

This Week In Credit

A Glimpse Into The Fourth Quarter

This report does not constitute a rating action.

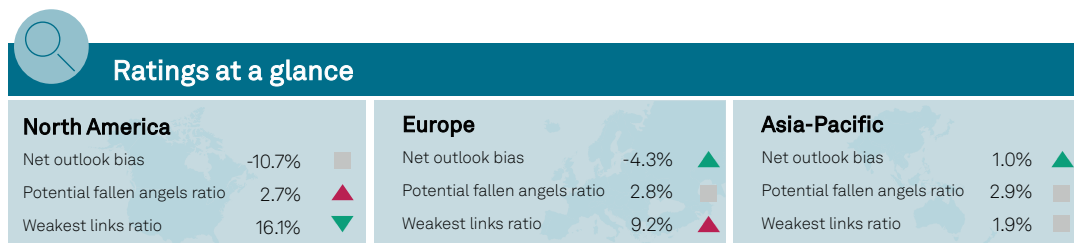
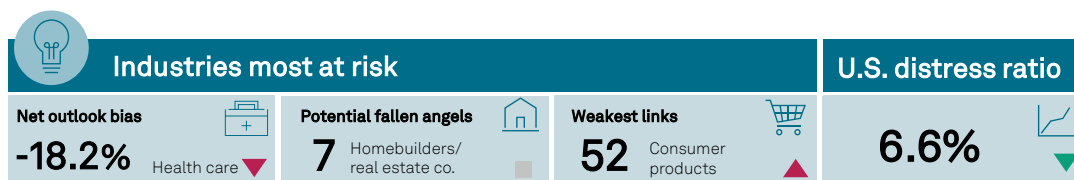
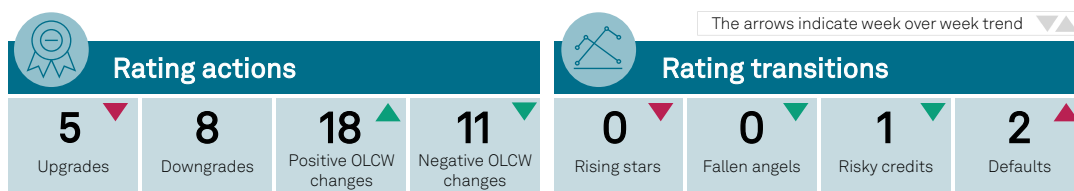
The Top Line | Oct. 23, 2023

The European Central Bank (ECB) meeting on Thursday will be one of the key events this week. Markets expect the ECB to maintain rates amid increased global uncertainty and despite the inflationary impact of higher oil prices. A hold is also expected by the Bank of Canada (Wednesday), while for the U.S.--in a blackout period for the Federal Reserve--the major data release will be the first estimate of third-quarter GDP (Thursday). Looking further afield, a suite of global flash purchasing managers' index data for October (Tuesday) will give a glimpse into fourth-quarter economic activity. This might also be complemented by the start of third-quarter earnings season led by technology and financial institutions.

Key Takeaways

- It was a mixed week for rating activity, with downgrades exceeding upgrades, while positive outlook revisions and CreditWatch placements nearly doubled negative ones.
- The two defaults last week were both in North America. One in the oil and gas sector and the other in retail and restaurants.
- Pricing conditions deteriorated amid increasing uncertainty; benchmark yields increased and credit spreads widened across the board.

Ratings performance trends



Data as of Oct. 19, 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. OLCW--Outlook/CreditWatch.
Source: S&P Global Ratings Credit Research & Insights.

Newsletter Contacts

Sarah Limbach
Paris
+33-14-420-6708
sarah.limbach@spglobal.com

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

Vincent Conti
Singapore
+65-6216-1188
vincent.conti@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

