

This Week In Credit

Sifting For 2024 Central Bank Clues

This report does not constitute a rating action.

The Top Line | Dec. 11, 2023

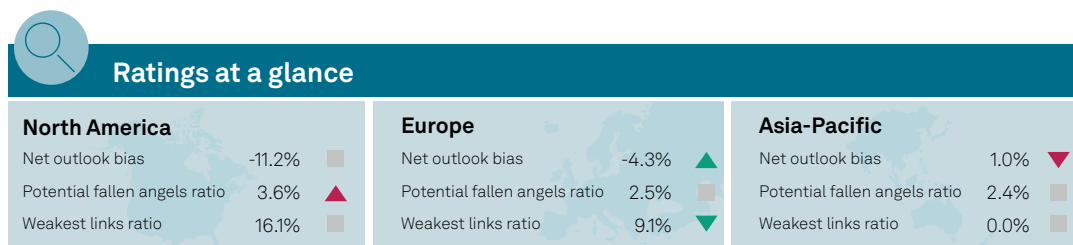
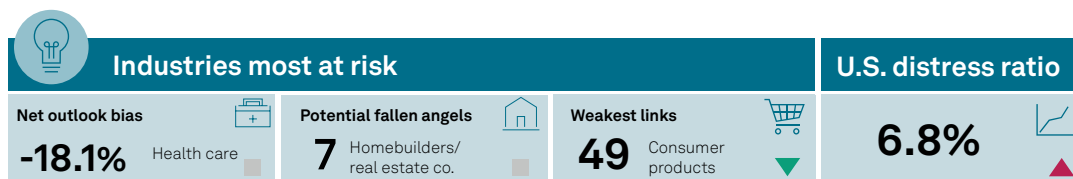
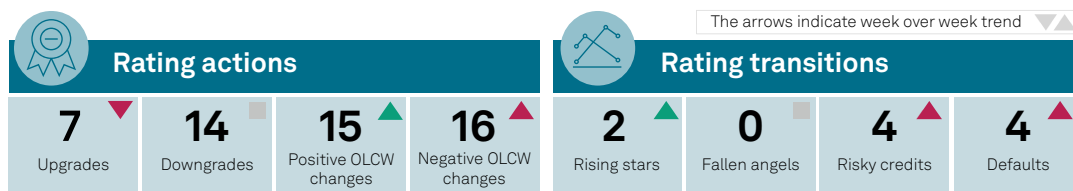
Three out of four defaults last week were due to distressed exchanges, reinforcing their position as the leading driver of corporate defaults in 2023. We expect defaults to rise further in 2024, and this week's meetings of the Fed, BoE, and ECB, among others, will shed light on central bank thinking. Markets expect no change this month, but the communications on future interest rates are more uncertain. None more so than in the U.S. following last Friday's unexpectedly strong job numbers and in advance of Tuesday's CPI data. Amid the last data releases for the year and as focus on 2024 sharpens, inflation and credit data from China, the world's second-largest economy, will also garner attention.

This Week In Credit will take a short break. The next publication will be Jan. 15, 2024.

Key Takeaways

- Negative rating actions continued to outnumber positive actions last week.
- Both the number of defaults and of new risky credits picked up sharply last week, notably in the U.S., contributing three out of four defaults and two out of four risky credits added.
- After a period of strong pricing trends, last week was more mixed, both in terms of benchmark yields and credit spreads.

Ratings performance trends



Data as of Dec. 7, 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.

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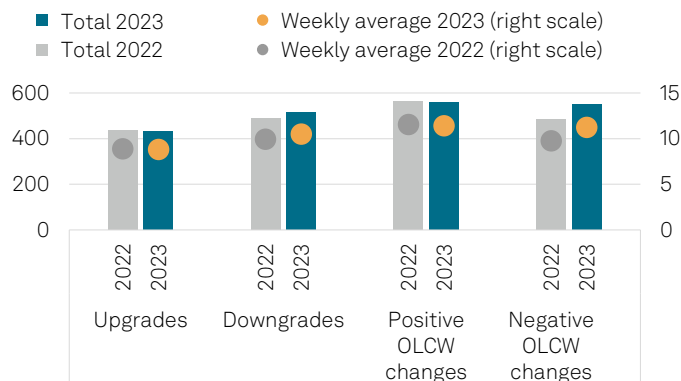


Year To This Week

Chart 1

Rating actions

Year-to-date total and weekly average

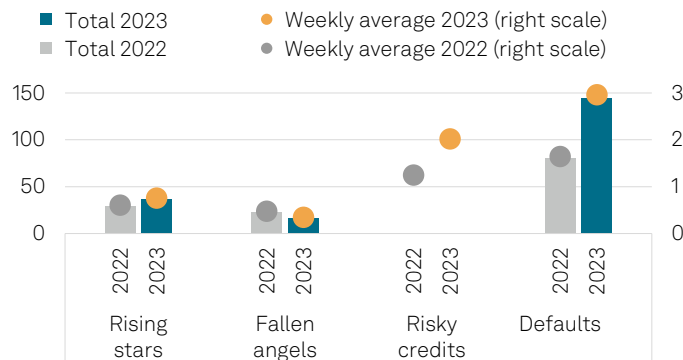


Data as of Dec. 7 (2022 data is January to Dec. 7). OLCW--Outlook/CreditWatch. Source: S&P Global Ratings Credit Research & Insights.

