

This Week In Credit

No Defaults Amid Continued Divergence

This report does not constitute a rating action.

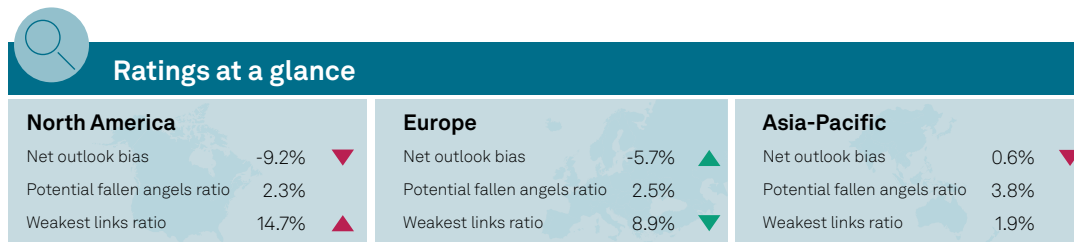
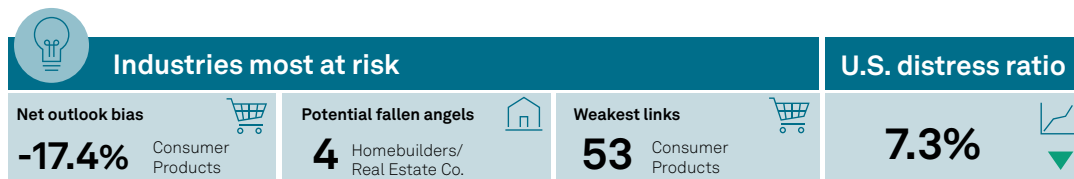
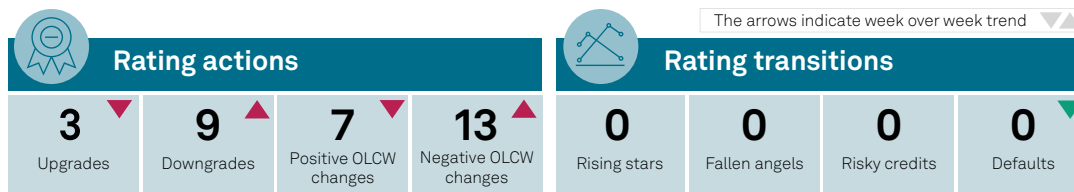
The Top Line | July 17, 2023

Divergence in terms of rating performance, as highlighted in our most recent This Month In Credit report (see "[Facing The Pressure Of Higher Rates](#)"), remains a key theme with most downgrades last week concentrated among lower-rated, speculative-grade issuers. This week, several data releases will give a sense of the overall global economic picture. Chinese growth slowed in second-quarter 2023 while U.S. retail sales (Tuesday) will be watched following a run of recent positive economic data. The yield on the U.K. 10-year gilt is currently at its highest level since early 2008, also bringing Wednesday's CPI numbers sharply into focus. All this will set the backdrop for second-quarter earnings season, which kicks off in earnest this week.

Key Takeaways

- Downgrades outpaced upgrades last week, led by U.S.- and Canada-based issuers with no specific sector concentrations.
- There were no defaults last week, marking the first zero weekly total since early April.
- Credit pricing trends were largely positive, reflecting the overall improved market tone.

Ratings performance trends



Data as of July 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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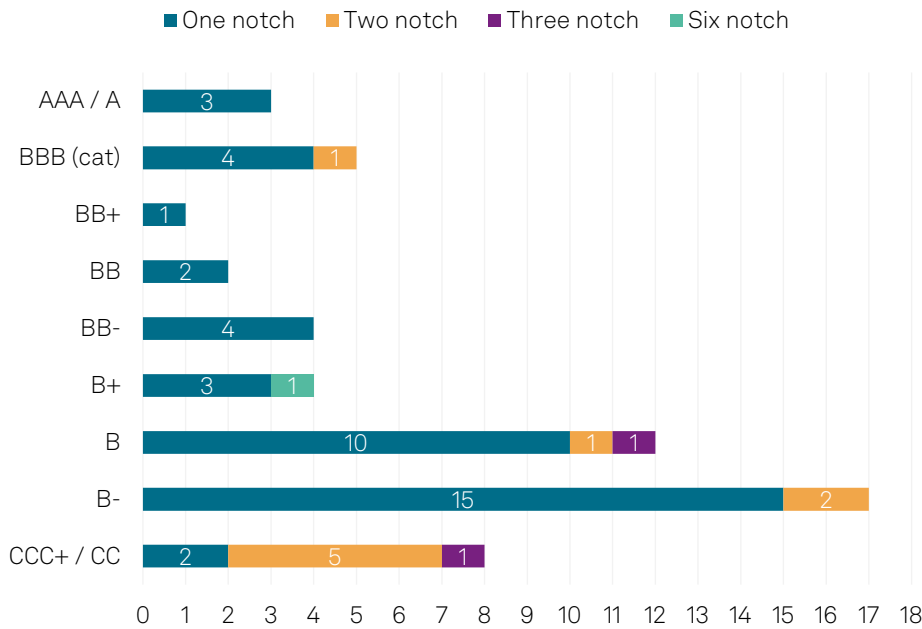
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Credit Market
Research
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Chart Of The Week

