

This Week In Credit

Another Rough Week For Banks

This report does not constitute a rating action.

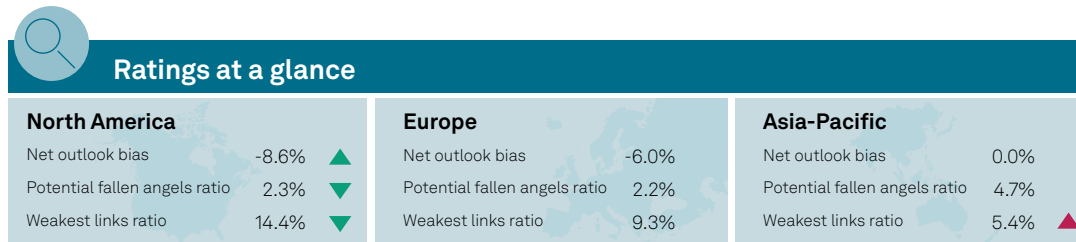
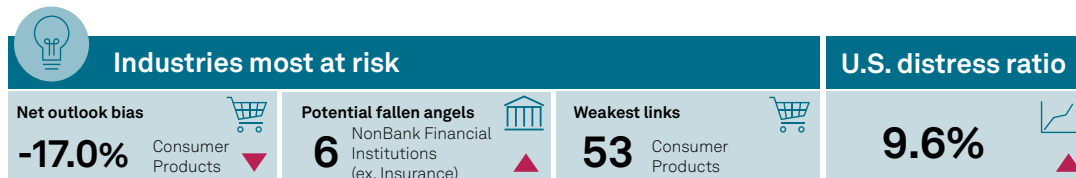
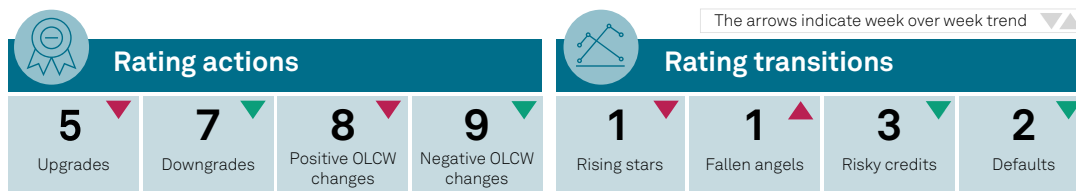
The Top Line | May 8, 2023

Rating actions were quiet last week despite broad market volatility. Uneasiness grew after the California Department of Financial Protection and Innovation took possession of First Republic Bank, and guidance from the Fed and ECB did not answer all of investors' questions on the possibility and timing of easier policy conditions. Last week's drop in unemployment rates may suggest higher interest rates for longer. Also, today's release of the Fed's Senior Loan Officer Opinion Survey will be in the spotlight--with market participants continuing to assess the impact of tighter bank lending standards--as will Wednesday's release of CPI data.

Key Takeaways

- Last week was relatively calm for rating actions with just seven downgrades and five upgrades.
- Three of last week's seven downgrades were of financial institutions. This included the downgrade to 'CC' from 'B+' of First Republic Bank, following its rescue by JPMorgan Chase & Co, and the subsequent withdrawal of all ratings on the bank.
- Last week's two defaults were both distressed exchanges--the type of default that has accounted for nearly half of the defaults to date in 2023.
- Bank concerns loom as market volatility heightens and spreads widen across regions.

Ratings performance trends



Data as of May 4, 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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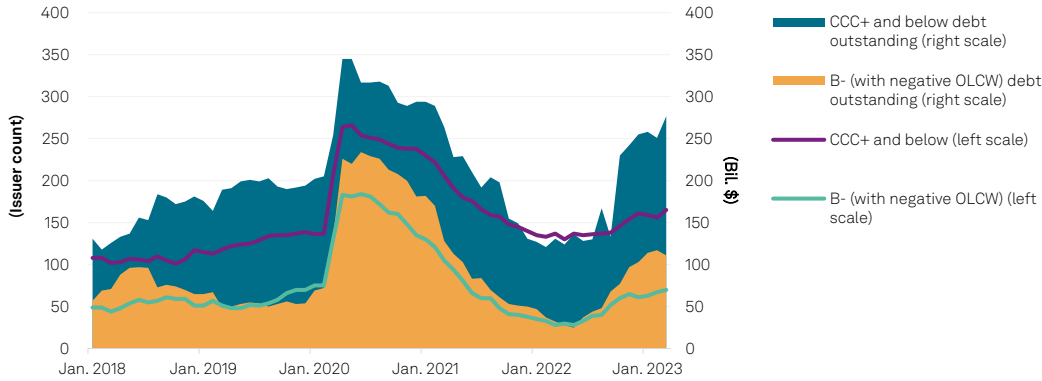


