This Month In Credit

Apr. 2023, Volume 4

S&P Global Ratings

Downgrades Are Back, With Divergence Across Regions

This report does not constitute a rating action.

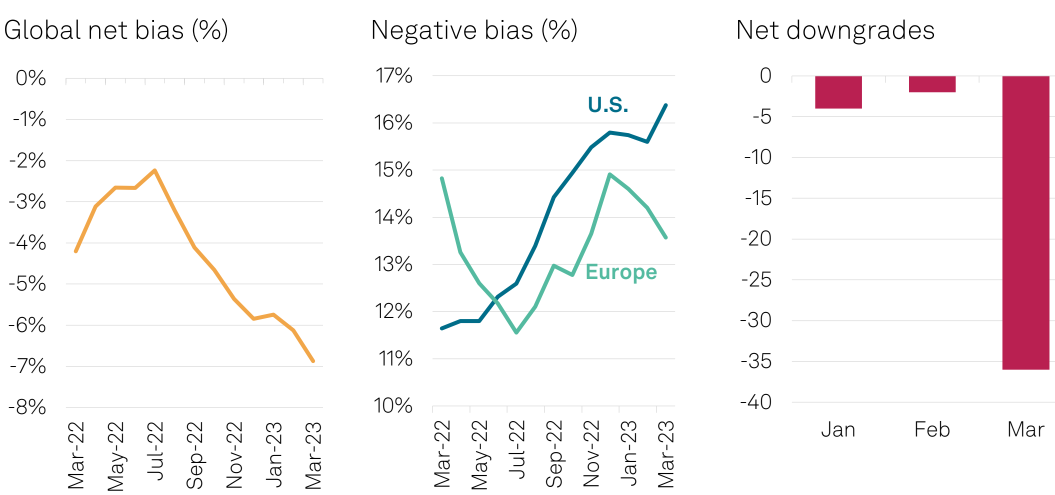
(Editor's note: For additional exhibits on credit trends, including rating actions, outlooks, fallen angels, rising stars, weakest links, and the U.S. distress ratio, please see the related data publication: "This Month In Credit: 2023 Data Companion.")

Key Takeaways

- Downgrades surged in March to 77, their highest monthly total since 2020, including seven fallen angels. Investment-grade downgrades reached their highest level since March 2022.
- The global negative bias rose to 15% (from 14%), with the U.S. and Latin America showing more notable increases while Europe and other regions showed declines.
- The number of weakest links (issuers rated 'B-' or lower with negative outlooks or on CreditWatch negative) increased in March to a two-year high, likely adding to future default pressure.
- Year-to-date global corporate defaults rose to 37 in the first quarter (with nearly half of them being distressed exchanges), tying 2016 for the most first-quarter defaults since 2009.

Chart 1

Downgrades return, and with a regional tilt



Data as of March 31, 2023. Net bias is the positive bias minus the negative bias (experiencing both investment- and speculative-grade issuers). Net experience includes sovereign, financial, and nonfinancial corporate issuers. Net downgrades represent upgrades minus downgrades (excluding defaults) for the month. Source: S&P Global Ratings Credit Research & Insights.

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For a weekly snapshot of rating trends and credit conditions, please see **"This Week In Credit,"** released every Monday.

For more, see our recurring **Ratings Performance Insights: Q1 2023**, consisting of a quarter-in-review data dashboard which provides our view on ratings conditions and credit trends to watch.

Credit Notes: Local Customs

One size doesn't fit all when deciphering regional credit trends. It's true that most major regions and countries, with the notable exceptions of China and Japan, experience the same macro headwinds, including high, persistent inflation and the corresponding rise in interest rates, both of which are increasingly weighing on operating and financial performance. Most of our global rating indicators agree, with global net bias falling to -7% in March (its lowest level since September 2021), global weakest links approaching 300 (and climbing even higher above their five-year average), and global corporate defaults so far in 2023 matching 2016 as the worst first-quarter performance since the global financial crisis.

For more accompanying data, click here

Difficulties for global credit trends remain clear and present. But just as we're seeing uneven impacts across sectors--for example, there are 98 consumer products issuers on our global potential downgrades list, compared with only 14 oil and gas issuers--we're also seeing diverging trends across regions. The U.S. easily makes up the largest proportion of our rated universe, but it's also the region currently showing the most rating stress. U.S. negative bias continues to head higher, passing 16%, while Europe is heading in the opposite direction. The U.S. is also far and away the biggest contributor to the high year-to-date global default figure, accounting for an above-average 67% of the total. (It would be wrong, though, to suggest that the U.S. is the only region exhibiting stress--the net bias in emerging markets has also risen, particularly in Latin America. Corporate defaults there have also picked up, with four so far in 2023.)

The U.S. alone has 51% of global speculative-grade corporate issuers and 68% of all weakest links

So why is the U.S. seemingly experiencing a disproportionate level of stress? The answer is partially structural (in terms of the rating profile) and partially cyclical (in terms of macro conditions), with both parts obviously connected. The U.S. has the highest number of corporate issuers, and with the most mature leveraged finance market, it also has the highest proportion of lower-rated issuers. Indeed, the U.S. alone has 51% of global speculative-grade corporate issuers and 68% of all weakest links. Furthermore, some of the sectors most exposed to the current macro headwinds are concentrated in the U.S. The top-two sectors on our global potential downgrades list are consumer goods and media and entertainment, and over 75% of the potential downgrades in each of these sectors are based in the U.S.

Cyclical issues aren't helping, either, as the fight to rein in inflation continues. Some central banks across Latin America were the first to move, but the Federal Reserve was the first major central bank to embark on a sustained rate-hiking cycle, raising rates by 475 basis points in just over a year. U.S. issuers have been grappling with the consequences of inflation longer than issuers in many other regions, with some consumer-sensitive sectors, notably, experiencing a shorter recovery bounce from the depths of the COVID-19 pandemic.

