

This Week In Credit

Rising European Default Rates On The Horizon

This report does not constitute a rating action.

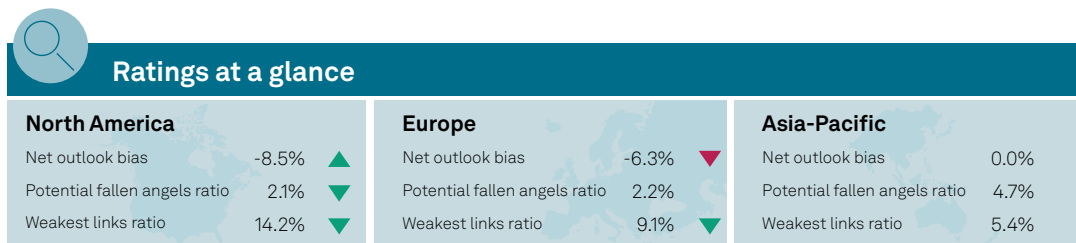
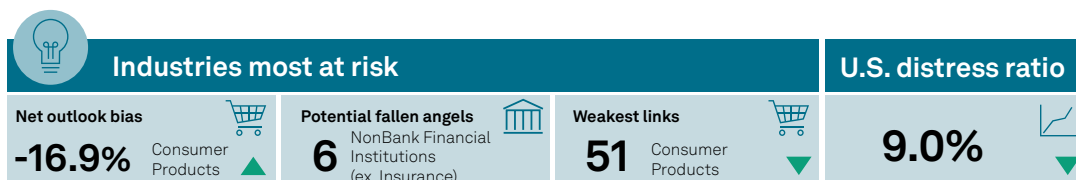
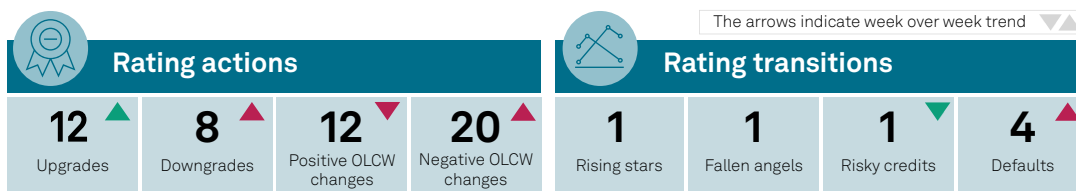
The Top Line | May 15, 2023

Defaults could reach 3.6% by March 2024 from 2.8% in March 2023, according to our latest 12-month-trailing European speculative-grade corporate default rate forecast--with a prolonged growth slowdown or recession pushing the rate as high as 5.5%, in our pessimistic case. This week, Japan and China are at the forefront of a distinct Asia-Pacific weighting to economic releases, while Friday also sees the G7 summit kick off in Hiroshima. Meanwhile, on Tuesday, U.S. retail sales will be the next key data point for markets to consider, as the outlook for U.S inflation remains uncertain.

Key Takeaways

- Rating actions were up last week. Upgrades doubled from a low base, while outlook trends were negative, with a drop in positive outlooks and an increase in negative.
- All four defaults last week were distressed exchanges, which contribute nearly half of all defaults to date in 2023.
- It was a better week for credit markets, as primary issuance picked up and secondary credit spreads tightened.

Ratings performance trends



Data as of May 11, 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. Please note in our report dated May 8, positive and negative OLCW changes should have been reported as 13 and 14 respectively rather than 8 and 9. Source: S&P Global Ratings Credit Research & Insights.

Newsletter Contacts

Nicole Serino
New York
+1-212-438-1396
nicole.serino@spglobal.com

Patrick Drury Byrne
Dublin
+353-1-568-0605
patrick.drurybyrne@spglobal.com

Jon Palmer, CFA
Austin
jon.palmer@spglobal.com

Media Contacts

Jeff Sexton
New York
jeff.sexton@spglobal.com

Michelle James
London
michelle.james@spglobal.com

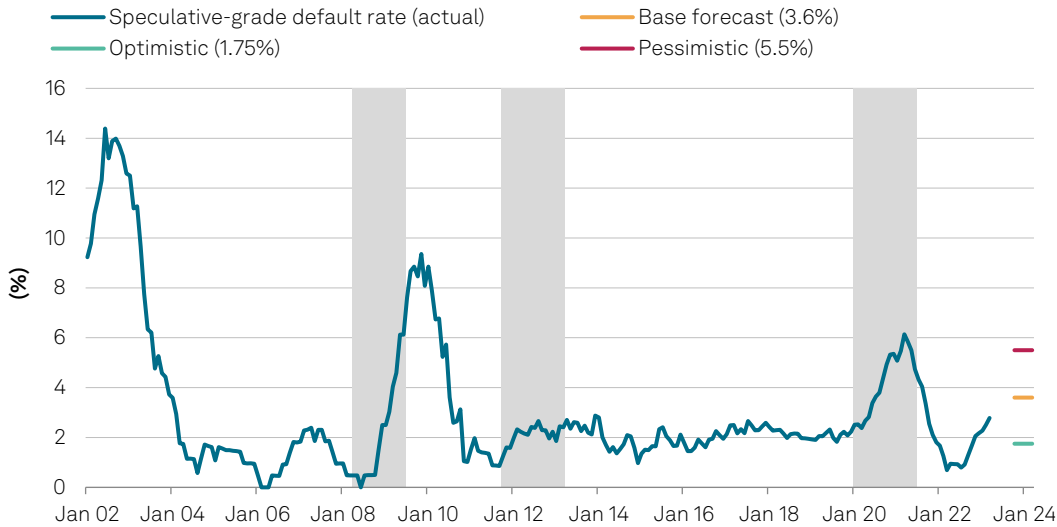
Michelle Lei
Beijing
michelle.lei@spglobal.com

