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Investment-Grade Credit Check Q3 2024

Moving On Up

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July 30, 2024

This report does not constitute a rating action

Contents

Investment Grade Landscape

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Overview

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The Top Line

Investment-grade credit trends continued to improve in the second quarter of 2024 as upgrades outpaced downgrades two to one. We expect investment-grade trends to keep improving going forward--despite our expectations that economic growth may slow while rates remain elevated, as positive outlook revisions are easily outpacing negative ones. However, improving trends will not be universal, and we expect positive momentum to moderate, particularly among weaker sectors such as chemicals, packaging, and environmental services; metals, mining, and steel; and homebuilders and real estate.

Key Investment-Grade Takeaways

- Upgrades (led by financial institutions) outpaced downgrades two to one in the second quarter of 2024 as positive rating action momentum continued.
- Downgrades were also led by financial institutions (with seven). Those downgrades were primarily driven by negative rating actions on sovereigns: Two banks each in Peru and Israel were downgraded as a consequence of sovereign downgrades.
- There were nearly twice as many positive outlook or CreditWatch revisions (61) as negative ones (35)--a further sign of likely positive rating momentum in the future.
- Following four additions to negative bias, the chemicals, packaging, and environmental services sector now has the highest negative bias, overtaking homebuilders and real estate. Transportation had the largest increase in positive bias, and four of the six issuers in the sector with a positive outlook are related to European airports or airport services.

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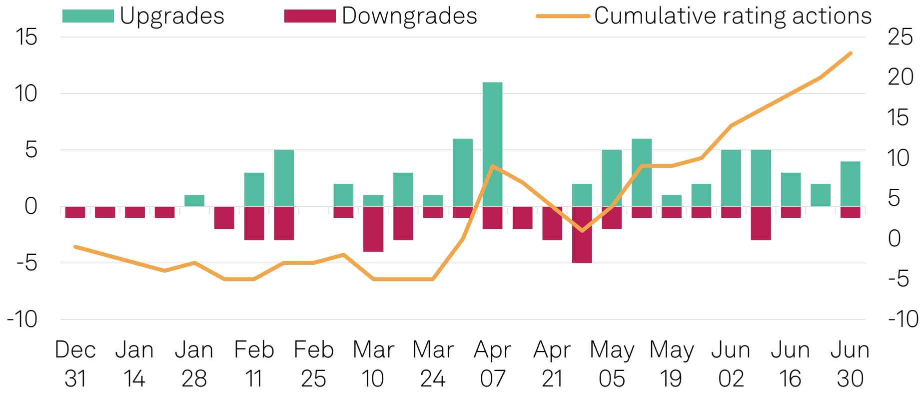
Quarterly Soundbite: Stragglers

The pace of net upgrades has accelerated. The chart on the right shows how stark the change has been. **Upgrades outnumbered downgrades every week since early May.**

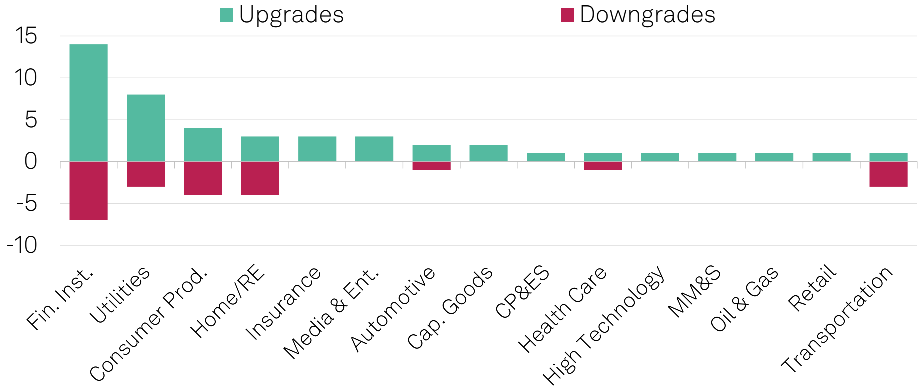
Australian banks dominated upgrades at the start of April. However, since May, upgrades largely came from utilities and consumer products. Regionally, upgrades were evenly split among North America, Europe, and Asia-Pacific. **Latin America and EEMEA recorded no upgrades in Q2.**

The increase in net upgrades is not just about an increase in upgrades (up 109% versus Q1), but also a lack of downgrades (up just 10% versus Q1.) **Nearly all 23 downgrades were concentrated in just five sectors.** Only two sectors had more downgrades than upgrades: home/RE and transportation. Two of the three transportation downgrades were France-based issuers: **Aeroports de Paris** and **Société Nationale SNCF**, both downgraded after a similar action on the sovereign. **Three of the four home/RE downgrades were fallen angels.** Home/RE is one of three sectors with a negative bias above the five-year average, as CRE and property developers face continued challenges.

Upgrades accelerate ahead of downgrades
Upgrades and downgrades (no.)



Nearly all sectors saw more upgrades in Q2
Upgrades and downgrades (no.)



Data as of June 30, 2024. Excludes investment-grade sovereign upgrades and downgrades globally. Downgrades shown as negative numbers. CP&ES--Chemicals, packaging, and environmental services. MM&S--Metals, mining, and steel.
Source: S&P Global Ratings Credit Research & Insights.

Quarterly Ratings Snapshot

Most likely to see downgrades Highest negative biases		Most likely to see upgrades Highest positive biases
BBB 11.7% ↑ +1.3 ppt	**Rating category**	BBB- 12.4% ↑ +2.0 ppt
Latin America 21.4% ↓ -2.1 ppt	**Region**	EEMEA 9.8% ↑ +3.2 ppt
Chemicals, packaging, and environmental services 20.3% ↑ +6.8 ppt Aerospace and defense 14.3% ↑ +4.3 ppt	**Sectors**	Oil and gas 13.7% → Transportation 9.2% ↑ +3.1 ppt

Change from previous period

Positive | No change | Negative

Data as of June 30, 2024. Data includes financial and nonfinancial corporates. ppt--Percentage point. EEMEA--Eastern Europe, the Middle East, and Africa.
Source: S&P Global Ratings Credit Research & Insights.

What To Watch

Positive change | No change | Negative change

	Highest potential for downgrades				Highest potential for upgrades			
			Highest number of issuers with a negative outlook/CreditWatch				Highest number of issuers with a positive outlook/CreditWatch	
Issuer count	Rating category	Negative bias	Sector	Region	Rating category	Positive bias	Sector	Region
6	AAA	16.7% →	Health care (1)	U.S. (1)	AAA	0.0% →	-	-
21	AA+	9.5% ↑	Insurance/Oil and gas (1)	Europe/U.S. (1)	AA+	0.0% →	-	-
21	AA	4.8% ↑	Financial institutions (1)	U.S. (1)	AA	0.0% →	-	-
57	AA-	7.0% →	Financial institutions/High technology/Insurance/Utilities (1)	Asia-Pacific (3)	AA-	1.8% →	Insurance (1)	Europe (1)
113	A+	3.5% ↓	Insurance (2)	Asia-Pacific (2)	A+	0.9% ↑	Transportation (1)	Europe (1)
195	A	6.7% ↓	Financial institutions (5)	Europe (6)	A	3.6% ↓	Insurance (3)	Europe (3)
275	A-	10.5% ↑	Financial institutions (8)	Europe (13)	A-	3.6% ↑	Financial institutions (4)	Europe/U.S. (4)
368	BBB+	10.3% ↓	Financial institutions (11)	U.S. (19)	BBB+	7.6% ↑	Financial institutions (7)	U.S. (15)
419	BBB	11.7% ↑	Financial institutions (12)	U.S. (24)	BBB	3.6% ↓	Consumer products/Financial institutions/Utilities (3)	U.S. (10)
331	BBB-	11.5% ↓	Financial institutions (7)	U.S. (18)	BBB-	12.4% ↑	Financial institutions (17)	Europe (14)

Data as of June 30, 2024. Data excludes special purpose vehicles and issuers in the diversified sector. Source: S&P Global Ratings.

