

# This Week In Credit

## Defaults Continue To Climb

This report does not constitute a rating action.

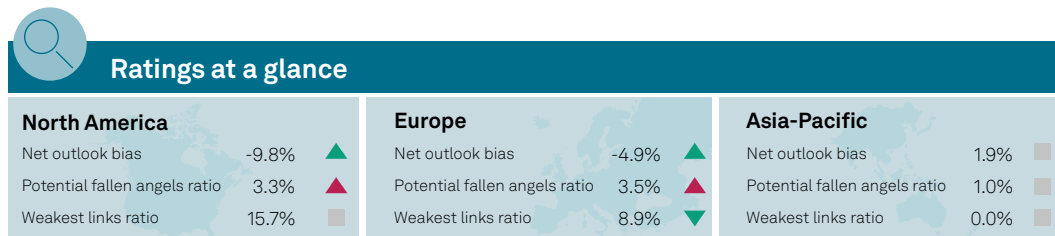
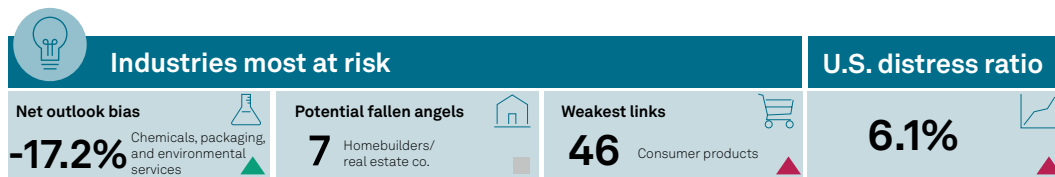
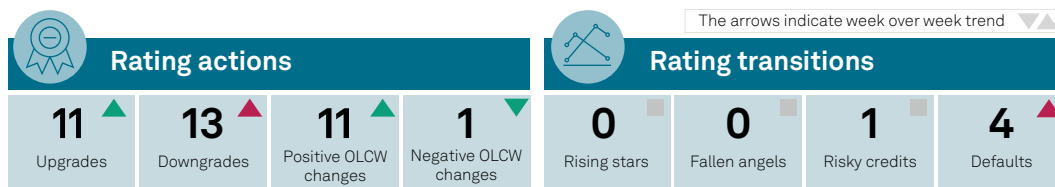
### The Top Line | Feb. 19, 2024

Defaults continued to tick up last week following the confirmation of the highest January tally since 2010. We expect defaults to remain elevated in 2024, particularly in North America. We forecast the trailing-12-month speculative-grade corporate default rate to reach 4.75% in the U.S. and 3.50% in Europe by December 2024. For both regions, it is likely that the peak default rate will occur earlier in 2024 before easing back by the end of the year. In a quiet week ahead, a series of survey data will add color on economic growth in the first quarter, including on European consumer confidence for January (Wednesday), on a range of global flash purchasing managers' indices for February (Thursday), and on the German business climate for February (Friday).

### Key Takeaways

- The outlook for future rating actions suggested improvement. Weekly outlook and CreditWatch trends were positive and net outlook bias improved across both the U.S. and Europe.
- There were four defaults last week, three of which were due to distressed exchanges. These brought this year's default total to 21.
- Credit pricing trends continued to be constructive as spreads narrowed, even as benchmark yields rose.