Chart 1

Twenty issuers were downgraded in May from the 'B' category to 'CCC+' or lower



Data as of May 31, 2023. Includes tally of sovereign, financial, and nonfinancial corporate upgrades and downgrades (excluding defaults) globally in May 2023. Source: S&P Global Ratings Credit Research & Insights. Chart first appeared in "Facing The Pressure Of Higher Rates," published June 30, 2023.

Related Research

[Credit Trends: U.S. Corporate Bond Yields As Of July 12, 2023](#), July 13, 2023

[Economic Research: Strong U.S. Jobs Report Makes A Rate Hike All But Certain In July](#), July 13, 2023

[Economic Research: Japan Will Tread Carefully In Its Likely Tightening](#), July 17, 2023

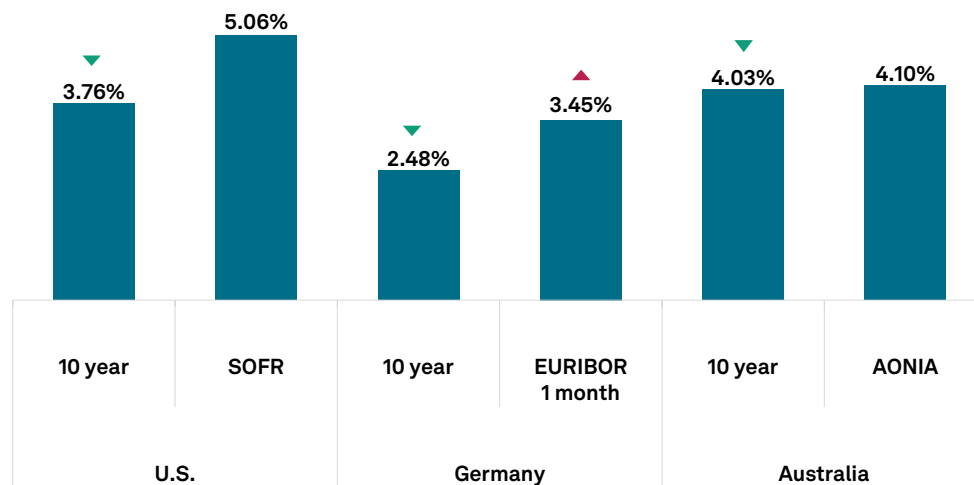
Upcoming Webinars

[Sustainability Focus Series - Water Stress and Climate Variability Credit Impact Across Sectors](#), July 20, 2023

Credit Market Conditions

Chart 2

Benchmark yields



Leveraged loan indices average bid price over the week

Morningstar LSTA US LLI

95 ▲ 0.44%

Morningstar ELLI (Europe)

95 ▲ 0.35%

Chart 3

Secondary market credit spreads

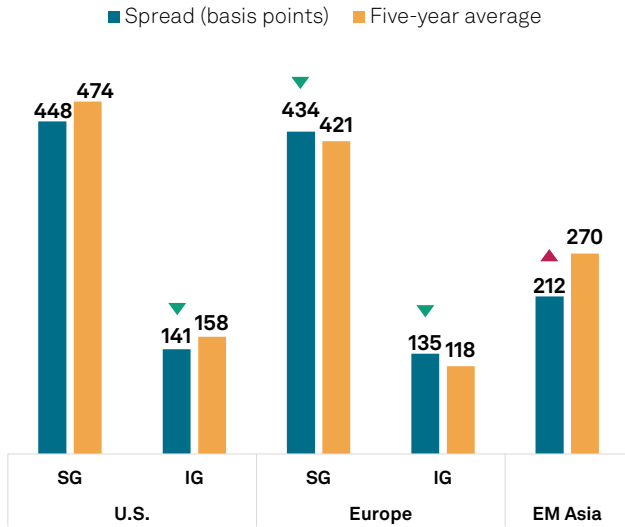
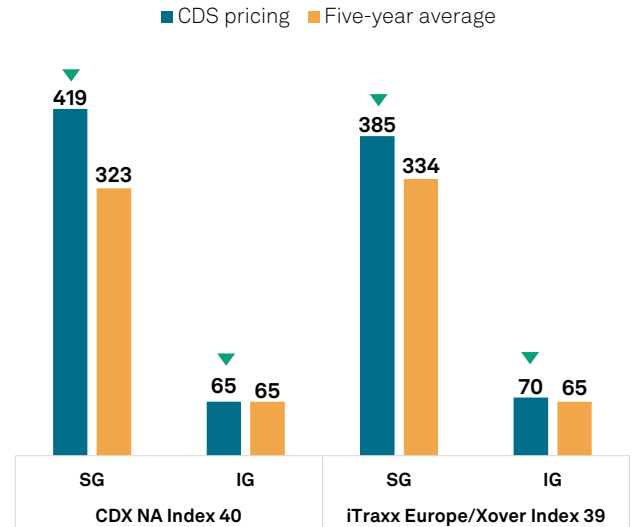