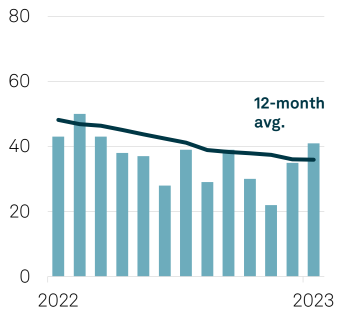
Just as we're seeing uneven impacts across sectors--for example, there are 98 consumer products issuers on our global potential downgrades list, compared with only 14 oil and gas issuers--we're also seeing diverging trends across regions

In contrast to the U.S., the Asia-Pacific region seems to be sailing along with a lower level of stress--something that's evident across nearly all rating performance indicators. Less inflation across key economies and the recent growth numbers from China, after its reopening, are likely to help the macro outlook, while the rating profile of the region's issuers is notably stronger, with a higher weighting toward investment-grade issuers.

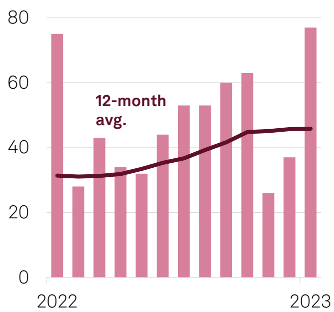
With the core Consumer Price Index in the U.S. still elevated (5.6% for the 12 months ended in March), and with futures indicating further rate hikes, the distance between the U.S. and some other regions might only grow in the near term.

Ratings Trends Snapshot – Through Mar. 31, 2023

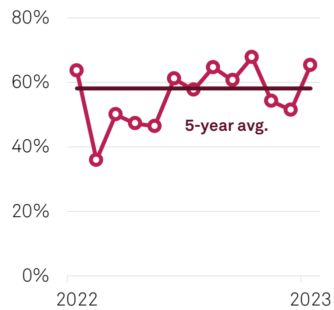
Upgrades (no.)



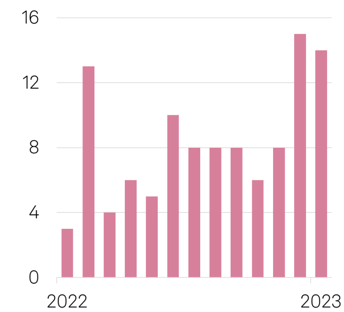
Downgrades (no.)



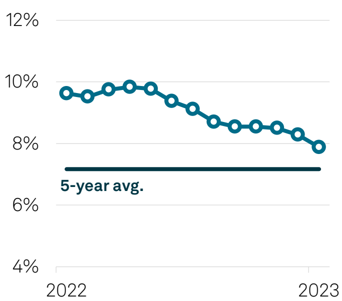
Downgrade ratio



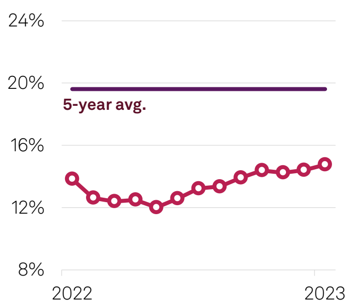
Defaults (no.)



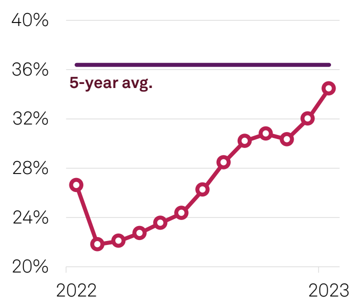
Positive bias



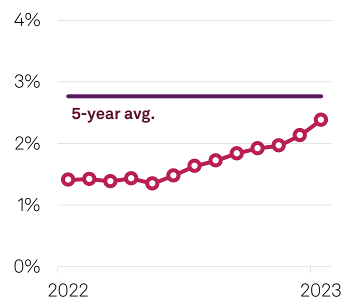
Negative bias



Neg bias 'B-' and lower



SG default rate



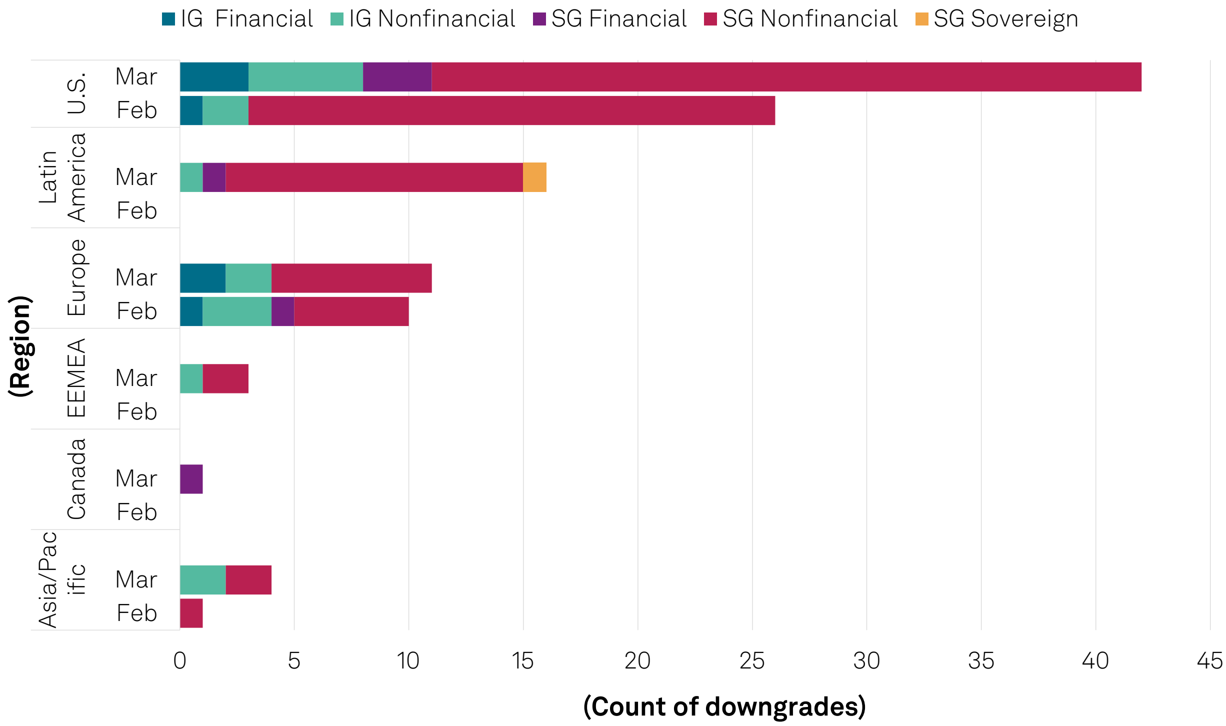
Data as of March 31, 2023. Data represents rating actions and biases for sovereign, financial, and nonfinancial corporates issuers globally. Downgrade counts exclude defaults. Defaults and speculative-grade default rate exclude sovereigns.
Source: S&P Global Ratings Credit Research & Insights.

