

This Week In Credit

Contrasting Outcomes

This report does not constitute a rating action.

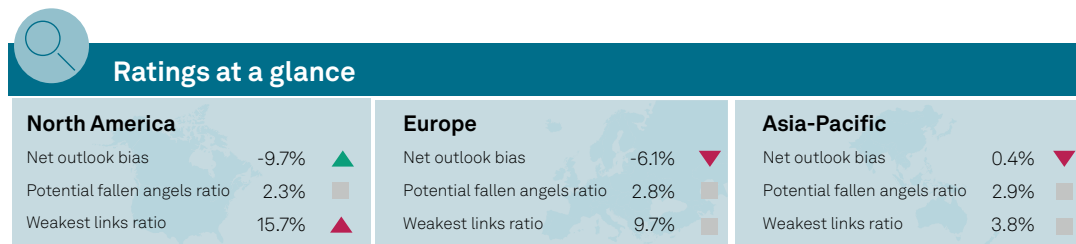
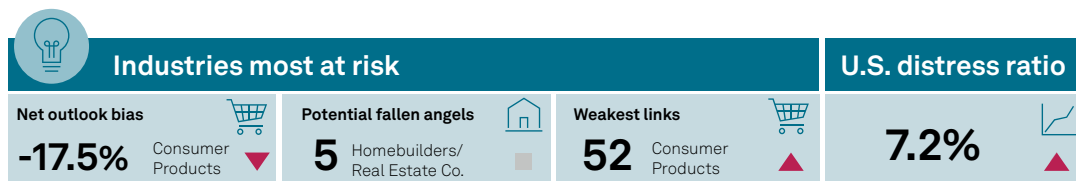
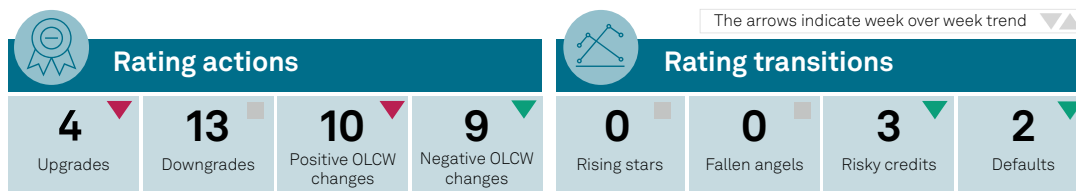
The Top Line | Aug. 28, 2023

Friday's observation from U.S. Fed Chairman Jerome Powell that inflation remains 'too high' seems to indicate that rates might go higher and/or remain higher for longer. Both scenarios will place further pressure on financing costs and refinancing risk, particularly at the lower end of the credit spectrum. Today's manageable refinancing picture--considering the \$57 billion of 'B-' and lower-rated debt (as of July 1) coming due in the next 12 months--could become far more problematic as time passes, with the volume surpassing \$201 billion and then \$410 billion over a 24- and 36-month period.

Key Takeaways

- Last week was a disparate one for rating activity. Downgrades outnumbered upgrades by more than three times, while the number of new risky credits and defaults declined.
- There were two defaults last week, both due to distressed exchanges and both on U.S. issuers.
- Mixed picture for credit pricing last week as credit spreads generally moved wider while CDS spreads tightened.

Ratings performance trends



Data as of Aug. 24, 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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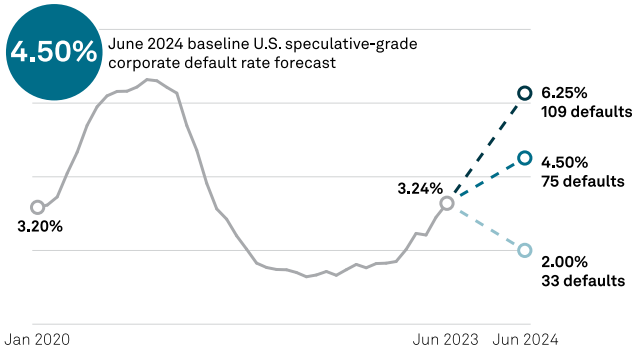
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Credit Market
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Chart Of The Week

Chart 3

Defaults pick up into June 2024



As of June 2023, S&P Global Ratings rates 1,670 U.S. speculative-grade corporate issuers

Pessimistic scenario: Defaults rise faster as the U.S. enters a prolonged period of low growth, with persistent core inflation leading to (even) higher-for-longer-rates

Base scenario: Cash flow remains challenged for the weakest and most leveraged issuers in a slow-growth environment with higher borrowing costs.