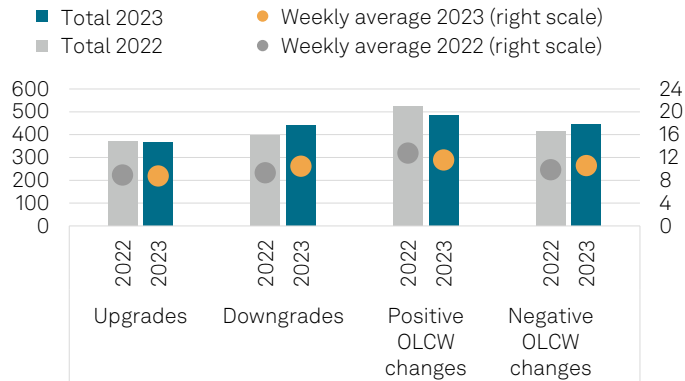


Year To This Week

Chart 1

Rating actions

Year-to-date total and weekly average

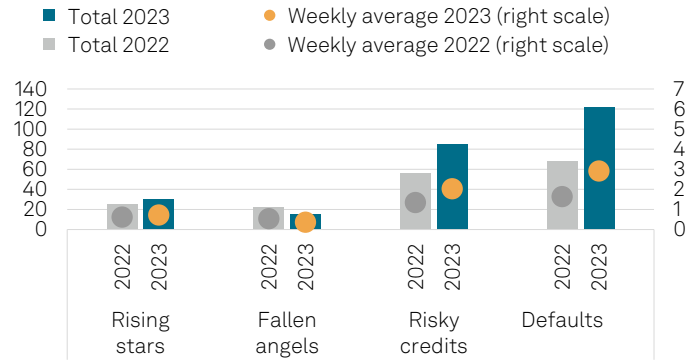


Data as of Oct. 19 (2022 data is January to Oct. 19). OLCW--Outlook/CreditWatch. Source: S&P Global Ratings Credit Research & Insights.

Chart 2

Rating transitions

Year-to-date total and weekly average



Data as of Oct. 19 (2022 data is January to Oct. 19). Source: S&P Global Ratings Credit Research & Insights.

Chart Of The Week

Chart 3

Regional default insights				
(No. of defaults)	Sept. 2023	2023*	2022*	Leading sector
U.S.	8 ▼	77	27	Media and entertainment
Europe	2 ▼	21	11	Consumer products
Emerging markets	1 ▼	15	21	Utilities; Transportation
Other developed	0 ▬	5	3	Health care; Metals, mining, and steel

Note: Chart first appeared in "[Default, Transition, and Recovery: Distressed Exchanges Drive 2023 Global Corporate Defaults To 118](#)," published Oct. 20, 2023. Data as of Sept. 30, 2023. *Captures year-to-date default tally. Direction of arrow indicates month over month change. M&E--Media and entertainment, Homebuilders--Homebuilders and real-estate, Tele--Telecommunications, HC--Health Care, Transport--Transportation, CP&ES--Chemicals, packaging, and environmental services, CP--Consumer Products, Retail--Retail/Restaurant, MM&S--Metals, Minding and Steel. Energy includes midstream, IPP and utilities subsectors. Other developed region includes Australia, Canada, Japan, and New Zealand. Default counts may include confidentially-rated issuers. Sources: S&P Global Ratings Research and S&P Global Market Intelligence's CreditPro®.

Related Research

[Default, Transition, and Recovery: Distressed Exchanges Drive 2023 Global Corporate Defaults To 118](#), Oct. 20, 2023

[U.S. Corporate Bond Yields As Of Oct. 18, 2023](#), Oct. 19, 2023

[ESG In Credit Ratings October 2023: ESG-Related Rating Actions Hit A 2023 Monthly Low](#), Oct. 19, 2023

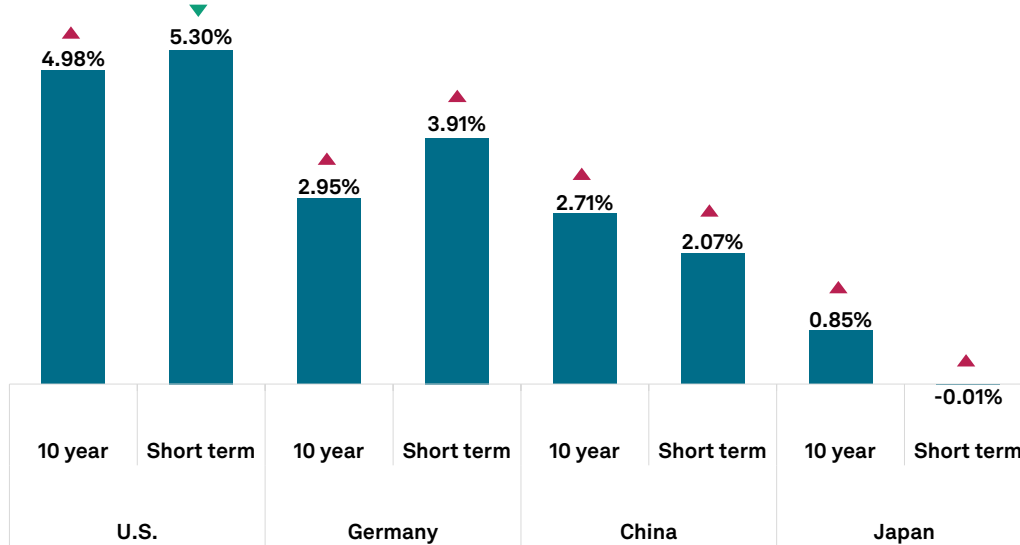
Upcoming Webinars

[Friday Credit Focus - What We're Watching: The Risk Landscape Remains Rocky](#), Oct. 27, 2023

Credit Market Conditions

Chart 4

Benchmark yields



Data as of Oct. 19, 2023. Sources: S&P Global Market Intelligence, European Central Bank, People's Bank Of China. Short rates: U.S., SOFR; Germany, euro short-term rate; China, DR007; and Japan, uncollateralized overnight call rate.