Credit Trends: Downgrades Rebound

Downgrades rebounded in March following two months of relative calm. The number of downgrades (excluding defaults) jumped to 77, the highest monthly total since June 2020. The increase was most pronounced in the U.S. and Latin America (see chart 2). While downgrades in the U.S. increased among financial and nonfinancial corporates, and across investment- and speculative-grade issuers, Latin America's increase in downgrades was mostly concentrated in Argentine issuers. The downgrades of Argentine issuers largely followed our lowering of the long-term foreign currency sovereign credit rating on Argentina to 'CCC-' from 'CCC+' on March 29. This action followed the country's announcement that certain public-sector entities must exchange or sell dollar-denominated bonds for peso-denominated debt, which we viewed as increasing the transfer and convertibility risk of foreign-currency debt maturities of Argentine issuers.

Chart 2

March: The U.S. and Latin America have the largest increases in downgrades



Data as of March 31, 2023. Includes sovereign, financial, and nonfinancial corporate downgrades globally, excluding defaults. Source: S&P Global Ratings Credit Research & Insights.

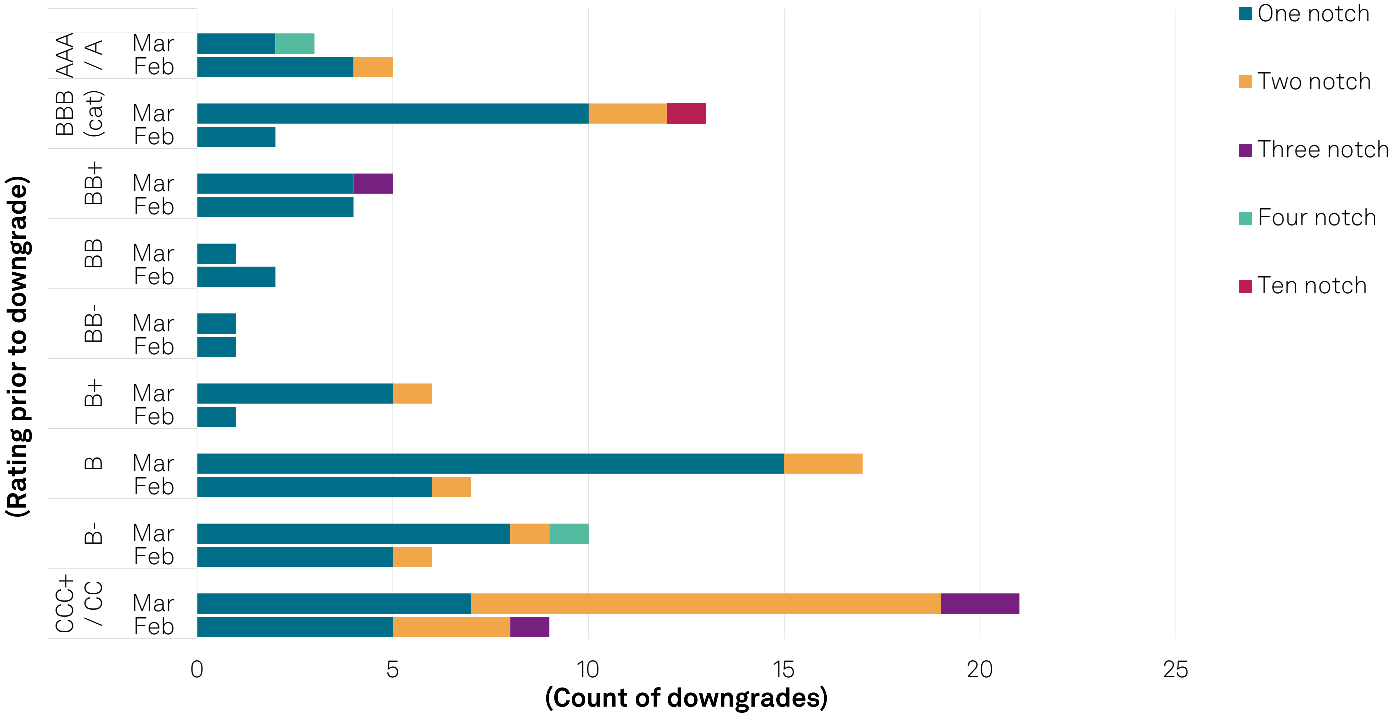
Although speculative-grade issuers, particularly those rated 'B-' and lower, continued to lead downgrades, investment-grade downgrades also rose, more than doubling to 16 in March from seven in February. March 2023 saw the most investment-grade downgrades of any month since March 2022. Four of the 10 largest downgrades (excluding defaults) in March were of investment-grade issuers. Financial institutions accounted for the largest number of investment-grade downgrades, followed by consumer products and homebuilders and real estate. Downgrades also included several nonfinancial corporate fallen angels (issuers downgraded to speculative grade from investment grade) such as Nissan Motor Co. Ltd. and Newell Brands Inc., two companies that were downgraded because we no longer expect them to see near-term improvement in credit measures, given the difficult business and macroeconomic conditions that they're facing in 2023.

