

This Week In Credit

Earnings Season In The Spotlight

This report does not constitute a rating action.

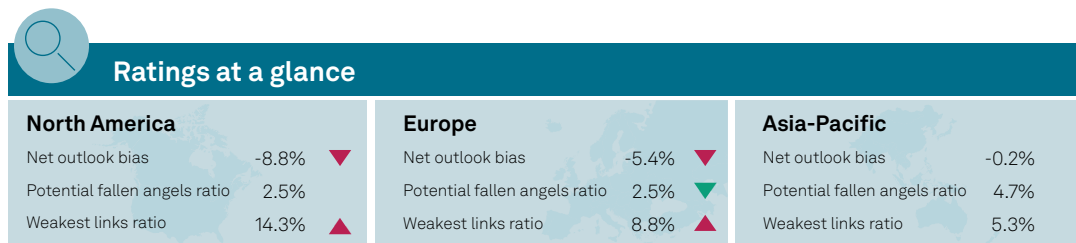
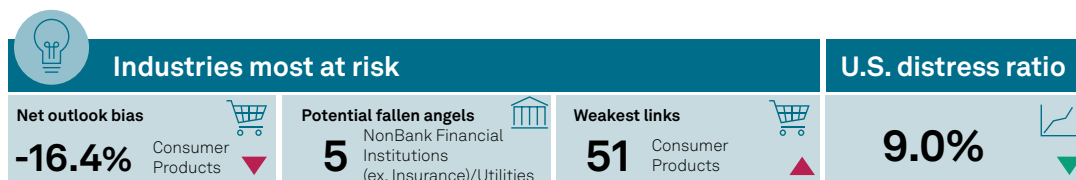
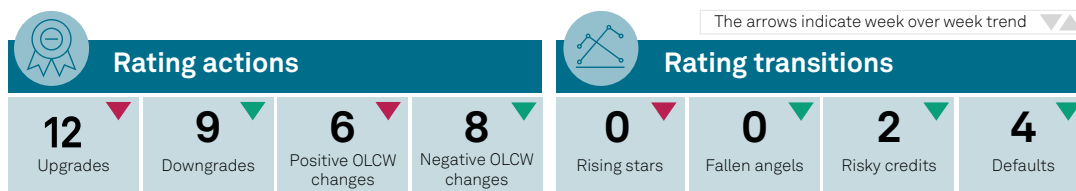
The Top Line | April 17, 2023

A near-term Fed pivot could be on ice again as recent economic and survey data suggest inflation has yet to cool down sufficiently. Benchmark yields jumped back up last week as markets grew more certain of near-term rate hikes. With limited data releases this week, attention will likely turn to the Q1 2023 earnings season. As well as gaining a clearer view of the impact of recent turmoil on financial institutions, we should also be able to gauge current cost inflation dynamics across nonfinancial corporates.

Key Takeaways

- It was quieter overall for rating actions last week. We saw a fall in upgrades and downgrades, as well as a reduction in outlook revisions and CreditWatch placements.
- Negative rating activity remains concentrated at the lower end of the rating spectrum. Weakest links rose and another four defaults brought the month-to-date total to 10.
- Strong tightening in credit pricing across all regions was not reflected in corporate primary issuance markets, which have yet to pick up materially following last month's turmoil.

Ratings performance trends



Data as of April 13, 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. Defaults from confidential issuers are included in the default tally. Source: S&P Global Ratings Credit Research & Insights.

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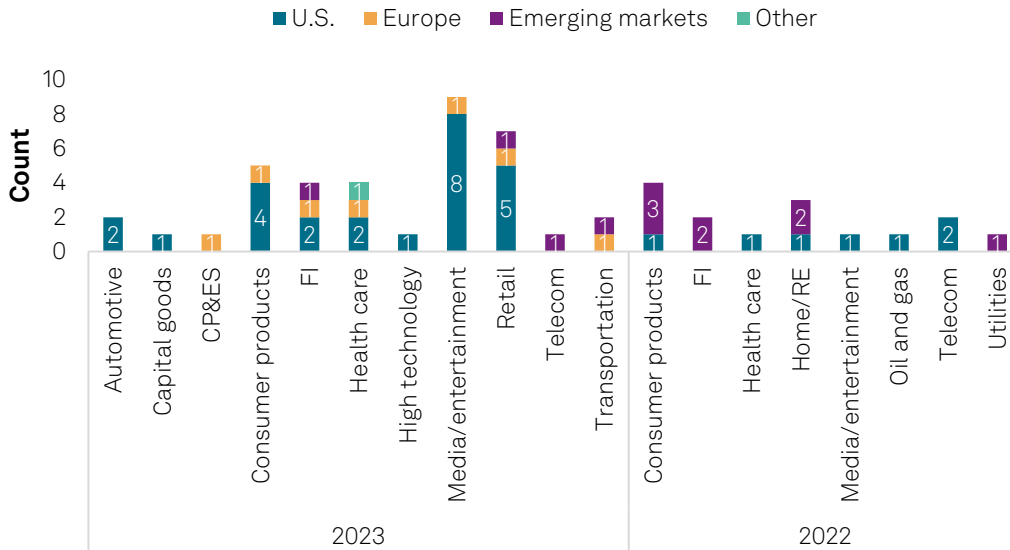
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Chart Of The Week