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Global Macroeconomic Update

Positive change | No change | Negative change

	Forecast					Change				
	23	24	25	26	27	23	24	25	26	27
U.S.	2.5	2.5	1.7	1.8	1.9	0.0	0.0	0.2	0.1	0.0
Eurozone	0.6	0.7	1.4	1.4	1.3	0.0	0.1	0.1	0.1	0.0
Germany	0.0	0.3	1.2	1.2	1.1	0.1	0.0	0.0	0.1	0.1
France	1.1	0.9	1.4	1.4	1.3	0.3	0.1	0.0	0.0	0.0
Italy	1.0	0.6	1.1	1.1	1.0	0.0	0.0	0.0	0.0	0.0
Spain	2.5	2.2	1.9	2.0	2.0	0.0	0.4	0.0	0.0	(0.1)
U.K.	0.1	0.6	1.2	1.7	1.7	0.0	0.3	(0.2)	0.0	0.0
Asia-Pacific										
China	5.2	4.8	4.6	4.6	4.4	0.0	0.2	(0.2)	0.0	0.0
Japan	1.8	0.7	1.1	0.9	0.9	0.0	(0.1)	0.0	0.0	0.0
India*	7.7	7.2	6.7	7.2	7.0	0.2	0.4	(0.2)	0.2	0.0
Emerging economies										
Mexico	3.2	2.2	1.7	2.1	2.2	0.0	(0.3)	(0.1)	(0.1)	0.0
Brazil	2.9	2.0	2.0	2.1	2.2	0.0	0.2	0.0	0.0	0.0
S. Africa	0.7	0.9	1.4	1.3	1.2	0.1	(0.4)	(0.1)	(0.1)	(0.2)
World§	3.4	3.3	3.2	3.3	3.3	0.0	0.0	(0.1)	0.0	0.0

*Fiscal year, beginning April 1 in the reference calendar year. §World GDP is in purchasing power parity terms, based on a sample of 33 countries we cover (excluding Russia). Colors indicate percentage point change from prior forecast.
Sources: S&P Global Market Intelligence and S&P Global Ratings (forecasts).

Top Global Trends/Risks

- The long-awaited policy-rate easing cycle has begun in some advanced economies as inflation continues to decline toward targets. The U.S. Federal Reserve remains on hold for now, and some emerging markets are dialing back their monetary easing as a result.
- Our soft-landing narrative remains valid as labor markets remain tight and consumer spending on services remains robust. Indeed, Europe has already landed, and a recovery is taking hold.
- Our GDP forecasts are broadly unchanged from the previous quarter, with growth in some of the more open emerging markets revised upward. The risks around our baseline include a sharp reduction in labor demand and spillovers from a strong U.S. dollar, as well as geopolitics.
- For more information on our global macroeconomic expectations, see "Q3 2024 Global Economic Update: The Policy Rate Descent Begins", published June 26, 2024.

Rating Performance Trends

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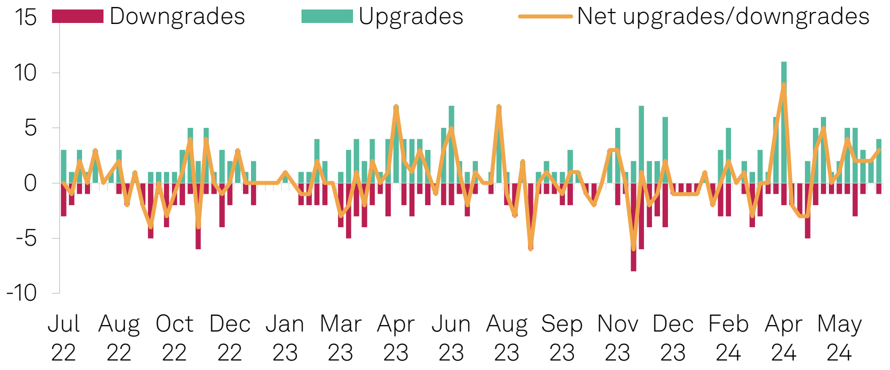
Upgrades/Downgrades

Investment-grade upgrades (46) were double the number of downgrades (23) in Q2. This follows Q1, where upgrades also exceeded downgrades.

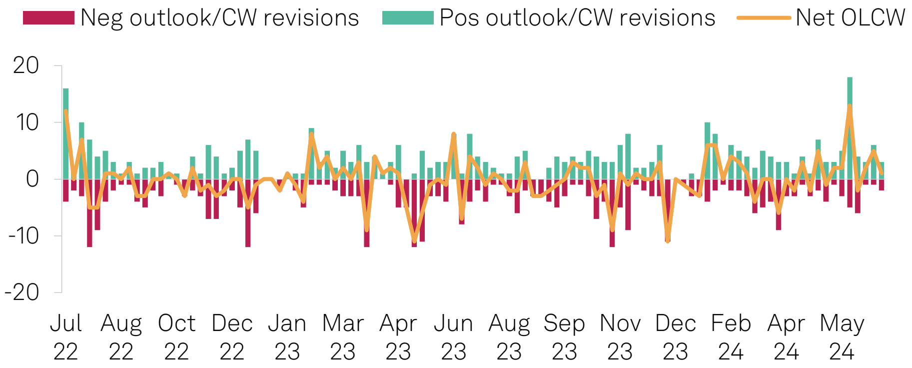
Upgrades were overwhelmingly led by financial institutions (with 14), as **seven Australian banks were upgraded** (see "Most Non-Major Australian Banks Upgraded On Strengthened Institutional Framework; Outlooks Stable," published April 2, 2024). Utilities followed with eight upgrades in Q2, five of them in North America.

Downgrades were led by financial institutions (with 7). Two Peruvian issuers, **Banco BBVA Peru** and **Intercorp Financial Services Inc.**, were downgraded following the same action on the sovereign. In addition, two Israeli banks, **Bank Hapoalim B.M.** and **Bank Leumi le-Israel B.M.**, were downgraded following the same action on the sovereign, since the incremental increase in security risk makes the economic environment less supportive for Israeli banks (see "Various Rating Actions On Israeli Banks On Increased Geopolitical Risks; All Outlooks Negative," published May 2, 2024). The home/RE and consumer products sectors followed with four downgrades each.

Upgrades exceeded downgrades two to one in Q2
Upgrades and downgrades (no.)



Positive outlooks/CreditWatch revisions outpaced negatives
Outlook/CreditWatch revisions (no.)



Data as of June 30, 2024. Excludes investment-grade sovereign upgrades and downgrades globally. Source: S&P Global Ratings Credit Research & Insights.

