, 2023](#), March 1, 2023 (published weekly)

[Credit FAQ: The Potential Impact Of LIBOR Transition On U.S. CLOs](#) <https://www.spglobal.com/ratings/en/research/articles/230222-credit-trends-u-s-public-finance-credit-quality-improved-in-2022-12643461>, Feb. 24, 2023

Upcoming Webinars

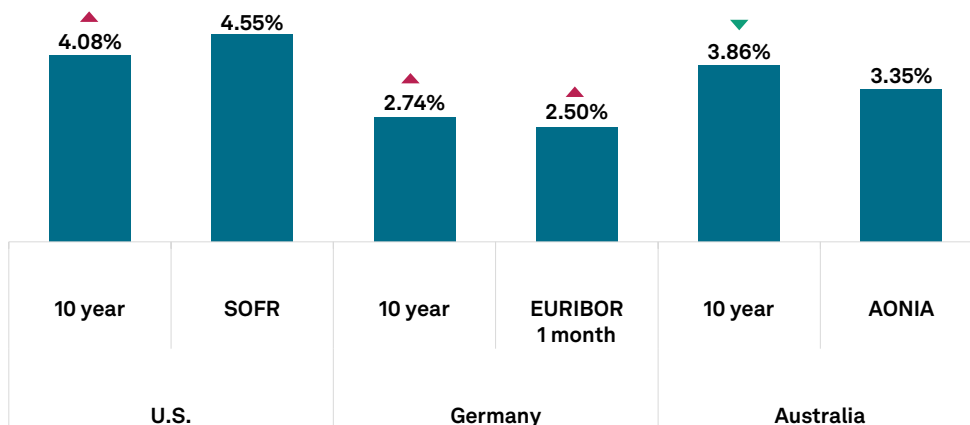
[Consumer Products Issuers Adapt to Higher Interest Rates](#), March 6, 2023

[Inflation And Interest Rates Dominate The Australian Corporate Outlook](#), March 9, 2023

Credit Market Conditions

Chart 2

Benchmark yields



Leveraged loan indices average bid price over the week

Morningstar LSTA US LLI

94 ▼ (0.12)%

Morningstar ELLI (Europe)

94 ▼ (0.15)%

Chart 3

Secondary market credit spreads

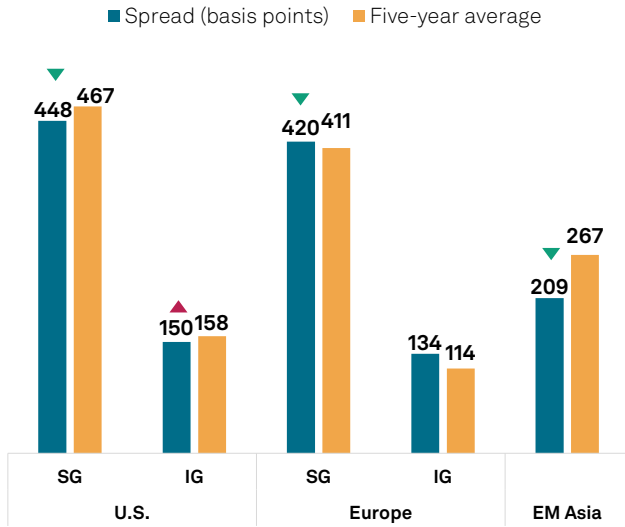
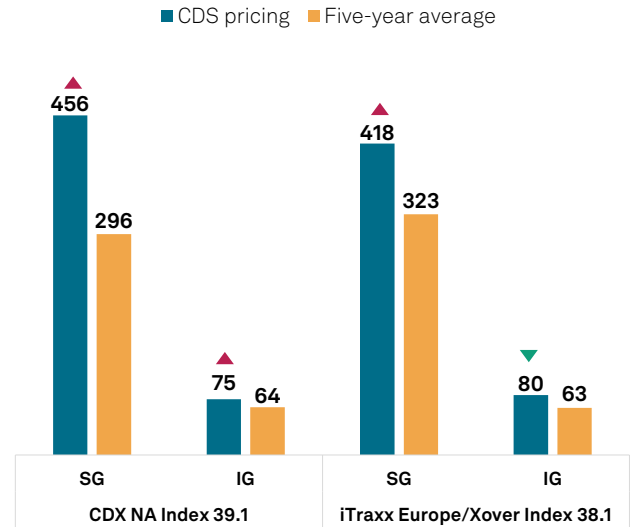