Chart 1

Consumer-driven sectors lead defaults year-to-date
Year-to-date defaults by region versus sector



Data as of March 31, 2023. CP&ES--Chemicals, packaging, and environmental services. FI--Financial institutions. Home/RE--Homebuilders/real estate companies. Retail--Retail and restaurants. Telecom--Telecommunications. Source: S&P Global Ratings Credit Research & Insights. This chart first appeared in "[Default, Transition, and Recovery: Distressed Exchanges Spur A Sharp Rise In Corporate Defaults](#)," published April 13, 2023, on RatingsDirect. Source: S&P Global Ratings Credit Research & Insights.

Related Research

[Default, Transition, and Recovery: Distressed Exchanges Spur A Sharp Rise In Corporate Defaults](#), April 13, 2023

[Why Climate Risks Are Changing So Few Corporate Ratings](#), April 12, 2023

[CLO Spotlight: U.S. CLO Tranche Defaults As Of April 1, 2023](#), April 7, 2023

[Credit Trends: U.S. Corporate Bond Yields As Of April 6, 2023](#), April 7, 2023 (published weekly)

[This Month In Credit: Credit Strains Expose Pockets Of Weakness](#), March 28, 2023

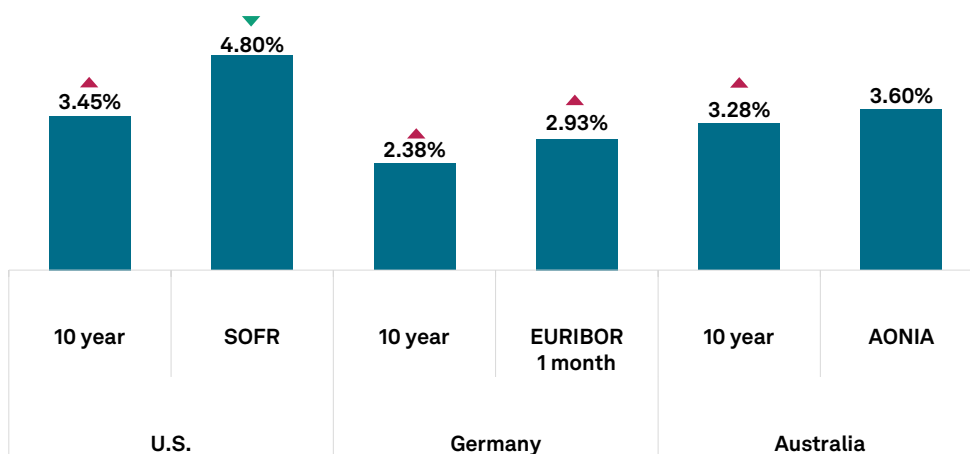
Upcoming Webinars

[Sustainability Focus Series: Gauging Climate Risks In Credit Rating Analysis](#), April 20, 2023

Credit Market Conditions

Chart 2

Benchmark yields



Leveraged loan indices average bid price over the week

Morningstar LSTA US LLI

94 ▲ 0.05%

Morningstar ELLI (Europe)

94 ▲ 0.16%

Chart 3

Secondary market credit spreads

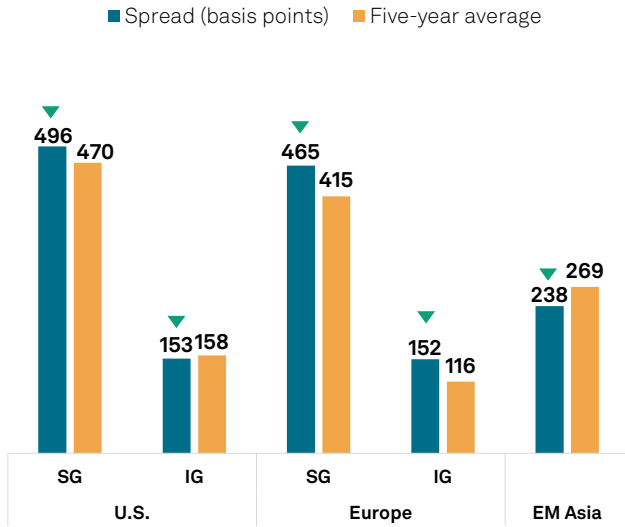
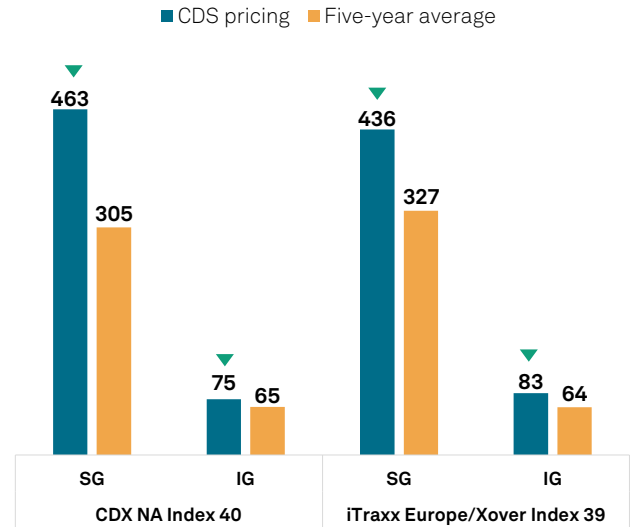


