

# This Week In Credit

## Prospects Dim For Rating Performance

This report does not constitute a rating action.

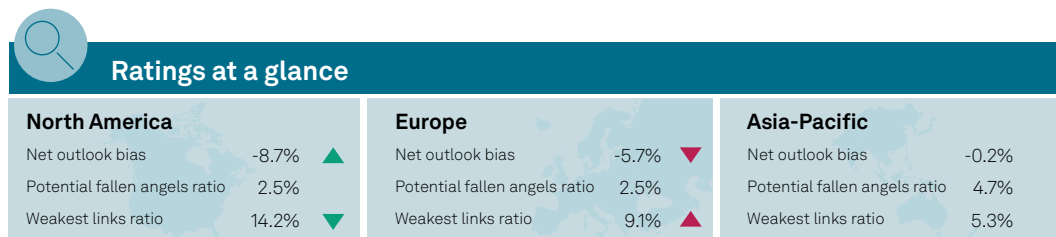
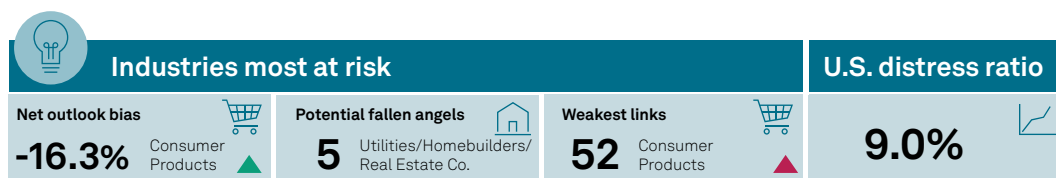
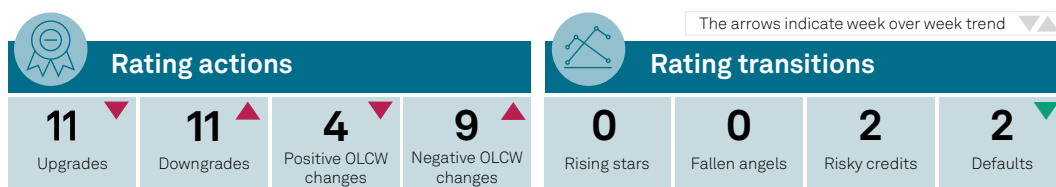
### The Top Line | April 24, 2023

Although the ongoing erosion of credit conditions slowed in first-quarter 2023 compared with the previous quarter, according to our latest Rating Performance Insights published on Friday, rising downside risks suggest more downgrades and defaults may come. The number of negative outlook revisions and CreditWatch placements rose by an eye-catching 56% in the first quarter, with operating performance pressures being the top reasons for potential downgrades. This week, investors will continue to follow first-quarter earnings releases for updates on company guidance. Meanwhile, on the economic calendar, preliminary readings on first-quarter GDP and inflation in both the U.S. and Europe will likely set the tone for next week's Fed and ECB meetings.

### Key Takeaways

- We saw a fall in upgrades and a rise in downgrades last week, although it was a relatively quiet week for rating actions.
- Defaults rose by two, including Germany-based real estate company Adler Group S.A. and U.S.-based mobile gaming platform operator Skillz Inc. The month-to-date total rose to 12 from only 11 at this point in March.
- Inflation-related data contributed to a widening in benchmark yields, while the credit pricing tone was mixed.

### Ratings performance trends



Data as of April 20, 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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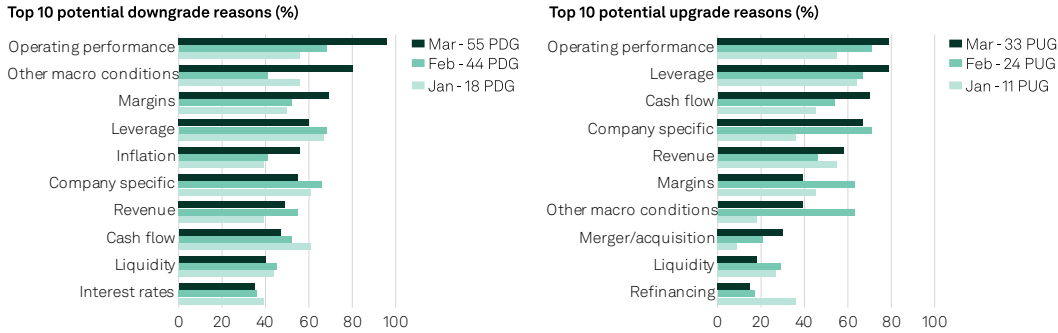
For more  
Credit Market  
Research  
[click here](#)