### Ratings performance trends



Data as of Feb. 15, 2024. 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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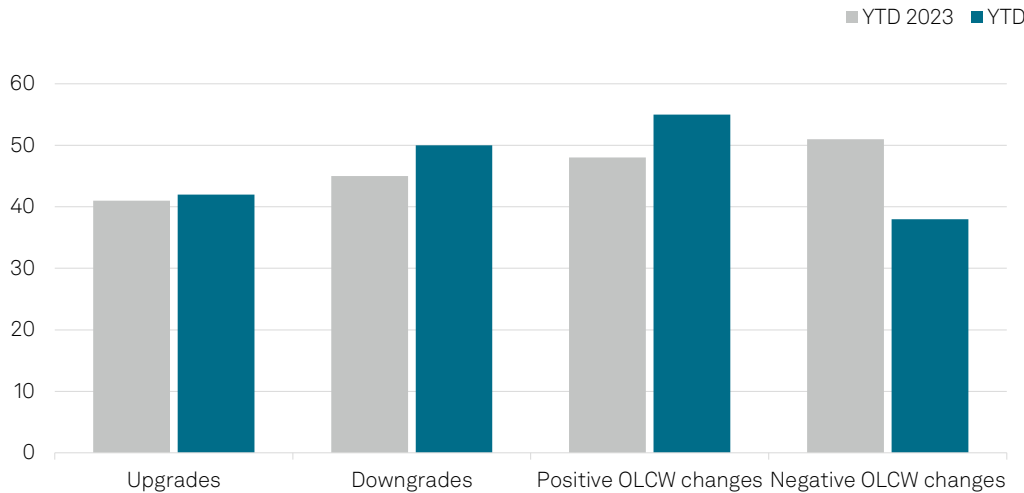


## Year To This Week

Chart 1

### Rating actions

Year-to-date totals



Data as of Feb. 15, 2024 (2023 data is through Feb. 15). OLCW--Outlook/CreditWatch.  
Source: S&P Global Ratings Credit Research & Insights.

## Related Research

[Default, Transition, and Recovery: U.S. Speculative-Grade Corporate Default Rate To Hit 4.75% By December 2024 After Third-Quarter Peak](#), Feb. 15, 2024

[ESG In Credit Ratings February 2024: A Slow Start](#), Feb. 15, 2024

[Default, Transition, and Recovery: European Speculative-Grade Default Rate To Stabilize At 3.5% By December 2024](#), Feb. 15, 2024

[Default, Transition, and Recovery: Highest January For Corporate Defaults Since 2010](#), Feb. 13, 2024

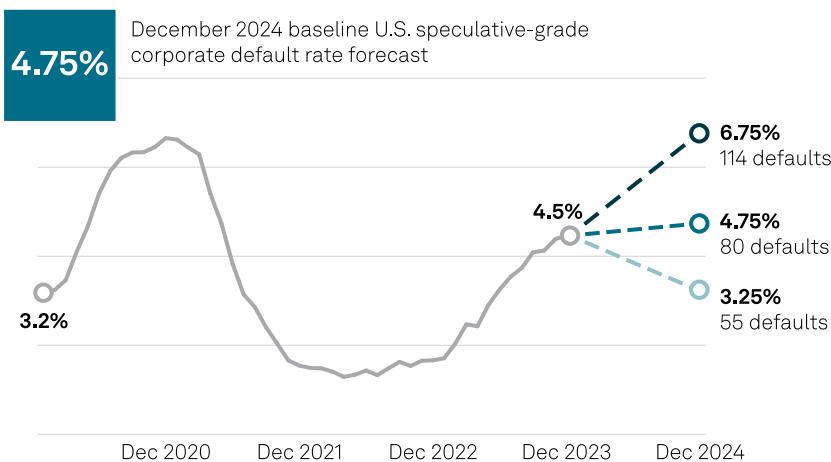
## Upcoming Webinars

[Latin America 2024 Credit Ratings Trends](#), Feb. 20, 2024

## Chart Of The Week

Chart 2

### U.S. speculative-grade default rate to hit 4.75% by December



As of December 2023, S&P Global Ratings rated 1,685 U.S. speculative-grade corporate issuers.

**Pessimistic scenario:** Economic growth slows to a crawl, or possibly enters recession. Stickier or higher inflation remains a considerable obstacle for borrowers if the Fed keeps rates elevated.

**Base scenario:** The default rate finishes the year higher than it is currently, after peaking earlier in the year. Positive market sentiment helps to counter weak fundamentals among lower ratings, which are still a large share of the total.