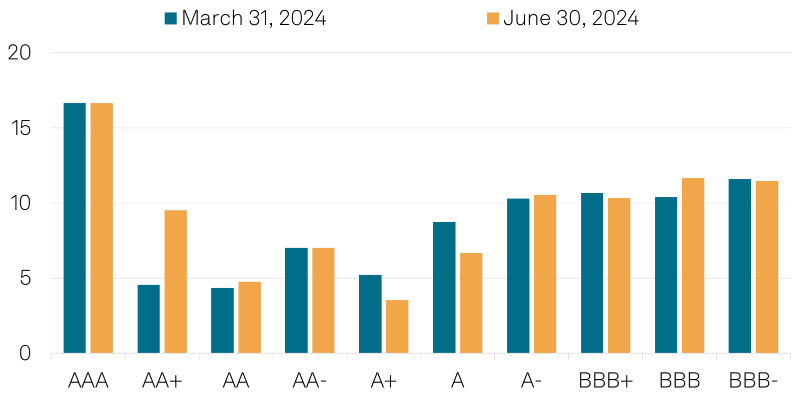
Bias Trends By Region And Rating Level

The quarterly changes in negative bias by rating level were mixed. Four levels saw a quarterly increase, with **'AA+' seeing the largest change.** However, there was only one negative bias addition to 'AA+', **United Services Automobile Assn.**, a property and casualty insurer; the outlook was revised to negative from stable on earnings volatility. That addition had a large percentage impact given the small number of issuers (21) in this level.

Four levels (**'A+', 'A', 'BBB+', and 'BBB-'**) also saw declines in negative bias, with the 'A' level seeing the greatest reduction following net four removals from negative bias across three sectors.

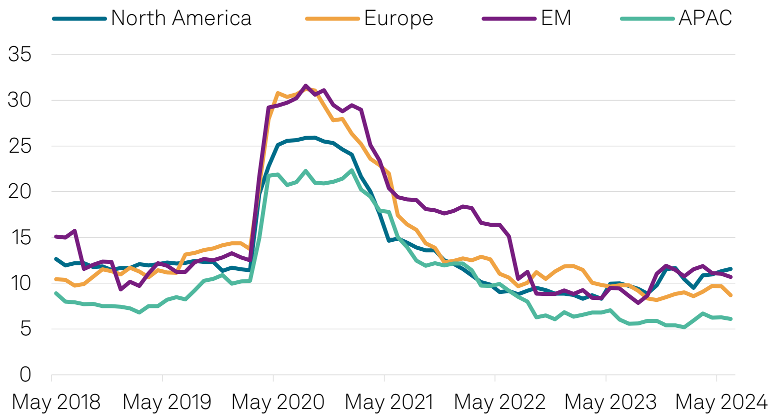
Regionally, negative bias trends appeared to have stabilized at current levels, as minor quarterly declines in Q2 offset the small increases seen in Q1 in almost all regions. North America registered the sole increase in negative bias during Q2, with a small uptick, offsetting a small decline in Q1.

Negative bias mixed across rating levels
Negative bias by rating level (%)



Data as of June 30, 2024. Includes financial and nonfinancial corporates. Financial institutions includes banks and nonbank financial institutions.
Source: S&P Global Ratings Credit Research & Insights.

Negative bias stable across regions
Negative bias by region (%)



Data as of June 30, 2024. Data includes financial and nonfinancial corporates.
Source: S&P Global Ratings Credit Research & Insights.

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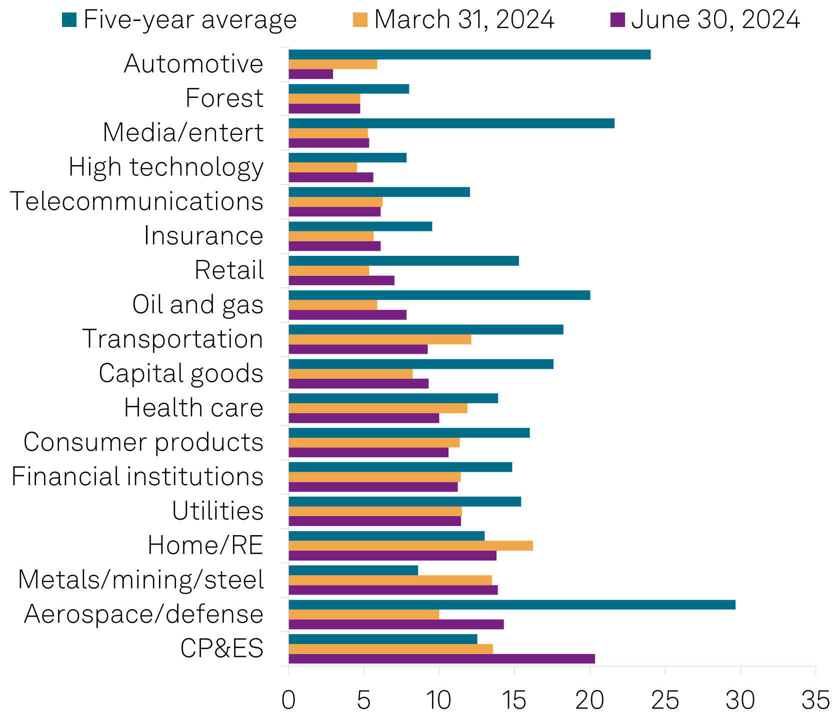
Bias Trends By Sector

Negative bias | Positive bias

Half of the sectors saw an uptick in negative rating bias in Q2 2024 versus Q1 2024. **Chemicals, packaging, and environmental services saw the largest percentage point increase, with four new additions to negative bias, two each from the U.S. and Korea.** The companies were assigned negative outlooks for various reasons, including capital spending, profitability, and separation plans. **Aerospace and defense** followed, with one addition, **Boeing Co.**: The outlook was revised to negative on delayed credit metrics restoration as the company faces heightened production uncertainty related to quality issues affecting its 737 MAX jetliner.

Chemicals, packaging, and environmental services is now the sector with the highest negative bias. Home/RE, the sector with the previous highest, declined following four downgrades, including two issuers that became fallen angels. This was partially offset by two new entrants to negative bias in the U.S. There are only three sectors with negative bias above the five-year average: **Chemicals, packaging, and environmental services; metals, mining, and steel; and homebuilders and real estate.**

Three sectors have neg. bias above the five-year average
Investment-grade negative bias (%)



Data as of June 30, 2024. Includes financial and nonfinancial corporates. Financial institutions includes banks and nonbank financial institutions.
Source: S&P Global Ratings Credit Research & Insights.