# Chart Of The Week

Chart 1

## Potential Downgrades And Upgrades

Ratings Performance Insights: Q1 2023



Data as of March 31, 2023. We take stock of main risks outlined in new potential downgrade and upgrade rating reports and group them in different qualitative factors as shown in the chart. Note: One rating action can have multiple qualitative factors. PDG--Potential downgrades. PUG--Potential upgrades. This chart first appeared in "[Ratings Performance Insights](#)," published April 21, 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

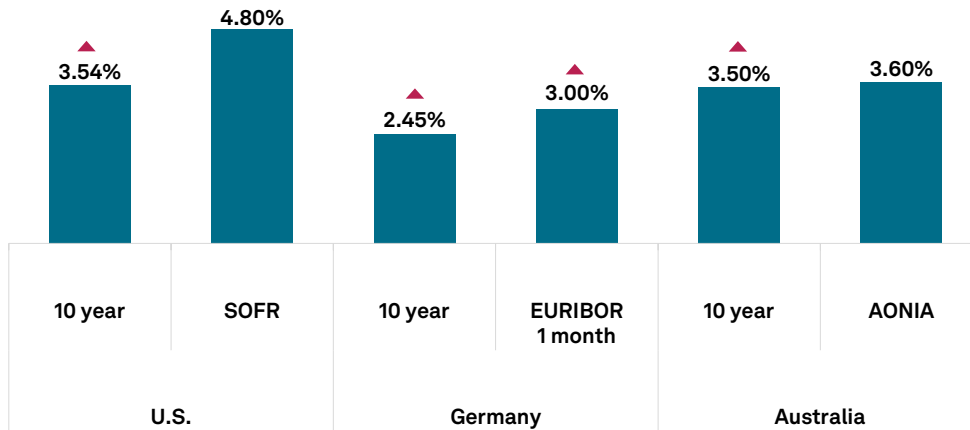
## Upcoming Webinars

[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 ▲ 0.10%

Morningstar ELLI (Europe)

94 ▲ 0.31%

Chart 3

Secondary market credit spreads

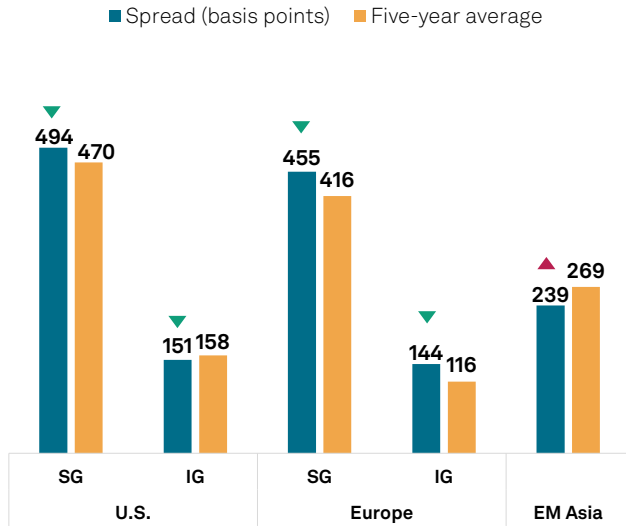
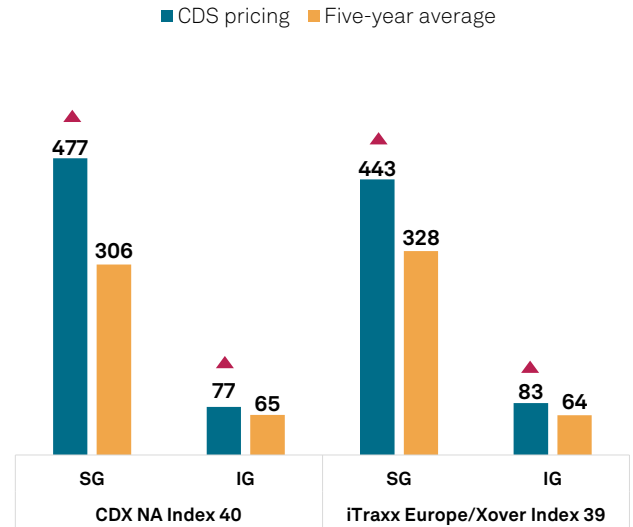