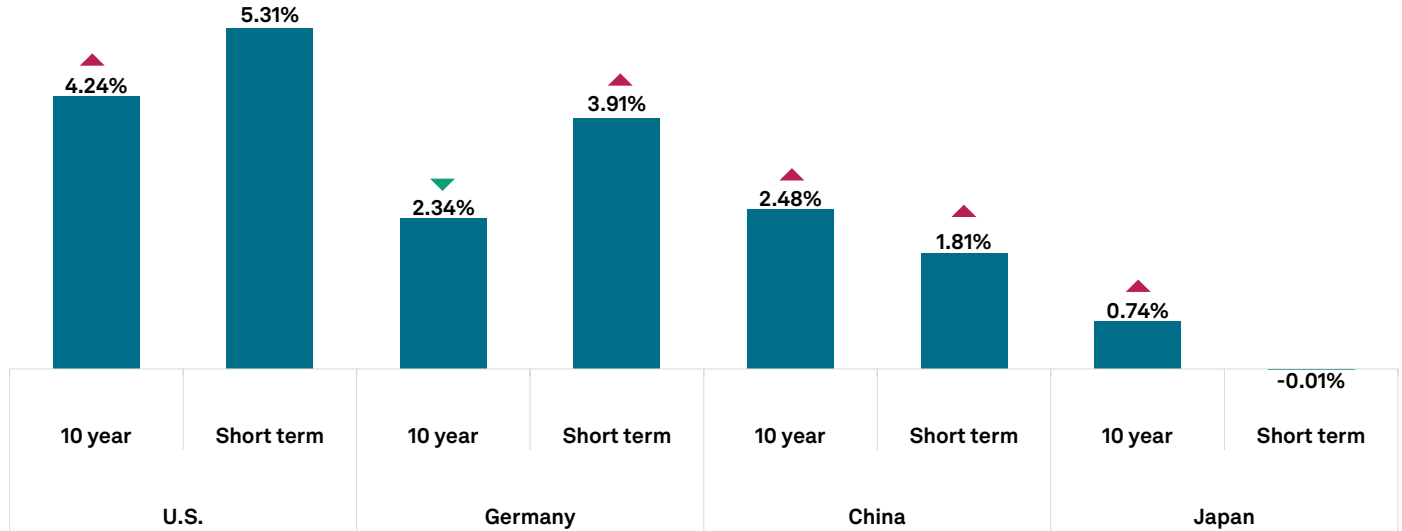
**Optimistic scenario:** Economic growth surprises to the upside once again while inflation and interest rates fall. If consumers remain resilient, this will result in a "soft landing" for the economy and financial markets.

Note: Chart first appeared in '[Default, Transition, and Recovery: U.S. Speculative-Grade Corporate Default Rate To Hit 4.75% By December 2024 After Third-Quarter Peak](#),' published on Feb. 15, 2024. Data as of Dec. 31, 2023. Sources: Leveraged Commentary and Data (LCD) from Pitchbook, a Morningstar company; and S&P Global Ratings Credit Research & Insights and S&P Market Intelligence's CreditPro®.

# Credit Market Conditions

Chart 3

## Benchmark yields



Data as of Feb. 15, 2024, DR007 as of Feb. 18, 2024. 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 4