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Bias Trends By Sector

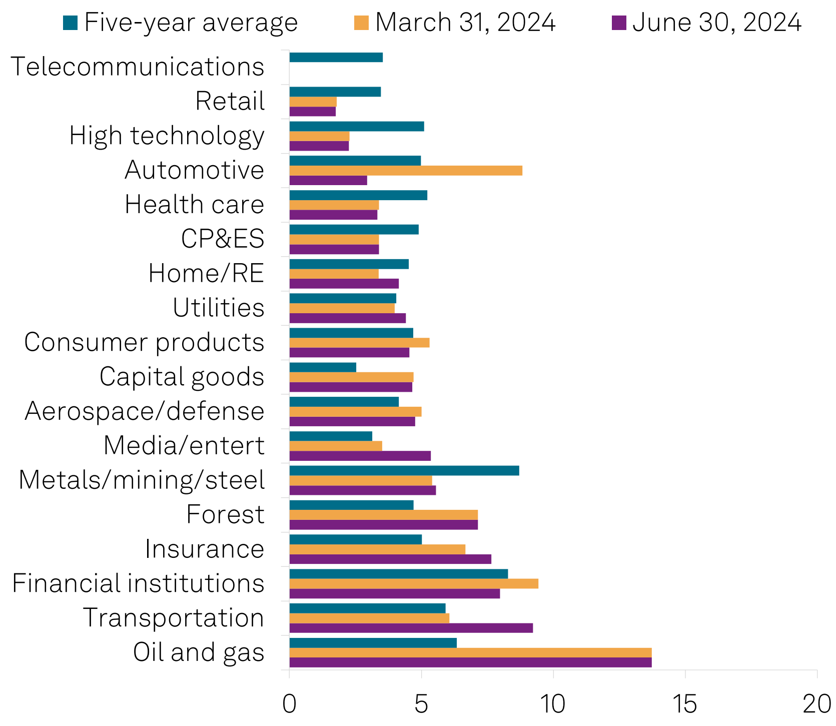
Negative bias | **Positive bias**

Positive bias trends were mixed in Q1, with eight sectors seeing a decline in positive bias. However, six of those declines were under one percentage point and were due to small changes in the issuer base. **The automotive sector had the largest decline in positive bias** following two upgrades and subsequent assignments to stable outlooks: **Daimler Truck Holding AG** was upgraded on resilient profitability and cash flow, and **Contemporary Amperex Technology Co. Ltd.** was upgraded on sustained business growth and low leverage.

Six sectors saw an increase in positive bias, with the transportation sector's rising the most from the first quarter, following three new additions. Notably, of the six issuers on positive bias in transportation, **four are European passenger airlines or airport services companies supported by passenger demand and improving air traffic trends.**

Consequently, transportation is behind only the oil and gas sector when ranking sectors based on upgrade potential. Financial institutions and insurance closely follow.

Transportation saw the largest increase in positive bias
Investment-grade positive bias (%)



Data as of June 30, 2024. Includes financial and nonfinancial corporates. Financial institutions includes banks and nonbank financial institutions.
Source: S&P Global Ratings Credit Research & Insights.

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Debt Outstanding Trends

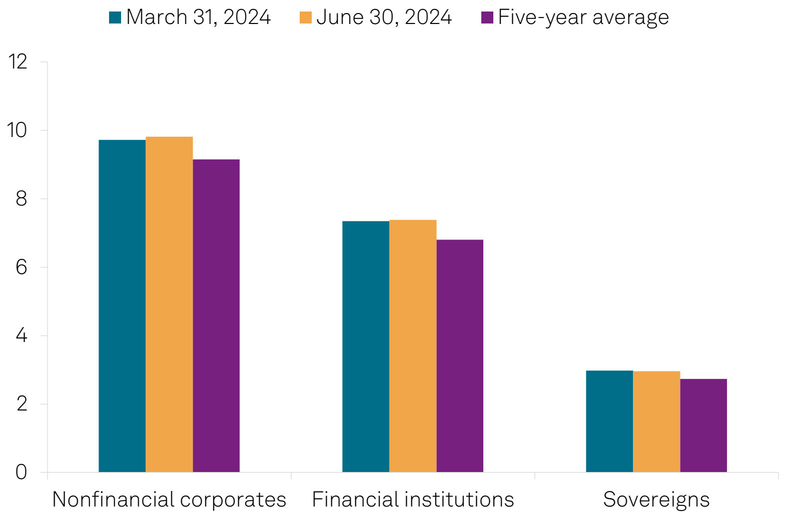
Aggregate debt outstanding across financial and nonfinancial corporates in Q2 was broadly stable versus Q1, with a less than 1% quarter-on-quarter increase. Rising stars (5) were level with fallen angels (5) in the quarter by number, but not by volume, as rising stars net fallen angels added close to $9 billion during Q2.

On a sector basis, metals, mining, and steel saw the greatest increase in debt outstanding in Q2 (up 8% versus Q1). The upgrade of **Freeport-McMoRan Inc.** to investment grade accounted for much of this; that added $7.5 billion to debt outstanding.

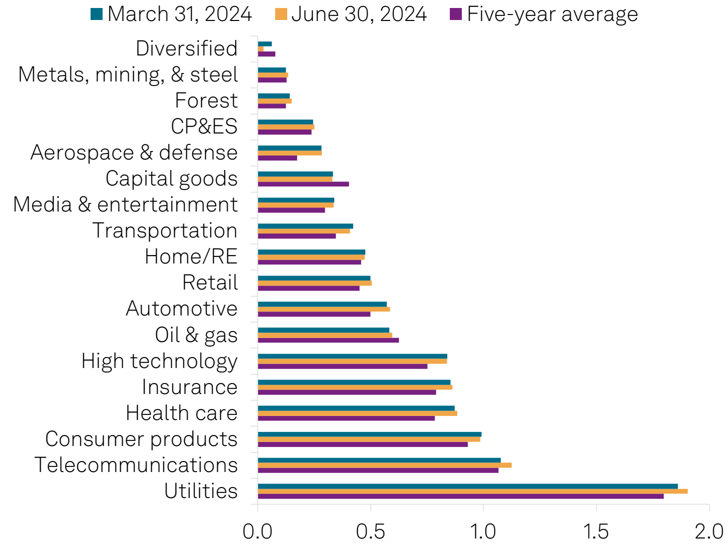
The utilities sector has the highest absolute debt outstanding and the highest number of investment-grade issuers (227 in Q2, up from 226 in Q1). Telecommunications continues to have the highest amount of debt outstanding per issuer, followed by the automotive sector and the oil and gas sector.

Debt outstanding was broadly stable over Q2 2024

Debt outstanding by sector (tril. $)



Debt by sector (tril. $)



Data as of June 30, 2024. Includes sovereign, financial, and nonfinancial corporate issuers. Source: S&P Global Ratings Credit Research & Insights.

Fallen Angels/Rising Stars

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Overview | Fallen Angels | Rising Stars

Rising stars and fallen angels were equal in Q2 2024, with five each.

Among regions, North America led Q2 rising stars, with four upgrades that account for $21.5 billion in debt outstanding and that were spread across sectors.

By debt volume, Denver-based independent natural gas, natural gas liquids, and oil exploration and production company Antero Resources Corp. led rising stars in the second quarter with over $9.3 billion in investment-grade debt. The company was upgraded because of its ability to improve its financial measures and because of the likelihood of continued debt reduction.

The financial institutions sector leads potential rising stars (issuers rated 'BB+' with positive outlooks or ratings on CreditWatch positive) with seven, with the inclusion of two additional banks this quarter: Cyprus-based Bank of Cyprus Public Co. Ltd. and U.S.-based HA Sustainable Infrastructure Capital Inc. Despite macroeconomic headwinds from higher-for-longer interest rates and persistent inflation, both banks have been able to remain profitable and grow.