Chart 4

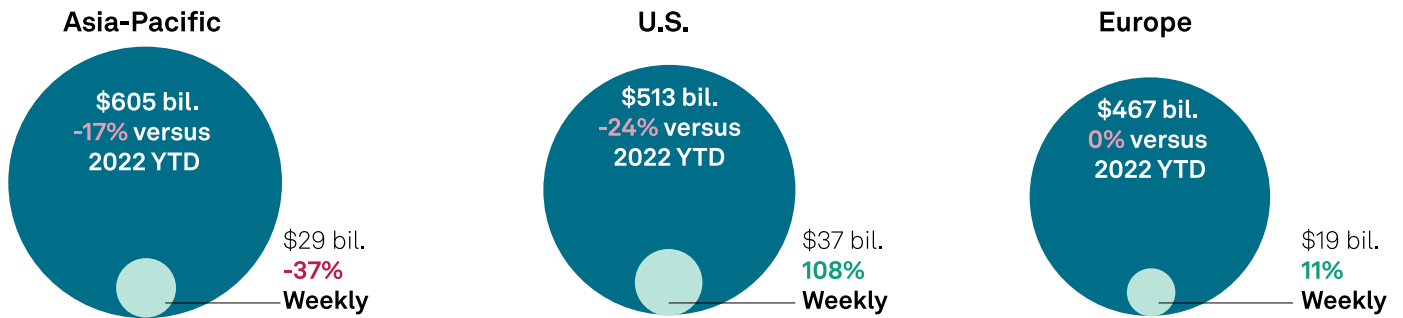
CDS pricing



The arrows indicate weekly trends. Europe SG and EM Asia secondary market credit spreads data as of April 20, 2023. All other data as of April 20, 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 20, 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 19, 2023	Downgrade	Charles Schwab Corp.	Financial institutions	U.S.	A-/Stable	A/Stable	27,575
April 17, 2023	Upgrade	Mars Inc.	Consumer products	U.S.	A+/Stable	A/Stable	8,000
April 19, 2023	Upgrade	NGL Energy Partners LP	Utilities	U.S.	B-/Stable	CCC+/Negative	7,300
April 17, 2023	Upgrade	Deutsche Lufthansa AG	Transportation	Germany	BB+/Positive	BB/Positive	6,714
April 20, 2023	Upgrade	Samsonite International S.A.	Retail/restaurants	Luxembourg	BB/Stable	BB-/Positive	3,809
April 17, 2023	Upgrade	Kansas City Southern	Transportation	U.S.	BBB+/Stable	BBB/Watch Pos	3,550
April 18, 2023	Upgrade	Firmenich International SA (DSM-Firmenich AG)	Consumer products	Switzerland	A-/Stable	BBB/Watch Pos	3,008
April 17, 2023	Downgrade	GoTo Group Inc.,	High technology	U.S.	B-/Negative	B/Negative	3,000
April 20, 2023	Downgrade	Fortune Brands Innovations Inc.,	Forest products & building materials	U.S.	BBB/Stable	BBB+/Negative	2,700
April 19, 2023	Downgrade	Plurinational State of Bolivia	Sovereign	Bolivia	B-/Negative	B/Watch Neg	2,350

Data as of April 20, 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 17, 2023	Adler Group S.A. (ADO Group Ltd.)	Luxembourg	Homebuilders/real estate co.	SD	CC	Distressed exchange
April 19, 2023	Skillz Inc.	U.S.	Media & entertainment	SD	CCC+	Distressed exchange

Data as of April 20, 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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