## Secondary market credit spreads

■ Spread (basis points) ■ Five-year average

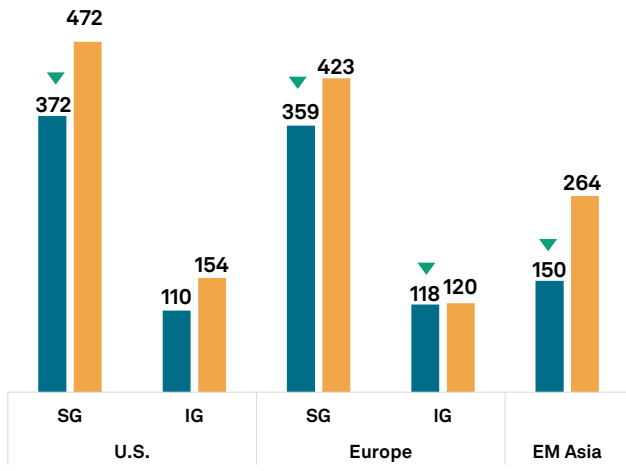
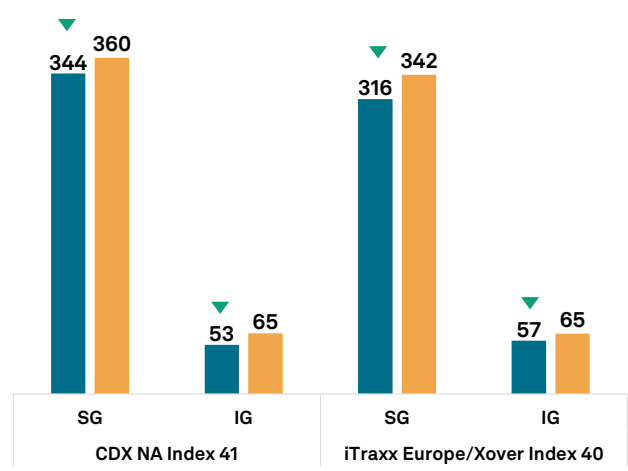


Chart 5

## CDS pricing

■ CDS spreads ■ Five-year average



Data as of Feb. 15, 2024. 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.

## This Week In Credit: Defaults Continue To Climb

Table 1

### Top 10 upgrades and downgrades by debt

Date	Action	Issuer	Industry	Country	To*	From*	Debt volume (mil. \$)
Feb. 9, 2024	Downgrade	Intel Corp.	High technology	U.S.	A-/Negative	A/Negative	50,775
Feb. 13, 2024	Upgrade	Siemens AG	Capital goods	Germany	AA-/Stable	A+/Stable	45,621
Feb. 15, 2024	Upgrade	Targa Resources Corp.	Utilities	U.S.	BBB/Stable	BBB-/Positive	20,550
Feb. 9, 2024	Upgrade	Banco de Sabadell S.A.	Financial institutions	Spain	BBB+/Stable	BBB/Positive	14,228
Feb. 14, 2024	Downgrade	Deutsche Pfandbriefbank AG	Financial institutions	Germany	BBB-/Negative	BBB/Negative	7,712
Feb. 14, 2024	Downgrade	Newell Brands Inc.	Consumer products	U.S.	BB-/Negative	BB/Negative	6,560
Feb. 13, 2024	Upgrade	Infineon Technologies AG	High technology	Germany	BBB+/Stable	BBB/Positive	6,387
Feb. 15, 2024	Downgrade	VF Corp.	Consumer products	U.S.	BBB-/Negative	BBB/Negative	4,793
Feb. 9, 2024	Downgrade	CMG Media Corp. (CMG Holdings Inc.)	Media and entertainment	U.S.	B-/Negative	B/Negative	3,169
Feb. 14, 2024	Downgrade	GoTo Group Inc.	High technology	U.S.	SD/NM	CCC+/Negative	3,000

Data as of Feb. 15, 2024. 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
Feb. 9, 2024	Confidential	Confidential	Telecommunications	D	CC	Confidential
Feb. 14, 2024	CLISA-Compania Latinoamericana de Infraestructura & Servicios S.A.	Argentina	Capital goods	SD	CC	Distressed exchange
Feb. 14, 2024	GoTo Group Inc.	U.S.	High technology	SD	CCC+	Distressed exchange
Feb. 15, 2024	AFE S.A.	U.K.	Financial institutions	SD	CC	Distressed exchange

Data as of Feb. 15, 2024. Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®. Excludes local currency defaults. Preliminary data. 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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