Meanwhile, China-based property development companies led fallen angels in Q2 with two, including China Vanke Co. Ltd. and Longfor Group Holdings Ltd. A prolonged industry downturn has weakened property sales and compressed margins, combined with slowing land acquisitions, and that is weighing on even investment-grade issuers in the space. The sector also leads potential fallen angels, with six--with companies spread across Europe and the U.S.

Fallen Angels/Rising Stars

Overview | **Fallen Angels** | Rising Stars

Date	Issuer	To	From	Sector/subsector	Country	Rated debt affected (mil. $)
02/26/2024	Braskem S.A. (Odebrecht S.A.)	BB+	BBB-	CP&ES	Brazil	6,200
03/11/2024	ELO	BB+	BBB-	Retail	France	5,014
03/13/2024	New Immo Holding S.A. (ELO)	BB+	BBB-	Home/real estate	France	328
03/27/2024	Paramount Global	BB+	BBB-	Media and entertainment	U.S.	18,379
04/10/2024	China Vanke Co. Ltd.	BB+	BBB+	Home/real estate	China	2,593
04/12/2024	Longfor Group Holdings Ltd.	BB+	BBB-	Home/real estate	Cayman Islands	1,500
04/25/2024	Asplundh Tree Expert LLC	BB+	BBB-	Consumer products	U.S.	2,995
04/26/2024	Intercorp Financial Services Inc. (Intercorp Peru Ltd.)	BB+	BBB-	Financial institutions	Peru	1,600
05/31/2024	CPI Property Group S.A.	BB+	BBB-	Home/real estate	Luxembourg	6,299

Data as of June 30, 2024. Fallen angels are defined as investment-grade issuers currently with bonds outstanding that have been downgraded into speculative grade (i.e., from 'BBB-' or above, to 'BB+' or below). Includes all rated issuers with valid outstanding debt at the time of the rating action. Valid debt includes issuer-level debt (both secured and unsecured), bank loans, subordinated debt, medium term notes (MTN), preferred stock, convertible debt, and drawdowns under MTN programs and excludes commercial paper programs, shelf registrations, certificates of deposit, and debt rated on a confidential basis. This debt may be rated above or below the issuer credit rating. Moreover, if a subsidiary's parent is itself a fallen angel, only the parent is counted. Excludes sovereigns. CP&ES--Chemicals, packaging, and environmental services. Source: S&P Global Ratings Credit Research & Insights.

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Fallen Angels/Rising Stars

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Overview | Fallen Angels | **Rising Stars**

Date	Issuer	To	From	Sector/subsector	Country	Rated debt affected (mil. $)
01/05/2024	NASCAR Holdings LLC	BBB	BB+	Media and entertainment	U.S.	1,410
01/08/2024	MGIC Investment Corp.	BBB-	BB+	Insurance	U.S.	650
01/08/2024	Radian Group Inc.	BBB-	BB+	Insurance	U.S.	1,425
02/22/2024	Iccrea Banca SpA	BBB-	BB+	Financial institutions	Italy	2,986
03/05/2024	Cellnex Telecom S.A.	BBB-	BB+	Telecommunications	Spain	10,408
03/06/2024	Enlink Midstream LLC	BBB-	BB+	Utilities	U.S.	6,228
03/07/2024	TechnipFMC PLC	BBB-	BB+	Oil and gas	U.K.	1,245
03/13/2024	Cemex S.A.B. de C.V.	BBB-	BB+	Forest products and building materials	Mexico	5,187
03/14/2024	Rolls-Royce PLC (Rolls-Royce Holdings PLC)	BBB-	BB+	Aerospace and defense	U.K.	5,196
03/29/2024	Ali Holding Srl	BBB-	BB+	Capital goods	Italy	2,250
05/06/2024	Videotron Ltee (Quebecor Inc.)	BBB-	BB+	Telecommunications	Canada	3,875
05/13/2024	Freeport-McMoRan Inc.	BBB-	BB+	Metals, mining, and steel	U.S.	7,462
05/15/2024	Antero Resources Corp.	BBB-	BB+	Oil and gas	U.S.	9,300
05/27/2024	Empresa Nacional del Petroleo	BBB-	BB+	Utilities	Chile	2,440
06/05/2024	Masonite International Corp. (Owens Corning)	BBB	BB+	Forest products and building materials	Canada	875

Data as of June 30, 2024. Rising stars are defined as speculative-grade issuers currently with bonds outstanding that have been upgraded into investment grade (i.e., from 'BB+' and below, to 'BBB-' and above). Includes all rated issuers with valid outstanding debt at the time of the rating action. Valid debt includes issuer-level debt (both secured and unsecured), bank loans, subordinated debt, medium term notes (MTN), preferred stock, convertible debt, and drawdowns under MTN programs and excludes commercial paper programs, shelf registrations, certificates of deposit, and debt rated on a confidential basis. This debt may be rated above or below the issuer credit rating. Moreover, if a subsidiary's parent is itself a rising star, only the parent is counted. Excludes sovereigns. Source: S&P Global Ratings Credit Research & Insights.

Transition Matrices

3-month | 12-month | 3-month (2008-09) | 12-month (2008-09)

3-month corporate transition rates (%)

Positive change in transition rate, quarter on quarter
Negative change in transition rate, quarter on quarter

	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+
AAA	**100.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
AA+	0.0	**98.3**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
AA	0.0	1.4	**95.8**	2.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
AA-	0.0	0.0	0.0	**96.8**	1.9	0.0	0.0	0.0	0.0	0.0	0.0
A+	0.0	0.0	0.0	0.5	**96.1**	2.3	0.0	0.0	0.0	0.0	0.0
A	0.0	0.0	0.0	0.0	2.6	**95.9**	0.9	0.2	0.0	0.0	0.0
A-	0.0	0.0	0.0	0.0	0.2	1.6	**96.3**	1.5	0.0	0.0	0.0
BBB+	0.0	0.0	0.0	0.0	0.0	0.2	3.3	**95.6**	0.6	0.0	0.2
BBB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.4	**92.4**	1.4	0.0
BBB-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.3	**95.0**	1.0
BB+	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	2.1	**93.0**

Transition rates compare issuer credit ratings at the beginning of a period with the ratings at the end of the period. Three-month and 12-month corporate transition rates ending June 30, 2024. In order to compare current transition rates to previous periods of stress, we show transition rates for the Great Financial Crisis period. For both three-month and 12-month corporate transition rates during the GFC, we determined the month with the highest investment-grade downgrade ratio (downgrades/total rating actions)--therefore, the three-month and 12-month corporate transition rates for the period ending March 2009. Sources: S&P Global Market Intelligence's CreditPro® and S&P Global Ratings Credit Research & Insights.