March 2023 saw the most investment-grade downgrades of any month since March 2022.

Despite the increase in investment-grade downgrades, downgrades overall continue to be concentrated among lower-rated issuers. In March, 79% of the downgrades (excluding defaults) were of speculative-grade issuers, including 13 issuers that were downgraded to 'CCC+' or below. This nearly doubled the total number of issuers that were downgraded to this level in February (see chart 3). A range of factors contributed to these downgrades, including weak liquidity and uncertain refinancing prospects, as well as expectations for continued deterioration in some issuers' financial metrics. When issuers are downgraded below the 'B' category, financing becomes increasingly tough, with some portfolio and collateralized loan obligation managers being limited in the amount of this debt they can hold--and that can worsen strains at a time when global financing conditions are already tightening.

Chart 3

March: Downgrades increased at the low end of investment grade and the low end of speculative grade



Data as of March 31, 2023. Includes sovereign, financial, and nonfinancial corporate downgrades globally, excluding defaults. Source: S&P Global Ratings Credit Research & Insights.

The news was not all negative, however. Despite the surge of downgrades in March, we also saw during the month an increasing number of upgrades globally. Notably, the number of upgrades for issuers rated 'B-' (10) equaled the number of downgrades, with a more detailed review indicating that many of these upgrades were of companies that had improved their credit measures in 2022 and were expected to maintain credit quality in 2023. The number of upgrades in March rose modestly in the U.S., as well as in Europe and the Asia-Pacific. U.S. upgrades included several media and entertainment companies (specifically, from the hotel and gaming subsector), which have benefited from the recovery in consumer demand. The metals, mining, and steel sector accounted for four of the upgrades during the month, and these upgrades largely reflect efforts by companies to reduce leverage or make sustained improvements in credit metrics over the past year as they benefited from strong commodity prices.

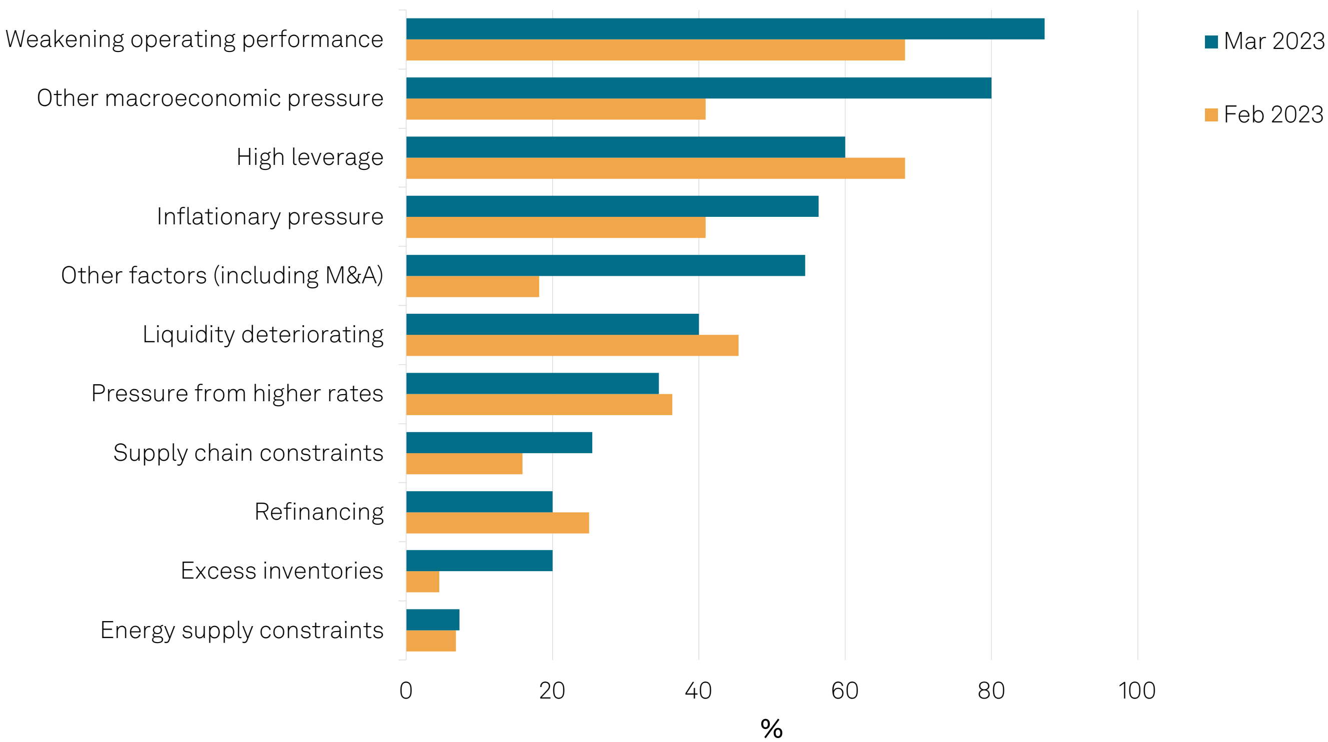
With downgrades rebounding, the global negative bias also increased, to 15% from 14% in February. However, there are different trends in the negative bias, depending on the region. Rising downgrade risk in the U.S., Canada, and Latin America was partially offset by a decline in Europe, the Middle East, and Africa. The negative bias for Latin America rose by four percentage points to 22%, with Argentine issuers leading the increase. By contrast, Europe's negative bias fell by nearly a percentage point, and the negative bias for Eastern Europe, the Middle East, and Africa fell by almost three percentage points. The decline in the negative bias in Europe is somewhat surprising and shouldn't yet be viewed as a trend, given the prevailing inflationary pressures there, rising financing costs, and the ongoing Russia-Ukraine conflict.