Optimistic scenario: The default rate falls as growth remains resilient and inflation continues to decline, bringing interest rates down earlier than anticipated, leading markets to resume their search for yield.

Data as of June 30, 2023. Chart first appeared in "Default, Transition, and Recovery: The U.S. Speculative-Grade Corporate Default Rate Could Rise To 4.5% By June 2024," published August 17, 2023. Sources: Leveraged Commentary and Data (LCD) from PitchBook, a Morningstar company; and S&P Global Ratings Credit Research & Insights.

Related Research

[Instant Insights: Key Takeaways From Our Research](#), Aug. 23, 2023

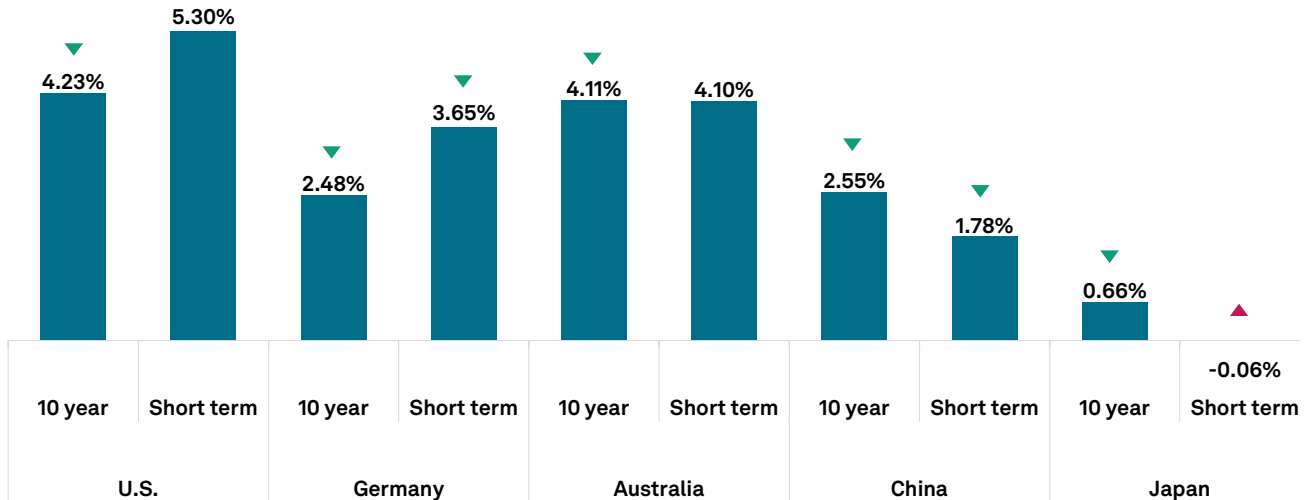
[Credit Trends: U.S. Corporate Bond Yields As Of Aug. 16, 2023](#), Aug. 18, 2023

[Default, Transition, and Recovery: The European Speculative-Grade Corporate Default Rate Could Rise To 3.75% By June 2024](#), Aug. 18, 2023

Credit Market Conditions

Chart 4

Benchmark yields



Data as of Aug. 24, 2023. Sources: S&P Global Market Intelligence, ECB, People's Bank Of China. Short rates: U.S., SOFR; Germany, €str; Australia, AONIA; China, DR007; and Japan, uncollateralized overnight call rate.