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Transition Matrices

3-month | **12-month** | 3-month (2008-09) | 12-month (2008-09)

12-month corporate transition rates (%)

Positive change in transition rate, quarter on quarter

Negative change in transition rate, quarter on quarter

	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+
AAA	**100.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
AA+	0.0	**96.6**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
AA	0.0	1.4	**93.2**	4.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
AA-	0.0	0.0	0.0	**95.9**	2.7	0.0	0.0	0.0	0.0	0.0	0.0
A+	0.0	0.0	0.0	1.8	**92.7**	3.4	0.3	0.0	0.0	0.0	0.0
A	0.0	0.0	0.0	0.0	5.0	**87.0**	5.4	0.2	0.0	0.0	0.0
A-	0.0	0.0	0.0	0.0	0.2	6.0	**86.4**	4.9	0.2	0.0	0.0
BBB+	0.0	0.0	0.0	0.0	0.0	0.2	6.0	**86.5**	4.1	0.3	0.2
BBB	0.0	0.0	0.0	0.0	0.0	0.0	0.3	9.3	**81.2**	4.9	0.0
BBB-	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2	10.1	**81.3**	3.6
BB+	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	11.3	**76.5**

Transition rates compare issuer credit ratings at the beginning of a period with the ratings at the end of the period. Three-month and 12-month corporate transition rates ending June 30, 2024. In order to compare current transition rates to previous periods of stress, we show transition rates for the Great Financial Crisis period. For both three-month and 12-month corporate transition rates during the GFC, we determined the month with the highest investment-grade downgrade ratio (downgrades/total rating actions)--therefore, the three-month and 12-month corporate transition rates for the period ending March 2009. Sources: S&P Global Market Intelligence's CreditPro® and S&P Global Ratings Credit Research & Insights.

S&P Global Ratings

Transition Matrices

3-month | 12-month | **3-month (2008-09)** | 12-month (2008-09)

3-month corporate transition rates during the Great Financial Crisis (%)

	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+
AAA	**78.1**	6.1	0.0	1.2	1.2	2.4	0.0	1.2	0.0	0.0	0.0
AA+	0.0	**35.9**	28.3	3.8	26.4	0.0	1.9	0.0	0.0	0.0	0.0
AA	0.0	4.6	**50.7**	21.0	13.7	3.7	2.3	0.0	0.5	0.5	0.0
AA-	0.0	0.0	2.3	**60.2**	18.9	10.2	0.0	0.8	0.0	0.0	0.4
A+	0.0	0.0	0.3	3.8	**64.1**	16.3	5.6	1.3	1.3	0.0	0.6
A	0.0	0.0	0.2	0.4	4.0	**71.9**	11.8	1.7	1.3	0.2	0.0
A-	0.0	0.0	0.0	0.0	0.0	6.2	**75.9**	8.6	2.2	1.0	0.2
BBB+	0.0	0.0	0.0	0.0	0.4	0.6	7.1	**68.6**	13.8	2.5	0.0
BBB	0.0	0.0	0.0	0.0	0.0	0.4	0.0	4.8	**75.1**	8.8	2.0
BBB-	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2	7.1	**69.9**	7.6
BB+	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.3	10.2	**60.9**

Transition rates compare issuer credit ratings at the beginning of a period with the ratings at the end of the period. The transition tables above can be read from left to right and show us the percentage of issuers that transitioned from the rating shown on the left, to the rating shown on the top. Three-month and 12-month corporate transition rates ending March 2024. To compare current transition rates to previous periods of stress, we show transition rates for the Global Financial Crisis period. For both three-month and 12-month corporate transition rates during the GFC, we determined the month with the highest investment-grade downgrade ratio (downgrades/total rating actions)--therefore, the three-month and 12-month corporate transition rates for the period ending March 2009. Sources: S&P Global Market Intelligence's CreditPro® and S&P Global Ratings Credit Research & Insights.

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Ratings

Transition Matrices

S&P Global Ratings

3-month | 12-month | 3-month (2008-09) | **12-month (2008-09)**

12-month corporate transition rates during the Great Financial Crisis (%)

	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+
AAA	**83.8**	5.4	4.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
AA+	0.0	**54.1**	37.8	5.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
AA	0.0	0.5	**56.5**	22.0	11.5	0.5	0.5	0.0	0.0	1.0	0.5
AA-	0.0	0.0	2.3	**59.3**	24.9	5.3	0.8	1.1	0.0	0.0	0.0
A+	0.0	0.3	0.3	0.9	**67.1**	18.0	2.4	2.1	0.9	0.9	0.0
A	0.0	0.0	0.0	0.2	2.5	**69.9**	16.2	1.9	1.7	0.0	0.2
A-	0.0	0.0	0.0	0.0	0.0	3.7	**73.0**	11.2	2.6	1.7	0.6
BBB+	0.0	0.0	0.0	0.0	0.0	0.2	4.5	**66.9**	16.9	2.2	1.2
BBB	0.0	0.0	0.0	0.0	0.0	0.4	0.6	3.1	**74.7**	9.3	3.5
BBB-	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.5	5.8	**67.7**	7.6
BB+	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.9	7.8	**56.5**

Transition rates compare issuer credit ratings at the beginning of a period with the ratings at the end of the period. The transition tables above can be read from left to right and show us the percentage of issuers that transitioned from the rating shown on the left, to the rating shown on the top. Three-month and 12-month corporate transition rates ending March 2024. To compare current transition rates to previous periods of stress, we show transition rates for the Global Financial Crisis period. For both three-month and 12-month corporate transition rates during the GFC, we determined the month with the highest investment-grade downgrade ratio (downgrades/total rating actions)--therefore, the three-month and 12-month corporate transition rates for the period ending March 2009. Sources: S&P Global Market Intelligence's CreditPro® and S&P Global Ratings Credit Research & Insights.

Credit Pricing Themes

Read on ↓

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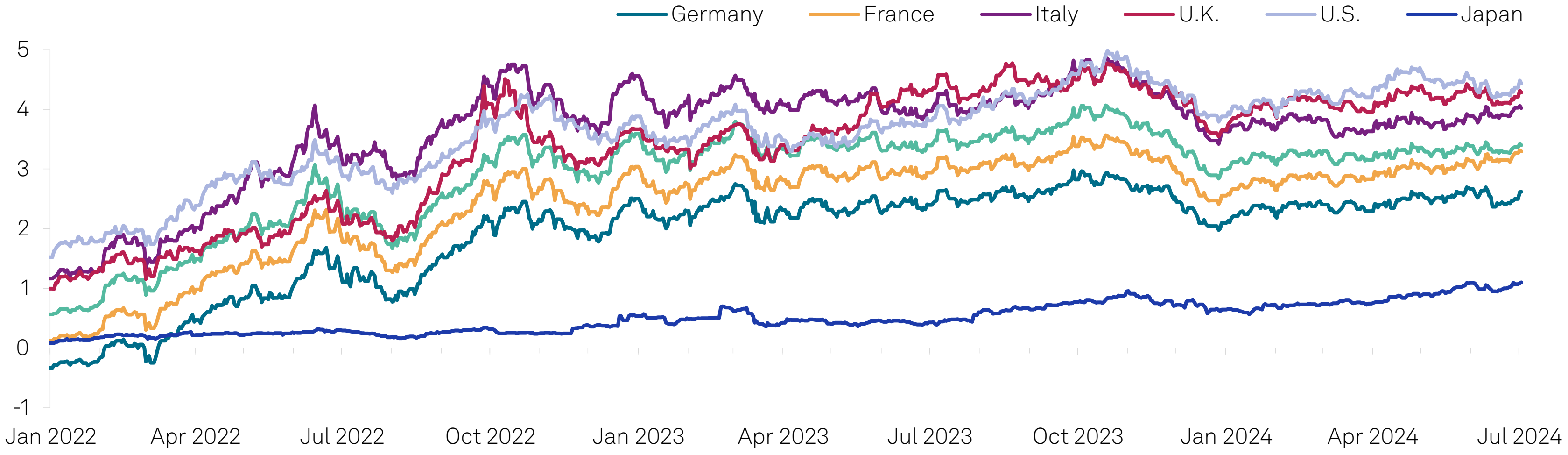
Ratings