With the negative bias increasing, the number of potential downgrades (issuers with negative outlooks or ratings on CreditWatch negative) includes 56 issuers that were added during the month, more than 75% of which were from the U.S. and Latin America. Nearly 90% of these outlook revisions and CreditWatch placements cited weakening operating performance--an increase of close to 20 percentage points from the previous month--while other macroeconomic pressures were the second-most cited factor. The sectors most represented among the new potential downgrades in March are consumer products, capital goods, and real estate, as issuers in these three sectors continue to cope with shifts in consumer spending and real estate headwinds.

Nearly 90% of these outlook revisions and CreditWatch placements cited weakening operating performance--an increase of close to 20 percentage points from the previous month

Chart 4

Weakening operating performance and other macroeconomic pressure accounted for increasing potential downgrades in March (%)

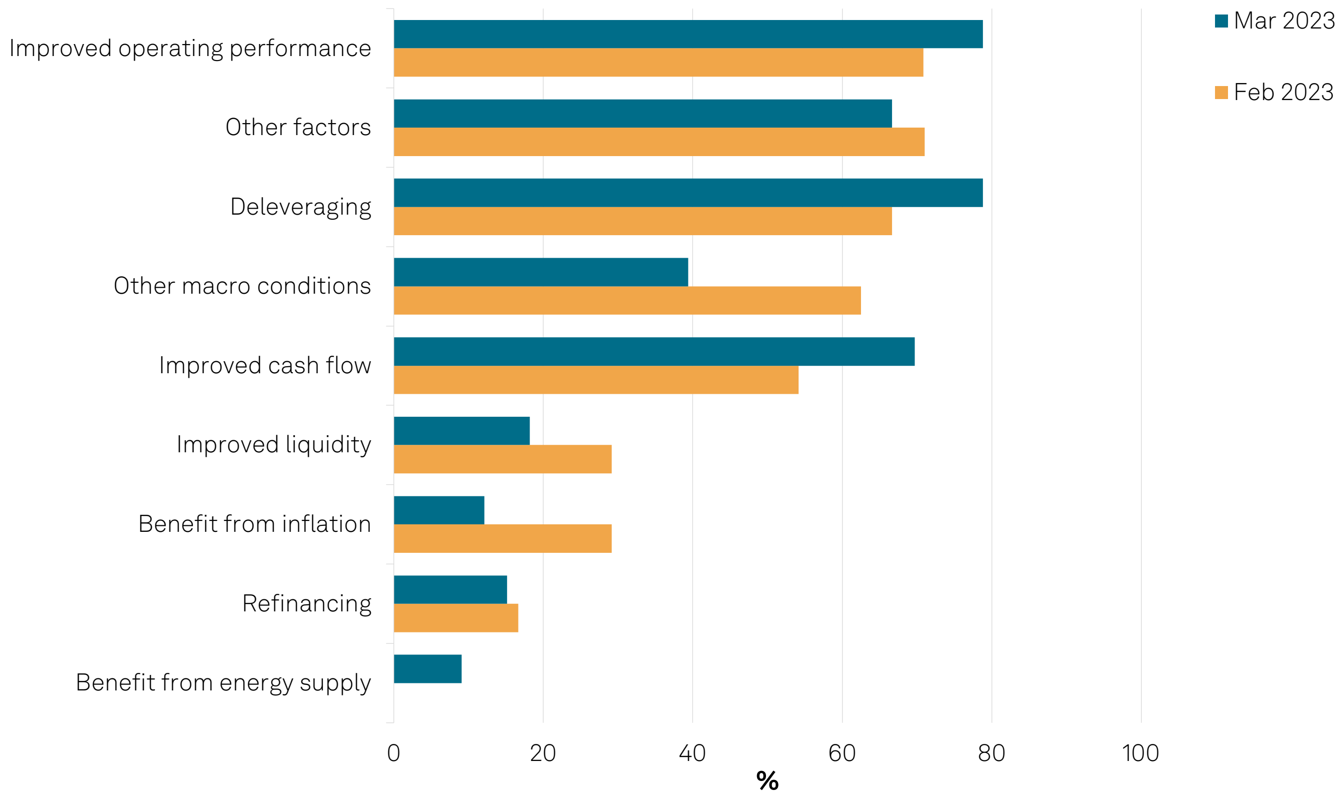


Data as of March 31, 2023. We take stock of the main risks outlined in new potential downgrade and weakest links rating reports and group them in different qualitative factors. One rating action can have multiple qualitative factors. M&A--Mergers and acquisitions. Source: S&P Global Ratings Credit Research & Insights.

In March, 33 potential upgrades (issuers with positive outlooks or ratings on CreditWatch positive) were added, up from 24 in February. Most of the outlook revisions and CreditWatch placements cited improved operating performance or deleveraging, and nearly 70% cited improving cash flow. The media and entertainment sector and the oil and gas sector were the two with the largest number of new potential upgrades, with five each. Deleveraging was cited for each of the new potential upgrades in the media and entertainment sector, while company-specific factors, including financial policies and mergers and acquisitions, were cited for the new potential upgrades in the oil and gas sector.

Chart 5

Improving operating performance and deleveraging contributed to more potential upgrades in March



Data as of March 31, 2023. We take stock of the main factors outlined in new potential upgrade rating reports and group them in different qualitative factors. One rating action can have multiple qualitative factors.
Source: S&P Global Ratings Credit Research & Insights.