Chart Of The Week

Chart 1

U.S. and Canada: 'CCC+' and below debt rises to highest level since February 2021

'B-' (with negative outlook or on CreditWatch negative) and 'CCC+' and below rated issuers



Data as March 31, 2023. OLCW--Outlook or CreditWatch. This chart first appeared in "[Risky Credits: Retail And Health Care Drive Higher Default Risk In The U.S. And Canada](#)," published April 28, Source: S&P Global Ratings Credit Research & Insights.

Related Research

[Corporate Results Roundup Q1 2023: Beating Expectations, But EBITDA In Recession](#), May 3, 2023

[Credit Trends: Global Credit Markets Update Q2 2023: Riding Out Higher Rates](#), May 1, 2023

[Credit Trends: U.S. Corporate Bond Yields As Of April 26, 2023](#), April 28, 2023 (published weekly)

[Global Financing Conditions: Tumultuous March Cuts Into Full-Year Issuance Projections](#), April 26, 2023

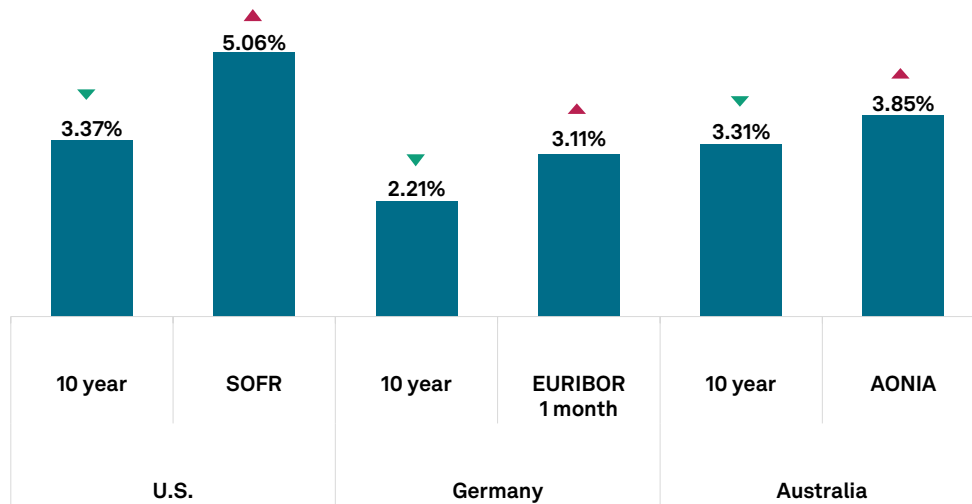
Webinars

[U.S. Public Finance Credit Spotlight: Cyber Risk](#), May 11, 2023

Credit Market Conditions

Chart 2

Benchmark yields



Leveraged loan indices average bid price over the week

Morningstar LSTA US LLI

93 ▼ -0.26%

Morningstar ELLI (Europe)

94 ▲ 0.10%

Chart 3

Secondary market credit spreads

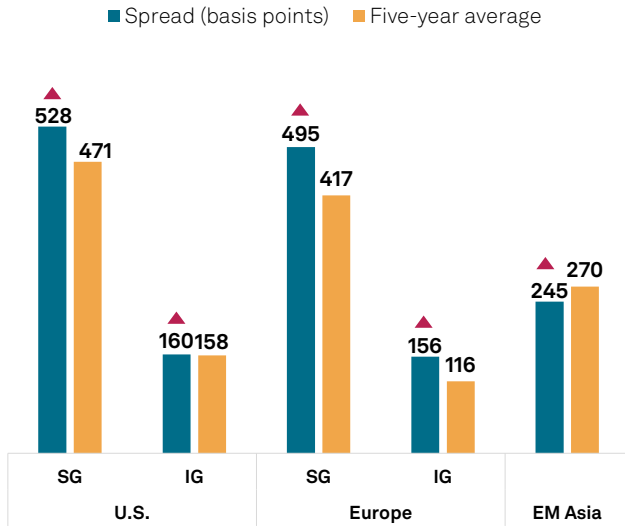
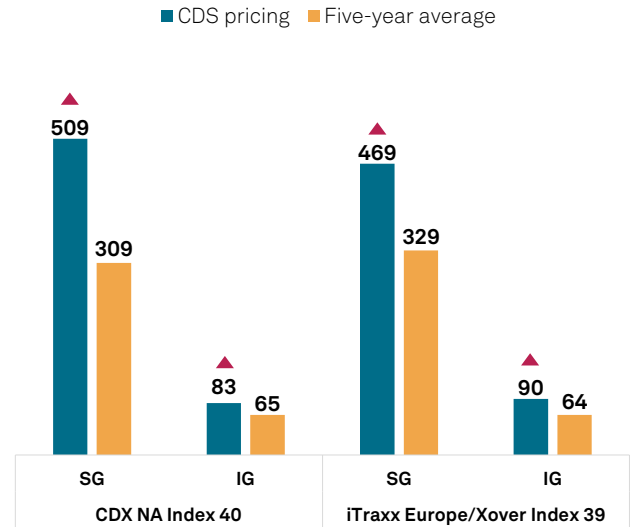