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Credit Market
Research
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Chart Of The Week

Chart 1

European trailing-12-month speculative-grade default rate and March 2024 forecast



Shaded areas are periods of recession as defined by the Center for Economic Policy Research. Data as of March 31, 2023. Sources: S&P Global Ratings Credit Research & Insights, S&P Global Market Intelligence's CreditPro®.

Related Research

[Default, Transition, and Recovery: The European Speculative-Grade Corporate Default Rate Could Rise To 3.6% By March 2024 As Stressors Mount](#), May 15, 2023

[Credit Trends: U.S. Corporate Bond Yields As Of May 12, 2023](#), May 12, 2023 (published weekly)

[Corporate Results Roundup Q1 2023: Beating Expectations, But EBITDA In Recession](#), May 11, 2023

[Default, Transition, and Recovery: U.S. Public Finance Upgrades Continue To Surpass Downgrades In Early 2023](#), May 9, 2023

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

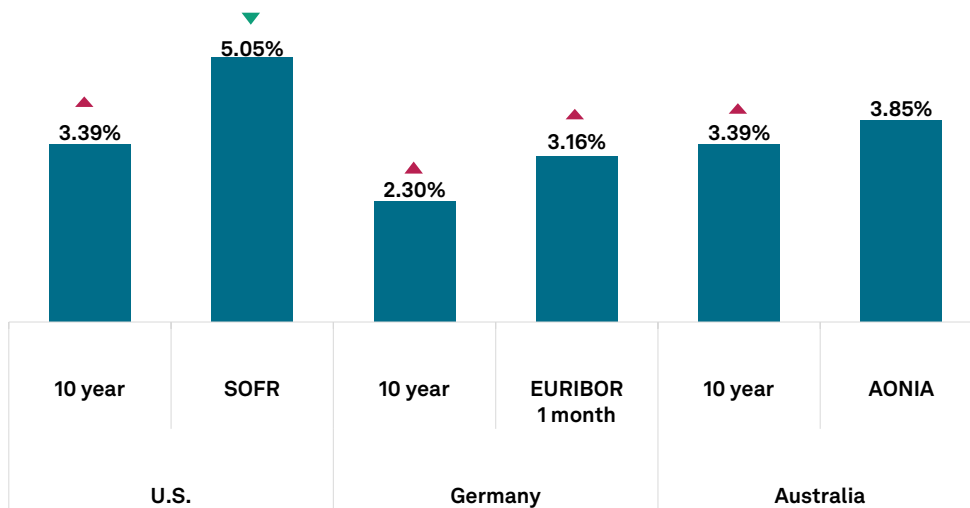
Webinars

[North-America Non-Bank Financial Institutions Sector Update](#), May 18, 2023

Credit Market Conditions

Chart 2

Benchmark yields



Leveraged loan indices average bid price over the week

Morningstar LSTA US LLI

93 ▼ -0.17%

Morningstar ELLI (Europe)

94 ▲ 0.17%

Chart 3

Secondary market credit spreads

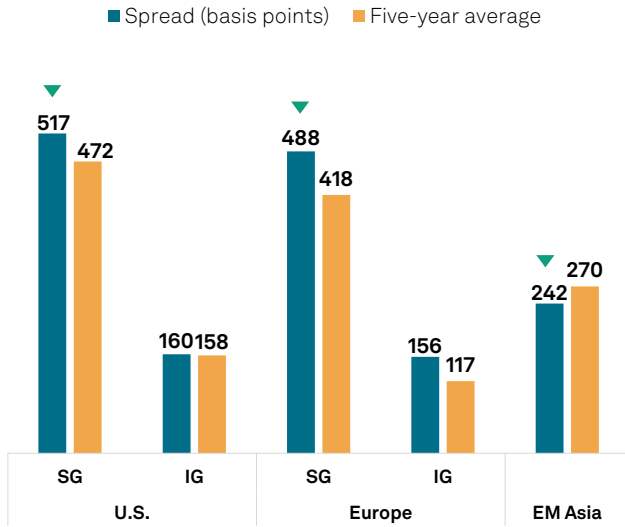
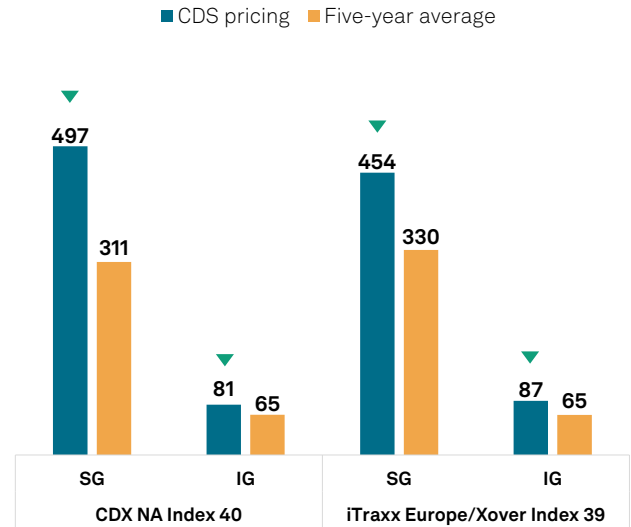