Chart 2

Rating transitions

Year-to-date total and weekly average



Data as of Dec. 7 (2022 data is January to Dec. 7). Source: S&P Global Ratings Credit Research & Insights.

Chart Of The Week

Chart 3

Global credit conditions: key highlights

Slower GDP growth in 2024



Corporate debt outstanding

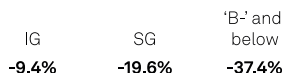


Increase in 'CCC/C' maturities*



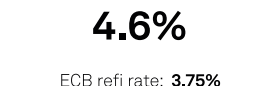
Net outlook bias

(As of Nov. 15 2023)



Federal funds rate forecast

(end 2024)

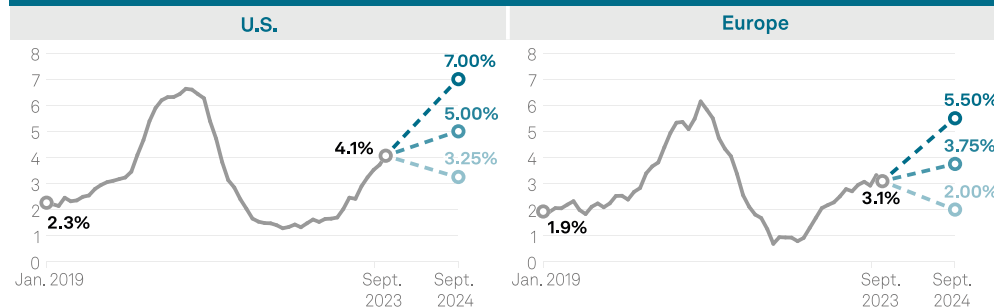


Core CPI forecast

(end 2024)



Trailing-12-month speculative-grade default rate and September 2024 forecast



Note: Chart first appeared in "Global Credit Outlook 2024: New Risks, New Playbook," published Dec. 4, 2023. *Growth in debt due in 2025 as of Jul. 1, vs debt due in 2024 a year earlier. ROW--Rest of world. Source: S&P Global Ratings