Chart 4

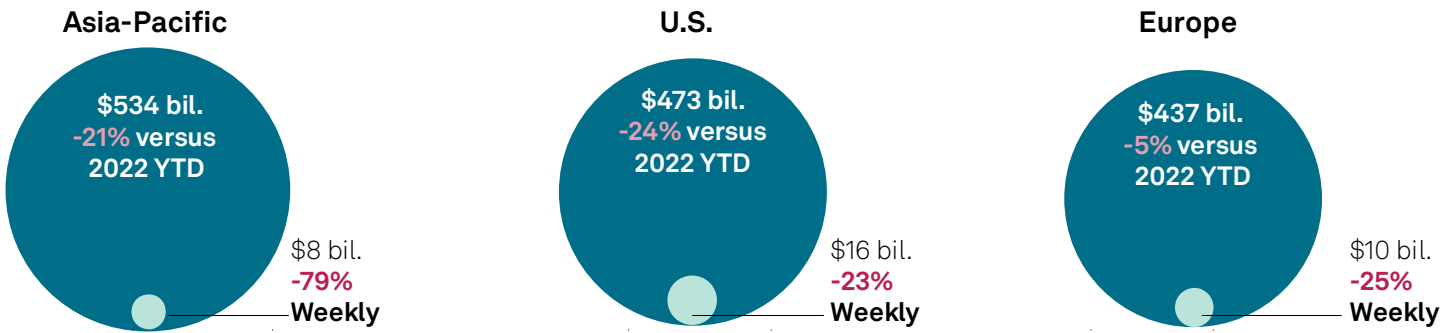
CDS pricing



The arrows indicate weekly trends. Europe SG and EM Asia secondary market credit spreads data as of April 13, 2023. All other data as of April 13, 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 April 13, 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. Sources: Refinitiv, 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. \$)
April 12, 2023	Upgrade	NatWest Group plc	Financial Institutions	U.K.	BBB+/Stable	BBB/Stable	77,525
April 11, 2023	Upgrade	Republic of Guatemala	Sovereign	Guatemala	BB/Stable	BB-/Positive	5,430
April 7, 2023	Downgrade	Kohl's Corp.	Retail/Restaurants	U.S.	BB/Negative	BB+/Stable	3,350
April 13, 2023	Upgrade	CrownRock LP	Oil & Gas	U.S.	BB-/Stable	B+/Positive	3,170
April 13, 2023	Downgrade	Carestream Dental Technology Parent Ltd.	Health Care	U.K.	B-/Watch Neg	B/Stable	2,750
April 13, 2023	Downgrade	BrightView Landscapes LLC	Consumer Products	U.S.	B/Stable	B+/Negative	2,497
April 13, 2023	Upgrade	Bright Horizons Family Solutions LLC (Bright Horizons Capital Corp.)	Media & Entertainment	U.S.	BB-/Stable	B+/Positive	2,064
April 11, 2023	Downgrade	LifeScan Global Corp.	Health Care	U.S.	CCC+/Watch Neg	B-/Stable	1,750
April 10, 2023	Upgrade	Ingles Markets Inc.	Retail/Restaurants	U.S.	BB+/Stable	BB/Positive	1,050
April 12, 2023	Upgrade	Promontoria Holding 264 B.V.	Transportation	Netherlands	BB/Stable	B/Watch Pos	1,039

Data as of April 13, 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
April 10, 2023	Confidential	Confidential	Media & Entertainment	D	CC	Confidential
April 10, 2023	QualTek LLC	U.S.	Capital Goods	SD	CCC+	Missing interest payments
April 12, 2023	Guacolda Energia S.A	Chile	Utilities	D	CC	Distressed Exchange
April 12, 2023	Confidential	Confidential	Utilities	D	CCC-	Confidential

Data as of April 13, 2023. 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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