

This Week In Credit

Contemplating The Next Move

This report does not constitute a rating action.

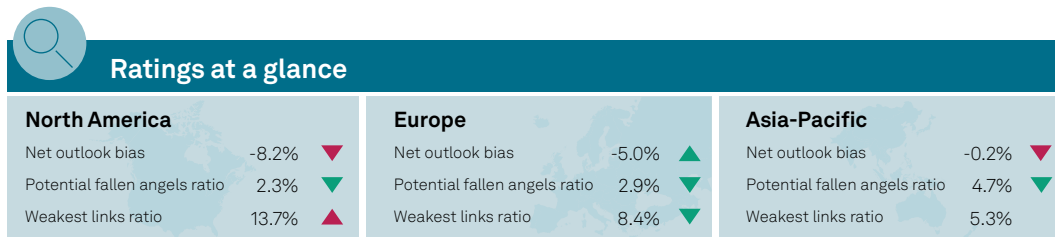
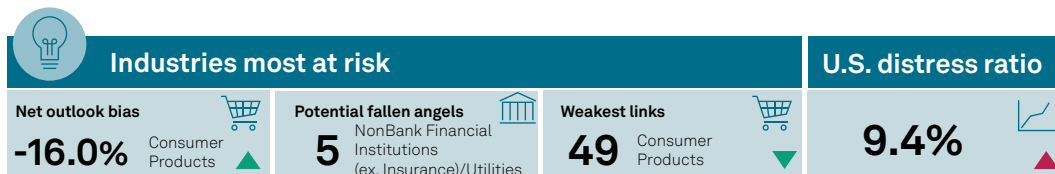
The Top Line | March 27, 2023

Stable early Monday morning pricing in the banking sector provides hope but no guarantee of a less volatile week ahead. The U.S. Federal Reserve (Fed) and Bank of England each signaled last week that their tightening cycles could be near an end, but it is a complicated picture. Inflation remains well above target, but market turmoil has triggered a tightening of credit conditions for now at least. Several Fed governors may shed light on recent deliberations when they speak this week, while we will also receive inflation-related data, most notably the U.S. PCE and Eurozone CPI figures on Friday. Downgrades are increasing and we are seeing more activity on the cusp of investment grade, with rising stars and fallen angels both increasing.

Key Takeaways

- Downgrades jumped to 21 last week--led by U.S. and European consumer product issuers that are continuing to struggle with a tough operating environment.
- Defaults fell to two (from six a week ago). U.S. National CineMedia Inc., operating a cinema advertising network, and Luxembourg-Based Flint HoldCo S.a.r.l., a provider of packaging ink and print consumables, defaulted after both companies failed to make interest payments.
- The U.S. distress ratio reached 9.4%--rising for the third straight week--and it remains well above its five-year average. Volatile market conditions also halted primary issuance.

Ratings performance trends



Data as of March 23, 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


Regional refinancing: U.S., Europe, and emerging markets




While overall refinancing risk through 2024 is limited, regional divergence is evident. With relatively shorter duration debt, a **higher share of emerging market (EM) debt matures through 2024** than in the U.S. and Europe.



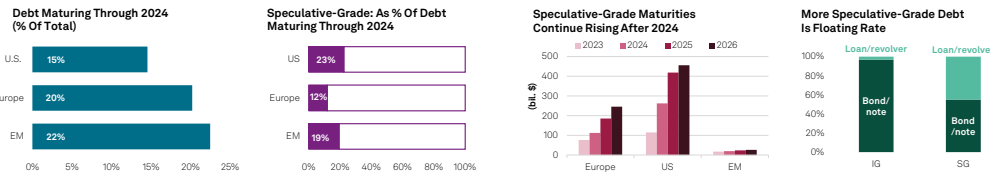
Offsetting some of the maturity risk, **most of the debt maturing through 2024 is investment grade** (rated 'BBB-' and higher), and the investment-grade share is more pronounced in Europe (which has a higher concentration of financial services) than in the U.S. or EM.



Although maturities through 2024 appear manageable in comparison to recent issuance volumes, lower-rated borrowers may be pressured by **speculative-grade refinancing demands that escalate in 2025 and after**.



Rising interest rates add to the pressure on borrowers. As a **higher share of speculative-grade debt is in floating rate leveraged loans**, these borrowers face increases in funding costs sooner than those with more fixed-rate debt.