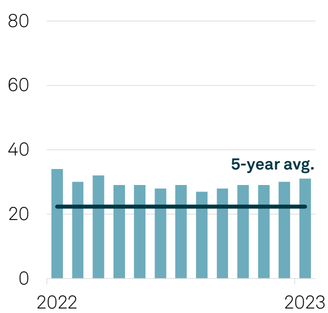
While global corporate defaults dipped slightly in March, to 14, default momentum continues. Defaults in first-quarter 2023 tied with 2016 for the most year-to-date defaults since 2009. Notably, nearly half of defaults in the first quarter were distressed exchanges, as distressed issuers appear to be opting for out-of-court restructurings when possible, rather than going through traditional bankruptcy restructurings. The majority of defaults continue to come from the consumer-focused sectors, including media and entertainment, consumer products, and retail and restaurants, as consumers and companies continue to grapple with higher prices.

Defaults in first-quarter 2023 tied with 2016 for the most year-to-date defaults since 2009.

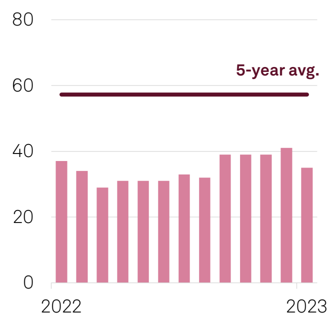
With these defaults, the trailing-12-month default rate for speculative-grade corporate issuers globally rose slightly in March, to 2.4%. We forecast the trailing-12-month default rate for speculative-grade corporate issuers to reach 4% in the U.S. and 3.25% in Europe by December 2023. S&P Global Ratings' most recent economic forecasts signal a shallow recession for the U.S. and stagnation, with an elevated risk of a mild recession, for Europe. We expect default rates will continue to edge higher as economic growth slows.

Specific Credit Indicators

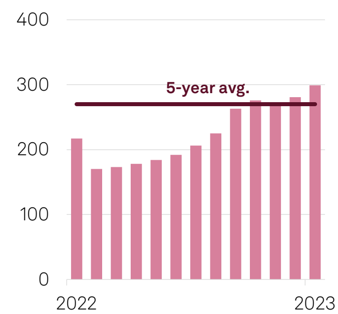
Potential rising stars (no.)



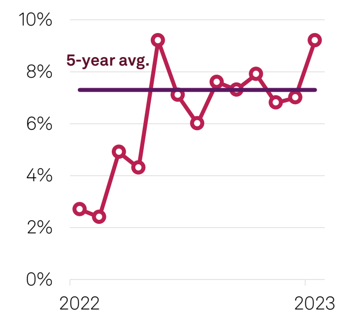
Potential fallen angels (no.)



Weakest links (no.)



Distress ratio



Data as of March 31, 2023. Data represents sovereign, financial, and nonfinancial corporates issuers globally, except for the S&P Global U.S. distress ratio, which is defined as the number of U.S. speculative-grade issues with option-adjusted spreads of more than 1,000 basis points above U.S. Treasury bonds. Source: S&P Global Ratings Credit Research & Insights.

Fallen angels: March marked the first month with new additions to the fallen angel list in 2023. Seven new fallen angels were recorded--the largest monthly tally since March 2022, when 10 of the new fallen angels were Russian entities downgraded following the onset of the Russia-Ukraine conflict. Five of the fallen angels added last month were from the U.S., including two banks experiencing steep deposit outflows. Two of the other new fallen angels were from the homebuilder and real estate sector--one from the U.S. and one from Europe, and both increasingly exposed to high interest rates and the ongoing slowdown in commercial real estate. Meanwhile, the largest new fallen angel in March was Nissan Motor Co. Ltd., which had been booking operating losses in its automotive business for the past two to three years.

Seven new fallen angels were recorded--the largest monthly tally since March 2022.

The number of potential fallen angels (issuers rated 'BBB-' with negative outlooks or on CreditWatch negative) fell by six in March, to 35. The drop partly resulted from the downgrades of several of last month's potential fallen angels. There were three new potential fallen angels added during the month, and two of these were from the homebuilder and real estate sectors, with exposures to commercial real estate headwinds.

Rising stars: There were four new rising stars (issuers upgraded to investment grade from speculative grade) in March. These included two media and entertainment issuers (from the hotel and gaming subsector) that are subsidiaries of the Seminole Tribe of Florida. The two issuers were involved in the acquisition of the operations of The Mirage Hotel & Casino and are receiving a capital contribution from their parent. The other two new rising stars were from the consumer products and capital goods sectors, and both were U.S.-based.

Weakest links: The global weakest links tally reached a two-year high in March, increasing to 299 from 281 in February. The number of weakest links is now well above its five-year average. The U.S. was the biggest contributor of any region to the increase in March, and U.S. consumer products and capital goods issuers were a major reason why. Argentina also contributed to the rise in the number of weakest links, with several Argentine corporate issuers downgraded following a similar action on the sovereign. The rise in weakest links globally signals further default pressure, as weakest links are roughly 8x more likely to default than other speculative-grade entities.

Distress ratio: The U.S. distress ratio (the share of speculative-grade issues with option-adjusted spreads of more than 1,000 basis points relative to U.S. Treasury bonds divided by the total number of speculative-grade issues) jumped noticeably in March, to 9.2% from 7.0% the previous month, returning to last year's high, set in July, when investors were initially reacting to higher risk amid growing concerns about rising inflation and a potential U.S. economic slowdown. The number of distressed issues (speculative-grade issues with option-adjusted spreads above 1,000 basis points) remained high in March at 183 (the highest level since May 2020), mostly because of the banking turmoil.

The media and entertainment sector saw the greatest increase in distressed issues in March--an increase (of eight issues) that amounts to $10.8 billion in distressed debt. Together, the media and entertainment, retail, and consumer products sectors account for almost 30% ($30.5 billion) of all distressed debt, as investors weigh how persistently high inflation and a global economic slowdown might affect lower-rated consumer-exposed issuers. Furthermore, the telecommunications and health care sectors also have elevated amounts of distressed debt, with these two sectors accounting for 34% of the total.