Chart 5

Secondary market credit spreads

■ Spread (basis points) ■ Five-year average

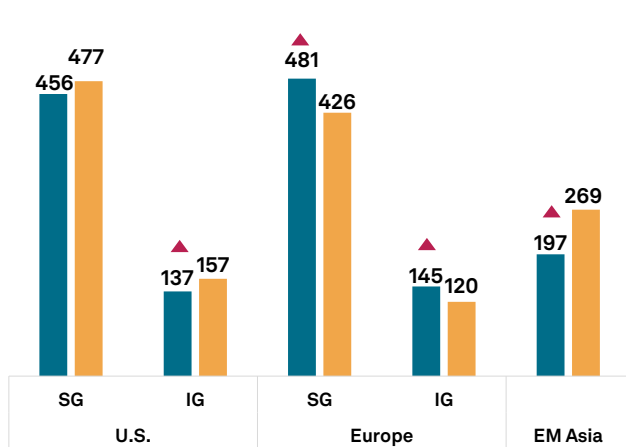
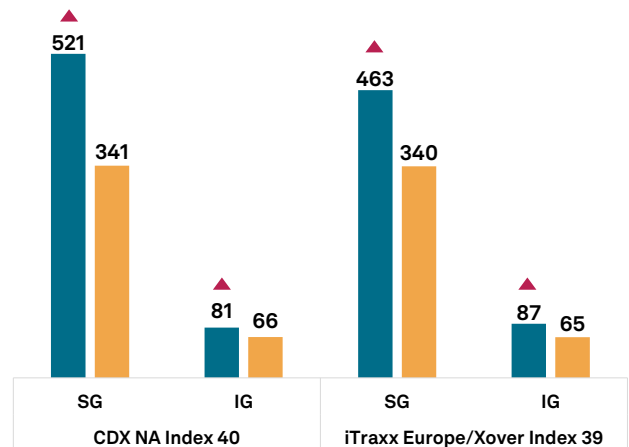


Chart 6

CDS pricing

■ CDS spreads ■ Five-year average



Data as of Oct. 19, 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.

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Table 1

Top 10 upgrades and downgrades by debt

Date	Action	Issuer	Industry	Country	To*	From*	Debt volume (mil. \$)
Oct. 19, 2023	Downgrade	Walgreens Boots Alliance Inc.	Retail/restaurants	U.S.	BBB-/Negative	BBB/Negative	9,658
Oct. 17, 2023	Upgrade	Sedgwick L.P.	Insurance	Cayman Islands	B+/Stable	B/Positive	7,000
Oct. 16, 2023	Downgrade	Rite Aid Corp.	Retail/restaurants	U.S.	D/--	CCC-/Negative	2,169
Oct. 16, 2023	Downgrade	SUSE S.A.	High technology	Luxembourg	B+/Stable	BB-/Watch Neg	1,950
Oct. 18, 2023	Downgrade	Sotheby's	Retail/restaurants	U.S.	B/Negative	B+/Stable	1,358
Oct. 18, 2023	Upgrade	TI Fluid Systems PLC	Auto	U.K.	BB/Stable	BB-/Positive	1,212
Oct. 16, 2023	Upgrade	Parts Holding Europe SAS	Auto	France	BB-/Stable	B+/Stable	1,008
Oct. 17, 2023	Downgrade	OceanKey (U.S.) II Corp.	Media and entertainment	U.S.	B-/Stable	B/Negative	925
Oct. 17, 2023	Downgrade	Atlas Midco Inc.	High technology	U.S.	CCC+/Stable	B-/Stable	860
Oct. 19, 2023	Upgrade	Grupo Aeromexico, S.A.B. de C.V.	Transportation	Mexico	B/Stable	B-/Stable	763

Data as of Oct. 19, 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. D--Default.

Table 2

This week's defaults

Date	Parent company	Country/market	Subsector	To	From	Reason
Oct. 13, 2023	Ensign Energy Services Inc.	Canada	Oil and gas	SD	CCC	Distressed exchange
Oct. 16, 2023	Rite Aid Corp.	U.S.	Retail/restaurants	D	CCC-	Bankruptcy

Data as of Oct. 19, 2023. Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®. Excludes local currency defaults. SD--Selective default. D--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 (IG)--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 with a negative outlook or CreditWatch placement.

Speculative grade (SG)--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

CDS--Credit default swaps.

DR007--Seven-day repurchase rate for depository institutions.

ECB--European Central Bank

EM--Emerging markets.

U.S. PCE--United States Personal Consumption Expenditure Price Index

PMI--Purchasing Managers Index.

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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