Market Benchmarks

Benchmark Yield | Secondary Market | IG Yields | IG CDS | iBoxx

Global benchmark yields (%)



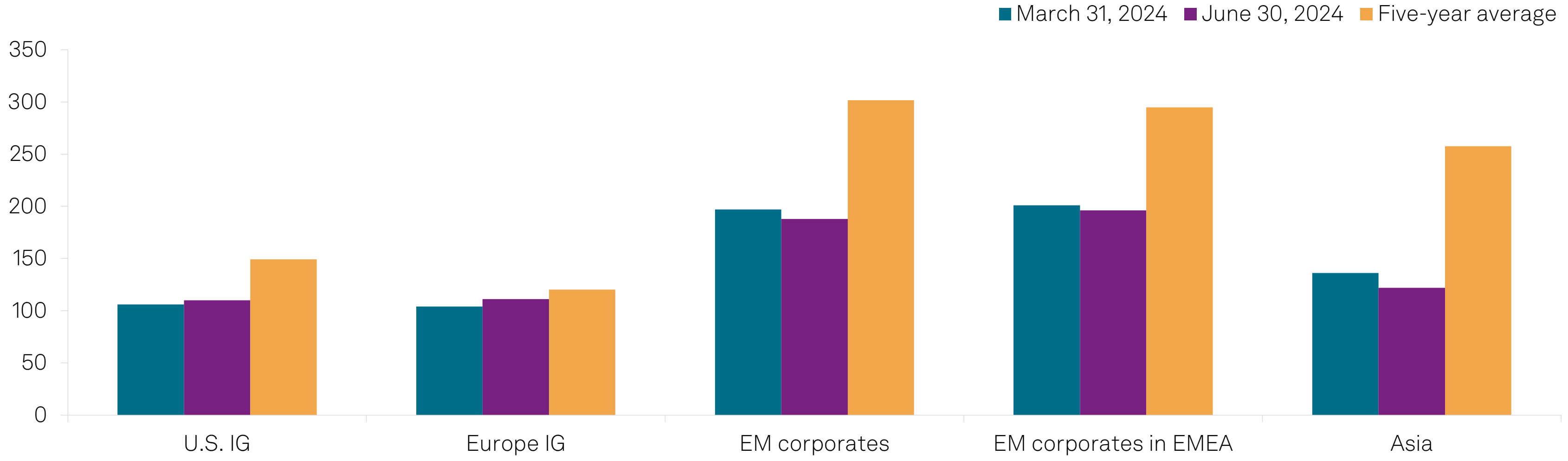
Data as of July 2, 2024. Sources: S&P Global Market Intelligence Capital IQ and S&P Global Ratings Credit Research & Insights.

S&P Global Ratings

Market Benchmarks

Benchmark Yield | **Secondary Market** | IG Yields | IG CDS | iBoxx

Regional secondary-market spreads (bps)



Data as of June 30, 2024. bps--Basis points. Sources: ICE Benchmark Administration Ltd. (IBA); “ICE BofAML Asia Emerging Markets Corporate Plus Sub-Index Option-Adjusted Spread” and “ICE BofAML Europe, the Middle East, and Africa (EMEA) Emerging Markets Corporate Plus Sub-Index Option-Adjusted Spread,” retrieved from Federal Reserve Economic Data (FRED); “U.S. Investment-Grade and Speculative-Grade Spreads” from S&P Global Ratings; and “Europe Investment-Grade Spreads” from S&P Dow Jones Indices.

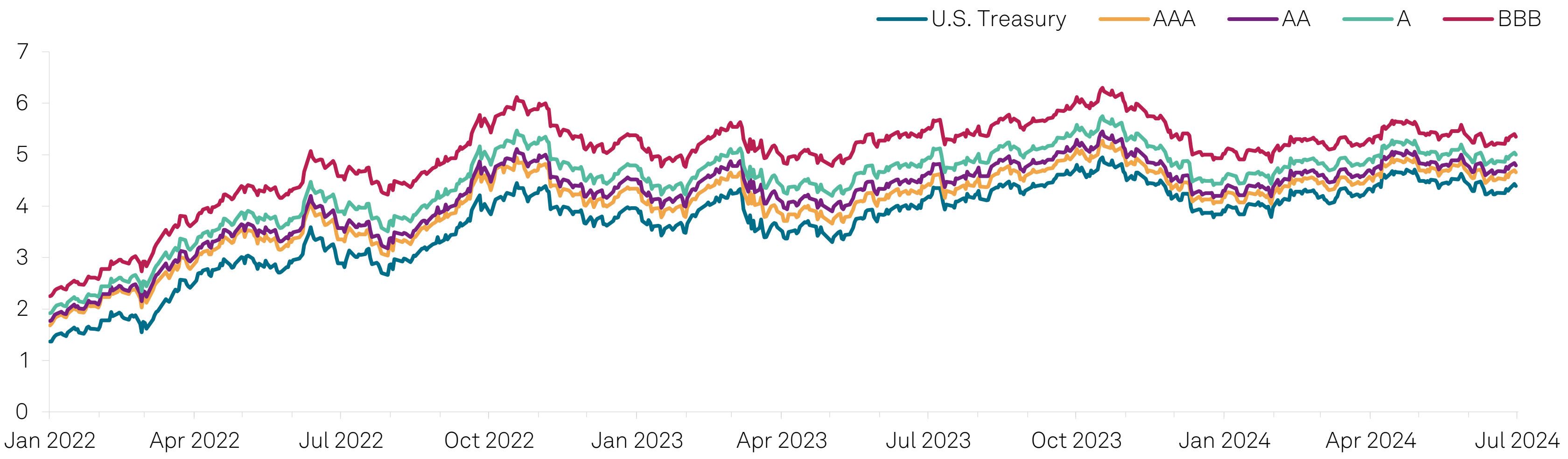
Secondary-market spreads tightened further in the U.S. and Europe, though the pace of tightening has slowed.

S&P Global Ratings

Market Benchmarks

Benchmark Yield | Secondary Market | **IG Yields** | IG CDS | iBoxx

Investment-grade U.S. bond yields (%)



Data as of July 2, 2024. Data includes five-year maturity yields. Source: S&P Global Ratings Credit Research & Insights.