For more data and charts on fallen angels, potential fallen angels, rising stars, potential rising stars, weakest links, and the U.S. distress ratio, please see the related publication: "This Month In Credit: 2023 Data Companion."

Relative Risks By Region And Sector

By region, Latin America had the highest negative bias as of March 31. The negative bias rose four percentage points in March, ending the month at 22%. Argentine issuers accounted for much of this increase.

The sectors in Latin America with the most potential downgrades are financial institutions and utilities. Six of the sovereigns in this region are also counted among the potential downgrades.

The U.S. had the second-highest negative bias (16%) and the greatest number of potential downgrades (374).

By sector, **consumer products** continues to have the largest number of potential downgrades, with 98 globally. It leads potential downgrades in the U.S. and Europe, and this sector had the most new potential downgrades added during the month (with nine). Of this sector's potential downgrades, 47% are rated 'B-' or lower, and several of the downgrades from this sector in March cited refinancing concerns, which are likely to remain a material headwind. This sector continues to face a difficult operating environment due to weakening discretionary spending, elevated interest rates, persistent cost inflation, and supply chain constraints.

By sector, consumer products continues to have the largest number of potential downgrades, with 98 globally. It leads potential downgrades in the U.S. and Europe.

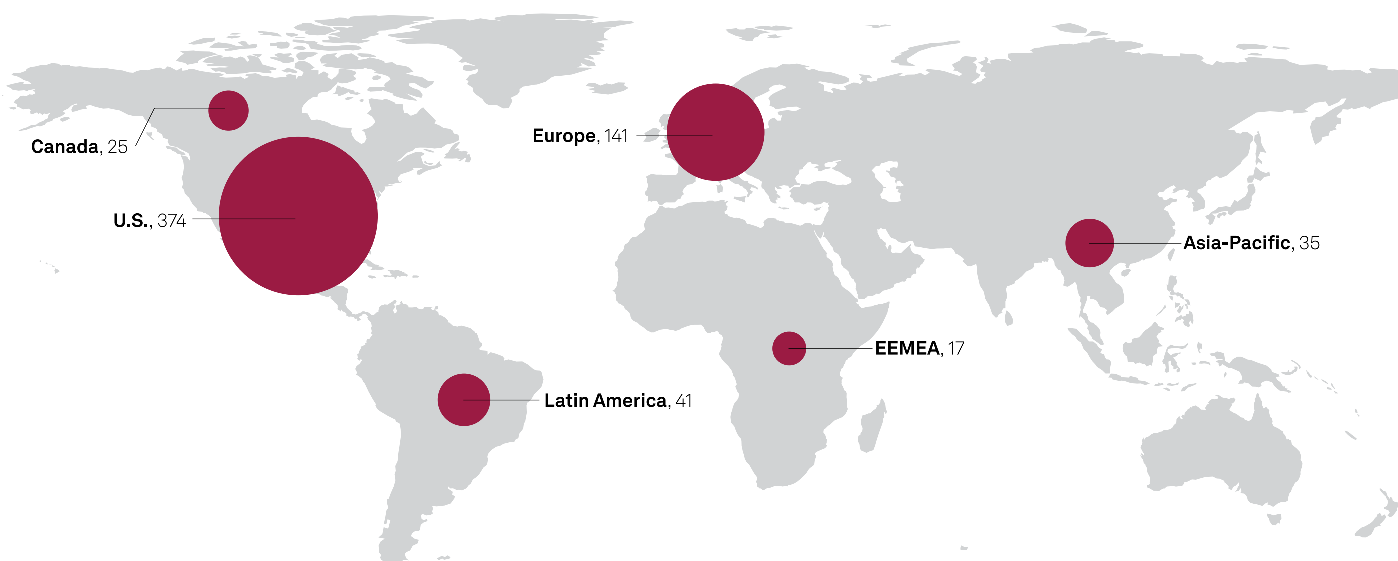
The **media and entertainment** sector has the second-highest number of potential downgrades, with 64--a net decrease of three from the previous month. Notably, defaults from this sector (five in March) contributed to the decline in the number of potential downgrades.

Meanwhile, the **capital goods** sector had the second-largest increase in potential downgrades in March, with seven new potential downgrades on the list. Most of these additions were from the U.S., and several of them are construction and engineering companies that are exposed to the slowing demand for commercial real estate.

Chart 5

Potential downgrades (no.)

By region



Data as of March 31, 2023. EEMEA--Eastern Europe, the Middle East, and Africa.
Source: S&P Global Ratings Credit Research & Insights.

Table 1

Potential downgrades distribution by sector and region (no.)

Sectors	Global	U.S.	Europe	Asia-Pacific	Latin America	EEMEA	Canada
Aerospace and defense	15	14	1				
Automotive	19	11	6	2			
Capital goods	34	23	8	1	1		1
Consumer products	98	74	18	2		3	1
CP&ES	29	16	10		2		1
Diversified	1				1		
Financial institutions	55	21	9	5	12	6	2
Forest PBM	11	6	5				
Health care	44	36	6	1			1
High technology	37	27	6	3			1
Home/real estate	29	14	9	4			2
Insurance	13	5	6	2			
Media/entertainment	64	49	10	3	2		
Metals, mining, and steel	13	7	1	1			4
Oil and gas	14	2	3	1	2	3	3
Retail/restaurants	32	23	7	1	1		
Sovereign	15		6		6	3	
Telecommunications	28	14	8		3	1	2
Transportation	31	8	13	5	2	1	2
Utilities	51	24	9	4	9		5

Data as of March 31, 2023. The darker red indicates more potential downgrades per region.
PBM--Products and building materials. CP&ES--Chemicals, packaging, and environmental services.
Source: S&P Global Ratings Credit Research & Insights.

Table 2

Potential upgrades distribution by sector and region (no.)