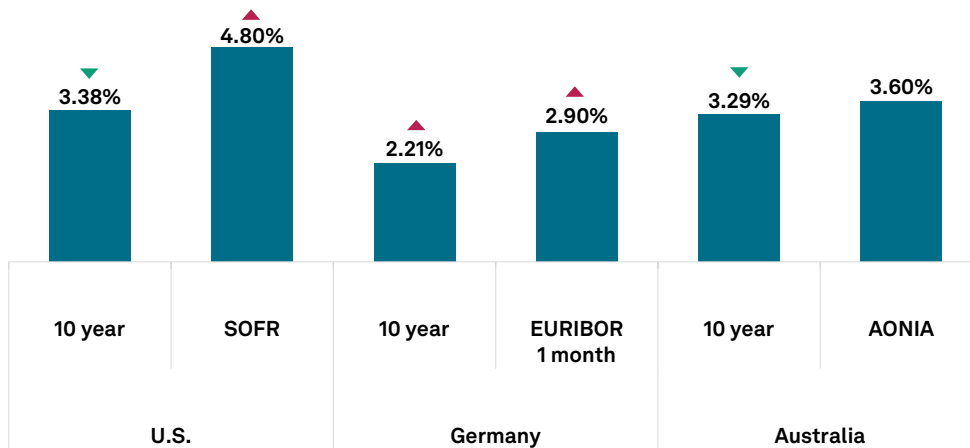


Data as of Jan. 1, 2023. This chart first appeared in "[Regional Refinancing: Overhang Of Pandemic-Era Debt And Higher Interest Rates Present Regional Challenges](#)," published March 24, 2023, on RatingsDirect. Source: S&P Global Ratings Credit Research & Insights.

Credit Market Conditions

Chart 2

Benchmark yields



Related Research

[Regional Refinancing: Overhang Of Pandemic-Era Debt And Higher Interest Rates Present Regional Challenges](#), March 24, 2023

[Credit Trends: U.S. Corporate Bond Yields As Of March 22, 2023](#), March 24, 2023 (published weekly)

[Despite Limited Near-Term Refinancing Risk, Higher Funding Costs Loom For North American Nonbank Financial Institutions](#), March 16, 2023

Upcoming Webinars

[Development Amid Rising Demands On European Social Housing](#), March 27, 2023

[APAC Insurance Sector Updates – From the Developed to the Developing Markets](#), March 29, 2023

[Global Credit Conditions Q2 2023: A More Difficult Way Out \(Americas/EMEA Session\)](#), March 31, 2023

Leveraged loan indices average bid price over the week

Morningstar LSTA US LLI

93 ▼ -0.06%

Morningstar ELLI (Europe)

93 ▼ -0.30%

Chart 3

Secondary market credit spreads

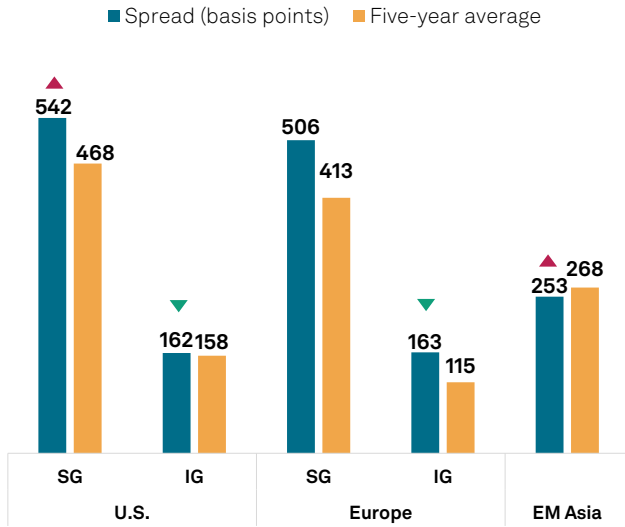
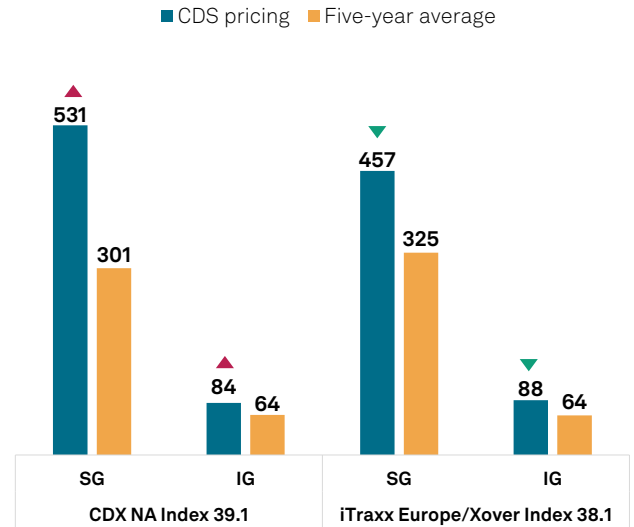