Chart 4

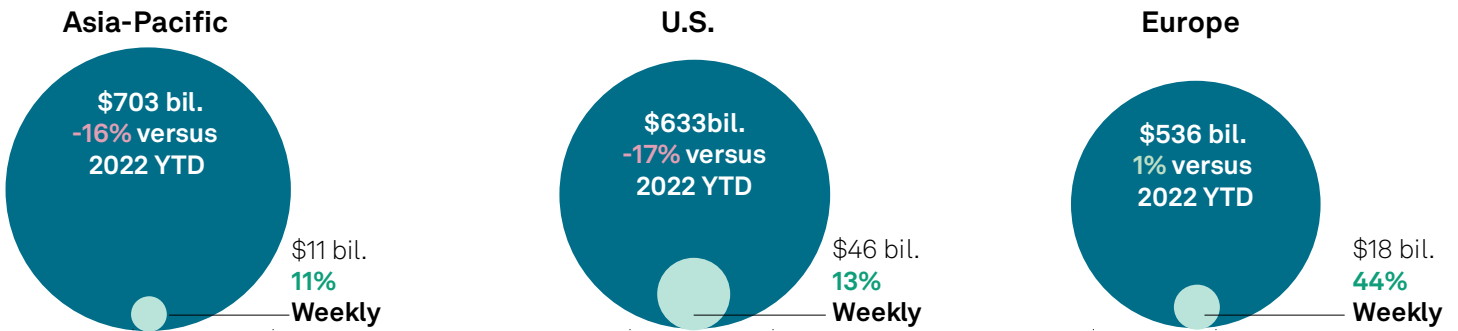
CDS pricing



The arrows indicate weekly trends. Data as of May 11, 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 11, 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 5, 2023	Upgrade	Mercedes-Benz Group AG	Automotive	Germany	A/Stable	A-/Positive	52,854
May 11, 2023	Downgrade	U.S. Bancorp	Financial Institutions	U.S.	A/Stable	A+/Negative	51,270
May 10, 2023	Upgrade	NXP Semiconductors N.V.	High Technology	Netherlands	BBB+/Stable	BBB/Stable	22,500
May 9, 2023	Downgrade	Casino Guichard - Perrachon S.A.	Retail/Restaurants	France	CCC-/Watch Neg	CCC+/Developing	10,702
May 8, 2023	Upgrade	Verisure Midholding AB	High Technology	Sweden	B+/Stable	B/Stable	7,933
May 9, 2023	Downgrade	Republic of El Salvador	Sovereign	El Salvador	SD/NM	CCC+/Negative	6,738
May 8, 2023	Downgrade	Samhallsbyggnadsbolaget i Norden AB (publ)	Homebuilders/Real Estate Co.	Sweden	BB+/Negative	BBB-/Negative	5,943
May 10, 2023	Upgrade	Amadeus IT Group S.A.	Media & Entertainment	Spain	BBB/Stable	BBB-/Stable	4,682
May 5, 2023	Upgrade	Publicis Groupe S.A.	Media & Entertainment	France	BBB+/Stable	BBB/Stable	3,704
May 8, 2023	Upgrade	Advisor Group Holdings Inc.,	Financial Institutions	U.S.	B/Stable	B-/Stable	3,310

Data as of May 11, 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 5, 2023	Frigoglass SAIC	Greece	Consumer Products	SD	CC	Distressed exchange
May 8, 2023	CatLuxe Sarl (CatLuxe Acquisition Sarl)	Luxembourg	Consumer Products	D	CC	Distressed exchange
May 9, 2023	Republic of El Salvador	El Salvador	Sovereign	SD	CCC+	Distressed exchange
May 10, 2023	Range Parent Inc.	U.S.	Capital Goods	SD	CCC	Distressed exchange

Data as of May 11, 2023. Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®. D--Default. SD--Selective default.

Research Contributors

Yogesh Kumar
Gurgaon

Nivritti Mishra
Mumbai

Deegant Pandya
New York

Bushra Dawawala
Mumbai

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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