Sectors	Global	U.S.	Europe	Asia-Pacific	Latin America	EEMEA	Canada
Aerospace and defense	6	3	2	1			
Automotive	7	3	3			1	
Capital goods	13	3	8	1			1
Consumer products	18	10	6	1			1
CP&ES	14	5	4	1	1	1	2
Diversified	2			1	1		
Financial institutions	42	12	17	8		3	2
Forest PBM	8	3	3		1	1	
Health care	14	11	1			1	1
High technology	14	8	4	2			
Home/real estate	13	10	1			1	1
Insurance	10	6	3	1			
Media/entertainment	43	28	11	2			2
Metals, mining, and steel	21	10	4	3	2		2
Oil and gas	28	19	6	1			2
Retail/restaurants	13	9	4				
Sovereign	4		1		1	2	
Telecommunications	7		6				1
Transportation	20	12	5	2	1		
Utilities	31	17	8		3	1	2

Data as of March 31, 2023. The darker blue indicates more potential upgrades per region.
PBM--Products and building materials. CP&ES--Chemicals, packaging, and environmental services.
Source: S&P Global Ratings Credit Research & Insights.

Table 3

Top 10 downgrades in March*

Issuer	Sector	Downgrade date	Downgrade To	Downgrade From	Country	Amount ($bn)
Republic of Argentina	Sovereign	3/29/2023	CCC-	CCC+	Argentina	$153.6
Lumen Technologies Inc.	Telecommunications	3/22/2023	B	B+	U.S.	$27.7
Altice USA Inc.	Telecommunications	3/2/2023	B	B+	U.S.	$22.8
Paramount Global	Media & Entertainment	3/29/2023	BBB-	BBB	U.S.	$18.7
NRG Energy Inc.	Utilities	3/1/2023	BB	BB+	U.S.	$16.3
Nissan Motor Co. Ltd.	Automotive	3/7/2023	BB+	BBB-	Japan	$14.8
Medical Properties Trust Inc.	Homebuilders/Real Estate Co.	3/10/2023	BB	BB+	U.S.	$13.6
Newell Brands Inc.	Consumer Products	3/20/2023	BB+	BBB-	U.S.	$6.6
Qurate Retail Inc.	Retail/Restaurants	3/17/2023	CCC+	B-	U.S.	$6.1
SVB Financial Group**	Financial institutions	3/9/2023	BBB-	BBB	U.S.	$6.0

Data as of March 31, 2023. *Excluding defaults. Table shows 10 largest issuer nondefault downgrades, excluding defaults, by debt amount, in March 2023. **SVB Financial Group was subsequently downgraded to 'CC' on March 10, 2023. Source: S&P Global Ratings Credit Research & Insights.

Table 4

Top 10 upgrades in March

Issuer	Sector	Upgrade date	Upgrade to	Upgrade from	Country	Amount ($bn)
Enterprise Products Partners L.P. (EPCO Holdings Inc.)	Utilities	3/17/2023	A-	BBB+	U.S.	$31.2
Commerzbank AG	Financial institutions	3/23/2023	A-	BBB+	Germany	$30.5
Clarios Global LP	Automotive	3/22/2023	B+	B	Canada	$19.4
Caesars Entertainment Inc.	Media & Entertainment	3/9/2023	B+	B	U.S.	$18.3
United Airlines Holdings Inc.	Transportation	3/28/2023	BB-	B+	U.S.	$9.9
Pilot Travel Centers LLC	Retail/Restaurants	3/9/2023	BBB+	BB+	U.S.	$8.0
Expedia Group Inc.	Media & Entertainment	3/16/2023	BBB	BBB-	U.S.	$7.7
Ingersoll Rand Inc.	Capital Goods	3/21/2023	BBB-	BB+	U.S.	$5.8
Camelot UK Holdco Ltd.	Media & Entertainment	3/16/2023	B+	B	U.K.	$5.4
Rolls-Royce PLC (Rolls-Royce Holdings PLC)	Aerospace & Defense	3/13/2023	BB	BB-	U.K.	$5.1

Data as of Mar. 31, 2023. Table shows 10 largest issuer upgrades, by debt amount, in March 2023.
Source: S&P Global Ratings Credit Research & Insights.

Related Research

Default, Transition, and Recovery: 2022 Annual Global Corporate Default And Rating Transition Study, April 25, 2023

Ratings Performance Insights: Q1 2023, April 21, 2023

Default, Transition, and Recovery: Distressed Exchanges Spur A Sharp Rise In Corporate Defaults, April 13, 2023

Economic Outlook Eurozone Q2 2023: Rate Rises Weigh On Return To Growth, March 27, 2023

Economic Outlook U.S. Q2 2023: Still Resilient, Downside Risks Rise, March 27, 2023

The Fed's Plan For U.S. Banks Should Reduce Contagion Risk, March 13, 2023

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

Glossary And Abbreviations

Downgrade ratio--The number of downgrades divided by the number of downgrades plus upgrades

Fallen angels--Issuers downgraded to speculative grade from investment grade.

Investment grade--Issuers rated 'BBB-' or above.

Negative bias--Percentage of issuers with negative outlooks or ratings on CreditWatch negative.

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 positive outlooks or ratings on CreditWatch positive.

Potential downgrade--An issuer rated by S&P Global Ratings with a negative outlook or on CreditWatch negative.

Potential fallen angels--Issuers rated 'BBB-' with either negative outlooks or on CreditWatch negative.

Potential upgrade--An issuer rated by S&P Global Ratings with a positive outlook or on CreditWatch positive.

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.

S&P Global U.S. distress ratio--The proportion of speculative-grade issues with option-adjusted spreads of more than 1,000 basis points relative to U.S. Treasury bonds divided by the total number of speculative-grade issues.

Speculative grade--Issuers rated 'BB+' or below.

Weakest links--Issuers rated 'B-' and below with either negative outlooks or on CreditWatch negative.

Weakest links ratio--The number of weakest links divided by the total speculative-grade ratings population.