Chart 4

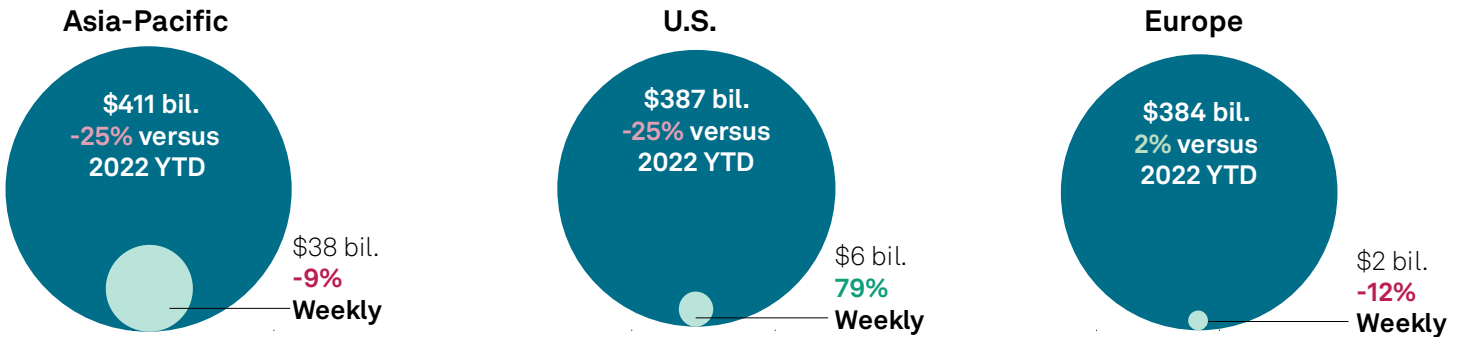
CDS pricing



The arrows indicate weekly trends. Data as of March 23, 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 23, 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. \$)
March 17, 2023	Upgrade	Enterprise Products Partners L.P. (EPCO Holdings Inc.)	Utilities	U.S.	A-/Stable	BBB+/Stable	31,175
March 23, 2023	Upgrade	Commerzbank AG	Financial institutions	Germany	A-/Stable	BBB+/Stable	30,489
March 22, 2023	Downgrade	Lumen Technologies Inc.,	Telecommunications	U.S.	B/Negative	B+/Negative	27,748
March 22, 2023	Upgrade	Clarios Global LP	Auto	Canada	B+/Stable	B/Stable	19,398
March 20, 2023	Downgrade	Newell Brands Inc.	Consumer products	U.S.	BB+/Negative	BBB-/Negative	6,560
March 17, 2023	Downgrade	Qurate Retail Inc.,	Retail/restaurants	U.S.	CCC+/Negative	B-/Negative	6,052
March 21, 2023	Upgrade	Ingersoll Rand Inc.	Capital goods	U.S.	BBB-/Positive	BB+/Positive	5,768
March 23, 2023	Downgrade	Carvana Co.	Auto	U.S.	CC/Negative	CCC+/Negative	5,725
March 19, 2023	Downgrade	First Republic Bank	Financial institutions	U.S.	B+/Watch Neg	BB+/Watch Neg	5,150
March 22, 2023	Downgrade	Diebold Nixdorf Inc.	High technology	U.S.	CCC/Watch Neg	CCC+/Positive	4,603

Data as of March 23, 2023. Note: Rating actions include financial and nonfinancial corporates and sovereign issuer credit ratings. Excludes rating actions with no debt. *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
March 17, 2023	National CineMedia Inc.	U.S.	Media & entertainment	D	CCC-	Missed payments
March 23, 2023	Flint HoldCo S.a r.l.	Luxembourg	Chemicals, packaging, & environmental services	SD	CCC	Missed payments

Data as of March 23, 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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