Chart 4

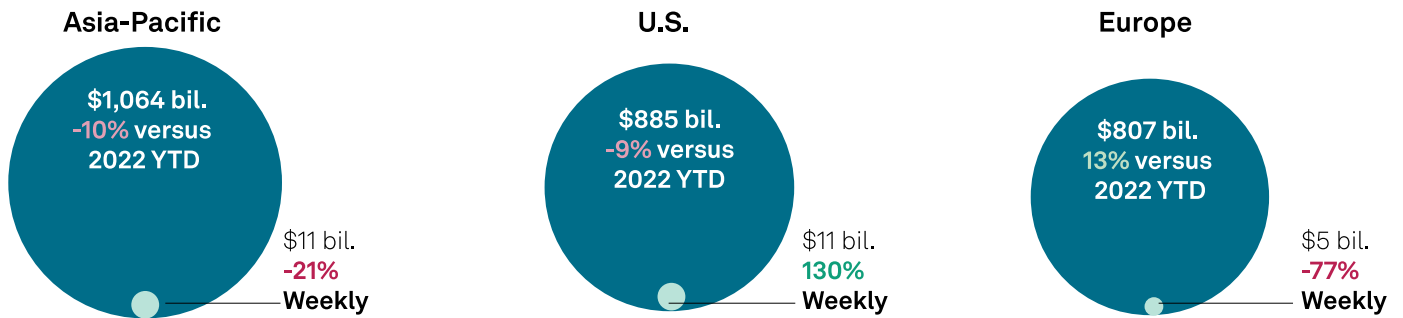
CDS pricing



Data as of July 13, 2023. The arrows indicate weekly trends. 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 July 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. \$)
July 10, 2023	Upgrade	Hilton Grand Vacations Inc.	Media & entertainment	U.S.	BB/Stable	BB-/Stable	3,850
July 11, 2023	Upgrade	Dufry AG	Retail/restaurants	Switzerland	BB/Stable	BB-/Watch Pos	2,828
July 10, 2023	Upgrade	Matterhorn Telecom Holding S.A.	Telecommunications	Luxembourg	BB-/Stable	B+/Stable	2,765
July 11, 2023	Downgrade	Corus Entertainment Inc.	Media & entertainment	Canada	BB-/Stable	BB/Stable	2,294
July 7, 2023	Downgrade	Braskem Idesa, S.A.P.I. and subsidiary	Chemicals, packaging, & environmental services	Mexico	B/Negative	B+/Negative	2,100
July 12, 2023	Downgrade	Project Alpha Intermediate Holding, Inc. (Qlik Parent Inc.,)	High technology	U.S.	B-/Stable	B/Watch Neg	1,418
July 11, 2023	Downgrade	Patagonia Holdco 3 Ltd	Forest products & building materials	U.K.	B-/Stable	B/Stable	1,218
July 11, 2023	Downgrade	Arterra Wines Canada Inc., (Constellation Brands Canada Inc.,)	Consumer products	Canada	B-/Negative	B/Negative	983
July 12, 2023	Downgrade	JOANN Inc.	Retail/restaurants	U.S.	CCC/Negative	CCC+/Negative	675
July 10, 2023	Downgrade	DIC Asset AG	Homebuilders/real estate Co.	Germany	BB-/Negative	BB/Negative	438

Data as of July 13, 2023. Note: Rating actions include financial and nonfinancial corporates and sovereign issuer credit ratings. Excludes rating actions with no debt and actions on local currency. *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 (No defaults)

Date	Parent company	Country/market	Subsector	To	From	Reason
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Data as of July 13, 2023. Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®. Excludes local currency defaults.

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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.

PMI--Purchasing Managers Index.

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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