Chart 4

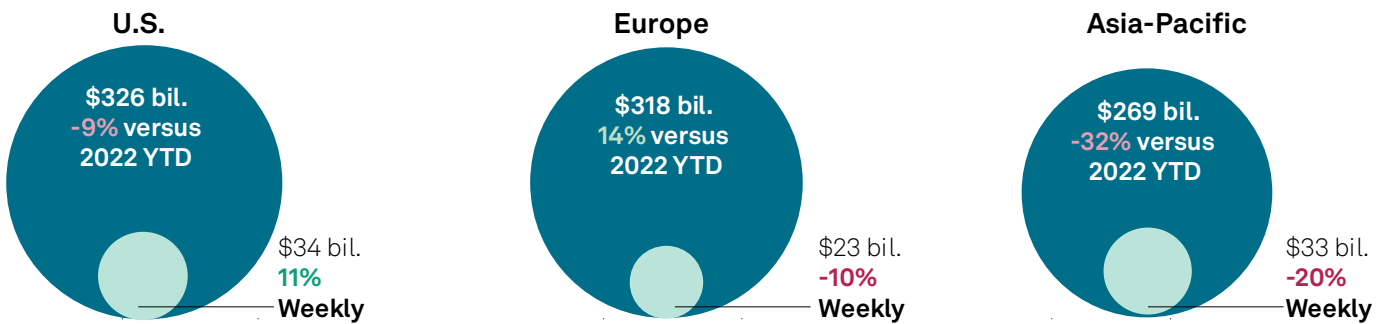
CDS pricing



The arrows indicate weekly trends. Data as of March 2, 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 March 2, 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 size

Date	Action	Issuer	Industry	Country	To*	From*	Debt volume (mil. \$)
Feb. 24, 2023	Downgrade	Bausch Health Co. Inc.	Health Care	Canada	SD/NM	CCC+/Stable	33,250
Mar. 2, 2023	Downgrade	Altice USA, Inc.	Telecommunications	U.S.	B/Negative	B+/Negative	22,775
Mar. 1, 2023	Downgrade	NRG Energy Inc.	Utilities	U.S.	BB/Stable	BB+/Watch Neg	16,313
Mar. 2, 2023	Downgrade	Community Health Systems Inc.	Health Care	U.S.	SD/NM	B-/Stable	10,660
Feb. 24, 2023	Downgrade	Fresenius Medical Care AG & Co. KGaA (Fresenius SE & Co. KGaA)	Health Care	Germany	BBB-/Negative	BBB/Stable	7,919
Feb. 27, 2023	Downgrade	Elanco Animal Health Inc.	Health Care	U.S.	BB-/Stable	BB/Stable	7,275
Mar. 2, 2023	Upgrade	U.S. Silica Co.	Metals, Mining & Steel	U.S.	B/Stable	B-/Positive	2,230
Mar. 2, 2023	Upgrade	Aretex Group Inc.,	Financial Institutions	U.S.	B/Stable	B-/Stable	2,080
Feb. 27, 2023	Downgrade	Iris Holding Inc.,	Chemicals, Packaging & Environmental Services	U.S.	B-/Stable	B/Negative	1,900
Feb. 28, 2023	Downgrade	Equinox Holdings Inc.	Media & Entertainment	U.S.	SD/NM	CCC-/Negative	1,285

Data as of March 2, 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. 24, 2023	Bausch Health Cos. Inc.	Canada	Health Care	SD	CCC+	Distressed Exchange
Feb. 28, 2023	Equinox Holdings Inc.	U.S.	Media & Entertainment	SD	CCC-	Distressed Exchange
Feb. 28, 2023	Rising Tide Holdings Inc.,	U.S.	Retail/Restaurants	SD	CC	Distressed Exchange
Mar. 1, 2023	Akorn Operating Co. LLC	U.S.	Health Care	D	CCC+	Bankruptcy
Mar. 2, 2023	Community Health Systems Inc.	U.S.	Health Care	SD	B-	Distressed Exchange

Data as of March 2, 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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