Upcoming Webinars

[North American Leveraged Finance Leadership Series](#), Aug. 31, 2023

Chart 5

Secondary market credit spreads

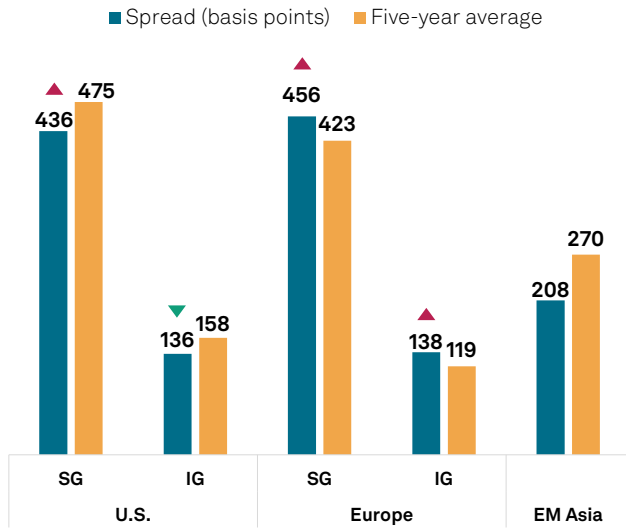
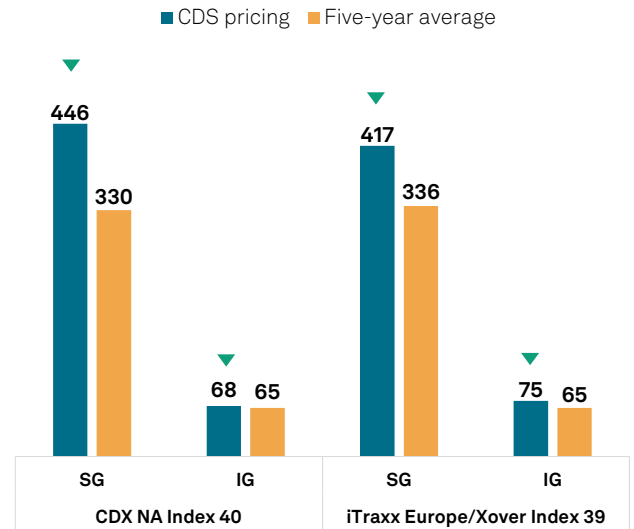


Chart 6

CDS pricing



Data as of Aug. 24, 2023. The arrows indicate weekly trends. 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.

Table 1

Top 10 upgrades and downgrades by debt

Date	Action	Issuer	Industry	Country	To*	From*	Debt volume (mil. \$)
Aug. 21, 2023	Downgrade	KeyCorp	Financial institutions	U.S.	BBB/Stable	BBB+/Negative	20,920
Aug. 23, 2023	Downgrade	Stanley Black & Decker Inc.	Forest products and building materials	U.S.	A-/Negative	A/Negative	8,975
Aug. 23, 2023	Upgrade	Delta Air Lines Inc.	Transportation	U.S.	BB+/Positive	BB/Positive	6,750
Aug. 23, 2023	Downgrade	iHeartMedia Inc.	Media and entertainment	U.S.	B/Negative	B+/Negative	6,051
Aug. 18, 2023	Upgrade	Trane Technologies PLC	Forest products and building materials	Ireland	BBB+/Stable	BBB/Stable	5,060
Aug. 21, 2023	Downgrade	Comerica Inc.	Financial institutions	U.S.	BBB/Stable	BBB+/Negative	2,700
Aug. 21, 2023	Downgrade	Hanesbrands Inc.	Consumer products	U.S.	B+/Negative	BB-/Negative	2,400
Aug. 21, 2023	Downgrade	Valley National Bancorp	Financial institutions	U.S.	BBB-/Stable	BBB/Negative	1,005
Aug. 21, 2023	Downgrade	Associated Banc Corp.	Financial institutions	U.S.	BBB-/Stable	BBB/Negative	980
Aug. 23, 2023	Downgrade	Sound Inpatient Physicians Inc., (Sound Inpatient Physicians Holdings, LLC)	Health care	U.S.	CCC/Negative	B-/Negative	975

Data as of Aug. 24, 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

Date	Parent company	Country/market	Subsector	To	From	Reason
Aug. 21, 2023	SP PF Buyer LLC	U.S.	Media and entertainment	SD	CCC	Distressed exchange
Aug. 22, 2023	Dawn Acquisitions LLC	U.S.	Telecommunications	SD	CCC	Distressed exchange

Data as of Aug. 24, 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 rated 'CCC+' and below.

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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