Chart 4

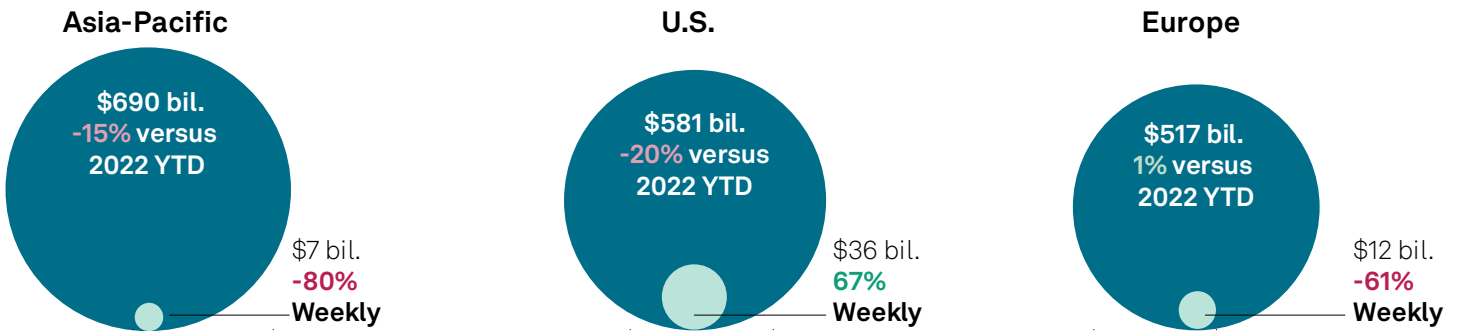
CDS pricing



The arrows indicate weekly trends. Data as of May 4, 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. Please note that the five-year averages exclude data from May 1-3, 2023, due to a technical disruption in our feed.

Chart 5

Corporate debt issuance



Data as of May 4, 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. \$)
May 3, 2023	Downgrade	Canadian National Railway Co.	Transportation	Canada	A-/Stable	A/Negative	10,312
May 1, 2023	Upgrade	Bombardier Inc.	Aerospace and defense	Canada	B/Stable	B-/Stable	6,189
May 4, 2023	Downgrade	Focus Financial Partners Inc.	Financial institutions	U.S.	B+/Stable	BB-/Stable	4,939
May 2, 2023	Downgrade	First Republic Bank	Financial institutions	U.S.	CC/Watch Neg	B+/Watch Neg	4,650
May 4, 2023	Upgrade	Host Hotels & Resorts Inc.	Media and entertainment	U.S.	BBB-/Stable	BB+/Positive	4,150
May 1, 2023	Upgrade	PowerSchool Holdings Inc.	High technology	U.S.	B/Stable	B-/Positive	3,380
May 1, 2023	Downgrade	CI Financial Corp.	Financial institutions	Canada	BB+/Stable	BBB-/Negative	2,634
May 1, 2023	Upgrade	Life Time Inc.	Media and entertainment	U.S.	B/Positive	B-/Positive	2,524
May 1, 2023	Downgrade	FXI Holdings Inc.	Chemicals, packaging, and environmental services	U.S.	SD/NM	CC/Negative	1,550
May 1, 2023	Downgrade	Imperva Inc.	High technology	U.S.	CCC+/Stable	B-/Negative	1,197

Data as of May 4, 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
May 1, 2023	FXI Holdings Inc.,	U.S.	Chemicals, packaging, and environmental services	SD	CC	Distressed exchange
May 2, 2023	WeWork Cos. LLC	U.S.	Media and entertainment	SD	CC	Distressed exchange

Data as of May 4, 2023. Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®. D--Default. SD--Selective default.

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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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