Related Research

[U.S. Corporate Bond Yields As Of Dec. 6, 2023](#), Dec. 7, 2023

[Global Credit Outlook 2024: New Risks, New Playbook](#), Dec. 4, 2023

[Buying Time Post-Default with Private Credit](#), Nov. 30, 2023

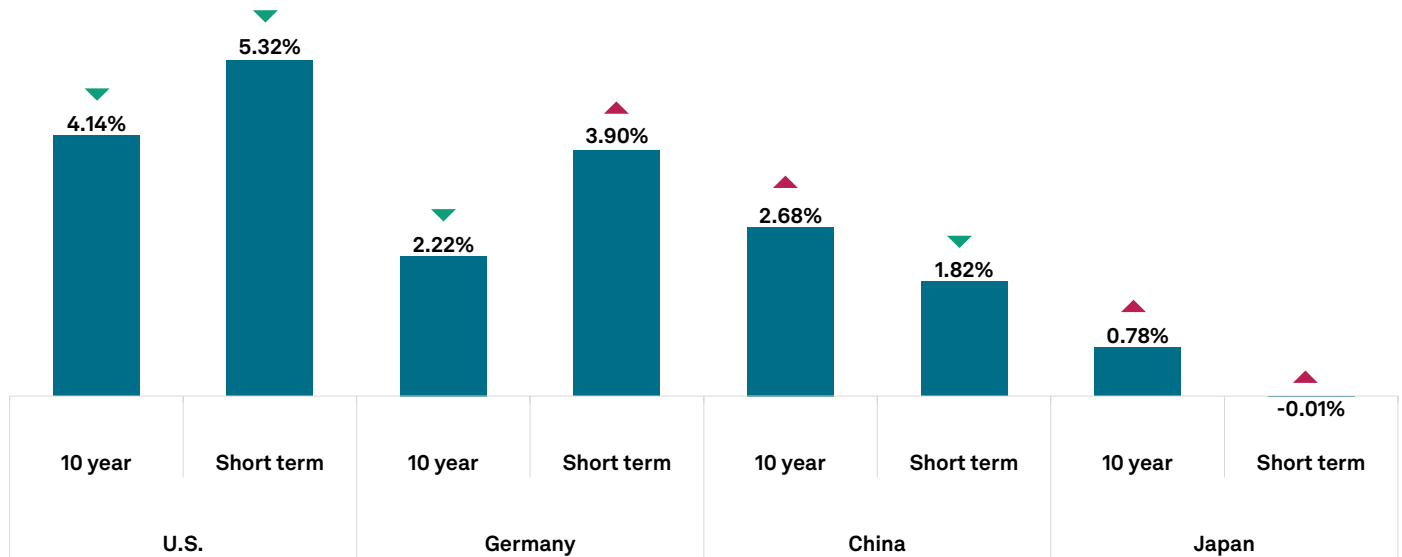
Upcoming Webinars

[2024 Global Sovereign Ratings Outlook](#), Dec. 14, 2023

Credit Market Conditions

Chart 4

Benchmark yields



Data as of Dec. 7, 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

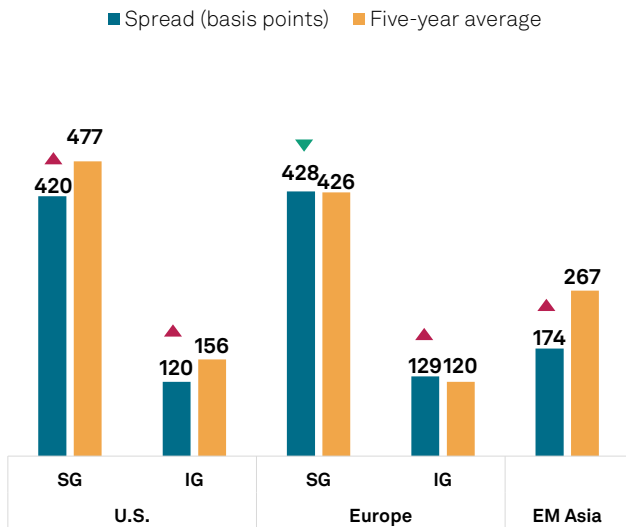
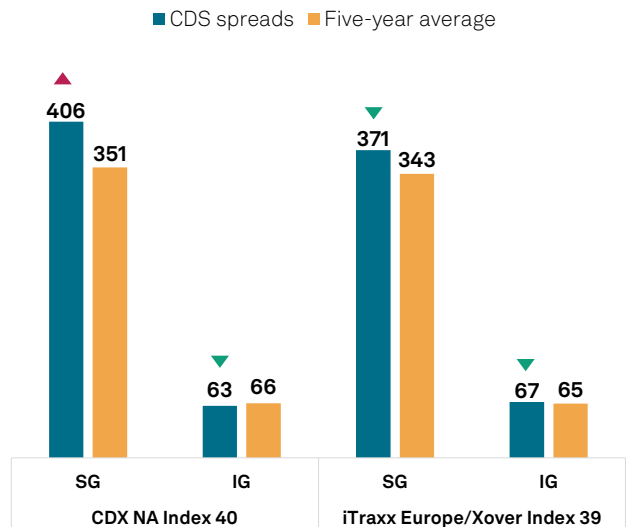


Chart 6

CDS pricing



Data as of Dec. 7, 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. \$)
Dec. 5, 2023	Downgrade	Enel SpA	Utilities	Italy	BBB/Stable	BBB+/Negative	65,777
Dec. 5, 2023	Upgrade	VMware Inc. (Broadcom Inc.)	High technology	U.S.	BBB/Stable	BBB-/Positive	8,250
Dec. 4, 2023	Upgrade	Deutsche Lufthansa AG	Transportation	Germany	BBB-/Stable	BB+/Positive	5,962
Dec. 4, 2023	Upgrade	Vertiv Group Corp. (Vertiv Holdings Co)	Capital goods	U.S.	BB/Positive	BB-/Watch Pos	5,157
Dec. 7, 2023	Downgrade	First Quantum Minerals Ltd.	Metals, mining, and steel	Canada	B/Watch Neg	B+/Negative	5,150
Dec. 5, 2023	Downgrade	Akelius Residential Property AB	Homebuilders/real estate co.	Sweden	BBB-/Stable	BBB/Stable	4,320
Dec. 7, 2023	Upgrade	Adient plc	Automotive	Ireland	BB/Stable	BB-/Positive	3,981
Dec. 1, 2023	Upgrade	Holly Energy Partners LP (HF Sinclair Corp.)	Utilities	U.S.	BBB-/Stable	BB+/Watch Pos	2,800
Dec. 5, 2023	Downgrade	Tullow Oil PLC	Oil and gas	U.K.	SD/NM	CC/Negative	2,600
Dec. 5, 2023	Downgrade	AB Electrolux	Consumer products	Sweden	BBB/Stable	BBB+/Stable	2,535

Data as of Dec. 7, 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. SD--Selective default. D--Default.

Table 2

Last week's defaults

Date	Parent company	Country/ market	Subsector	To	From	Reason
Dec. 5, 2023	Matrix Holdings Inc.	U.S.	Telecommunications	SD	CCC	Missed interest payments
Dec. 5, 2023	Tullow Oil PLC	U.K.	Oil and gas	SD	CC	Distressed exchange
Dec. 6, 2023	HealthChannels Intermediate HoldCo, LLC (HealthChannels, LLC)	U.S.	Health care	SD	CCC	Distressed exchange
Dec. 7, 2023	LendingTree Inc.	U.S.	Media and entertainment	SD	CCC+	Distressed exchange

Data as of Dec. 7, 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.

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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.

CPI--Consumer price index.

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

EM--Emerging markets.

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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