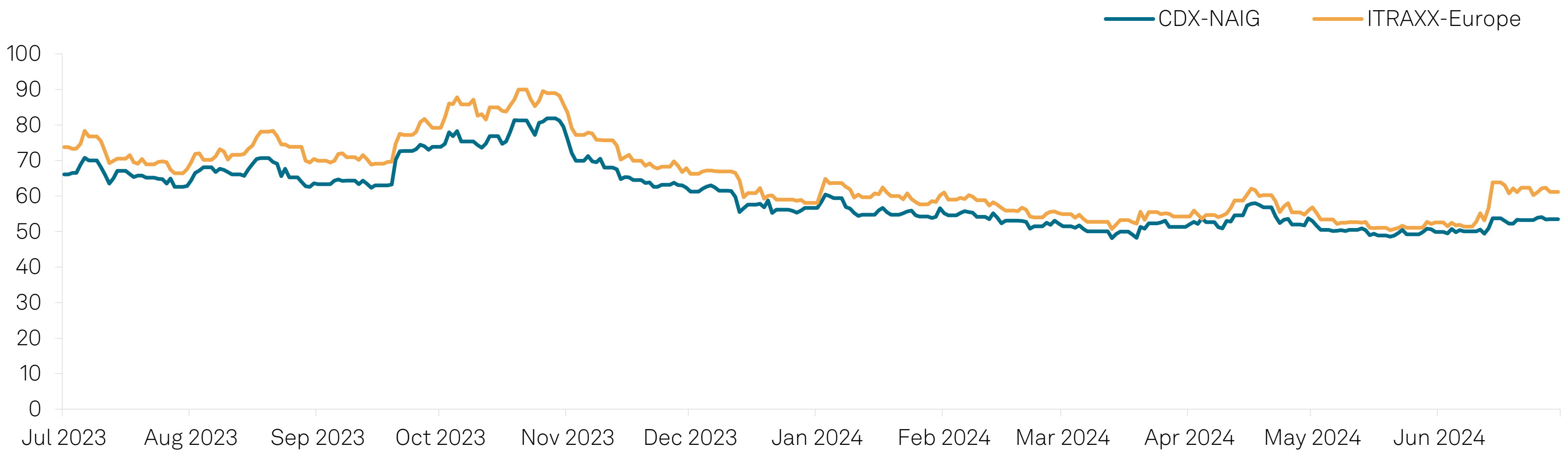
Corporate yields ended the quarter about 5% higher than where they were in April 2024 and 20% higher than where they were at the start of 2024.

S&P Global Ratings

Market Benchmarks

Benchmark Yield | Secondary Market | IG Yields | **IG CDS** | iBoxx

CDX-NAIG 5 Y versus ITRAXX-Europe 5 Y (bps)



Data as of June 30, 2024. bps--Basis points. Sources: CDX-NAIG 5 Y ConvSpread vs ITRAXX-Europe 5 Y, S&P Global Market Intelligence.

The CDX-NAIG increased 4% since the end of Q1, while the ITRAXX-Europe five-year closed nearly 13% above--partially attributable to election uncertainty during Q2.

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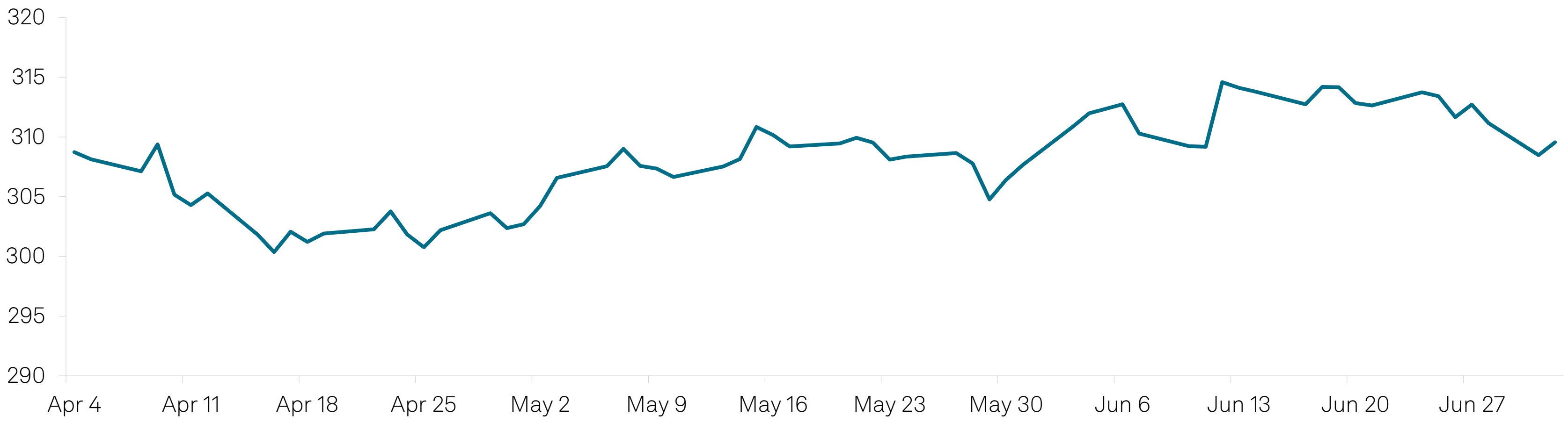
Market Benchmarks

Benchmark Yield | Secondary Market | IG Yields | IG CDS | **iBoxx**

iBoxx USD Liquid IG, total return index level



Data as of July 2, 2024. ETF indices that speak to liquidity/tone in the investment-grade market. The index shown is used as the benchmark for one of the largest investment-grade ETFs in the market (LQD), and it has a robust liquidity ecosystem backing it via the credit derivatives market. Source: S&P Dow Jones Indices.

The iBoxx $ Liquid Investment Grade Bond Index ended Q2 at broadly the same level as Q1 2024.

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Glossary

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Ratings

Negative bias--Percentage of issuers with negative outlooks or ratings on CreditWatch negative.

OLCW--Outlooks and CreditWatch placements.

Positive bias--Percentage of issuers with positive outlooks or ratings on CreditWatch positive.

Potential downgrade--An issuer rated by S&P Global Ratings with a negative outlook or on CreditWatch negative.

Potential upgrade--An issuer rated by S&P Global Ratings with a positive outlook or on CreditWatch positive.

Potential fallen angels--Issuers rated 'BBB-' on either negative outlook or CreditWatch negative.

Potential rising stars--Issuers rated 'BB+' on either positive outlook or CreditWatch positive.

Rising stars--Issuers upgraded to investment grade from speculative grade.

Fallen angels--Issuers downgraded to speculative grade from investment grade.

Related Research

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- Credit Trends: Global Refinancing Update Q3 2024: Near-Term Risk Eases, July 29, 2024
- Credit Trends: Global Financing Conditions: Early Issuance Should Support Growth Through Second-Half Slowdown, July 29, 2024
- Global Credit Markets Update Q3 2024: On An Upward Curve , July 29, 2024
- This Week In Credit: Mixed Signals, July 29, 2024
- CreditWeek: What Will Recent European Election Results Mean For Sovereign Debt And Ratings? July 18, 2024
- ESG In Credit Ratings Q2 2024: Governance Factors Drive Quarter's ESG-Related Rating Actions, July 18, 2024
- Default, Transition, and Recovery: Defaults Drop In June , July 17, 2024
- Default, Transition, and Recovery: 2023 Annual European Corporate Default And Rating Transition Study, July 15, 2024
- Ratings Performance Insights: Q2 2024, July 15, 2024
- This Month In Credit: Inflation Cools As Geopolitics Heats Up, June 27, 2024
- Credit Trends: Private Credit Payment Defaults Rose In 2023 As Weaker Borrowers Struggled To Service Debt, June 26, 2024
- Default, Transition, and Recovery: 2023 Annual Global Financial Services Default And Rating Transition Study, June 24, 2024

Please find comprehensive lists of all upgrades and downgrades among corporates rated investment grade by S&P Global Ratings in our Data Companion.

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