

# The Ratings View

September 18, 2024

This report does not constitute a rating action.

## Key Takeaways

- The U.S. accounted for more than 70% of the 11 defaults in August.
- U.S. Federal Reserve interest rate cuts are historically positive for real estate.
- Loan documentation is tighter in private credit than for broadly syndicated loans.

**The global corporate default count rose to 11 in August, from nine in July, bringing the year-to-date total to 98.** This is just above the five-year average of 96 and below the year-to-date count in 2023 of 107. With the slight uptick in defaults, monthly defaulted debt more than doubled to \$14.9 billion. This was mostly driven by defaults from the high technology and telecommunication sectors. Distressed exchanges accounted for 82% of defaults in August, materially higher than the 67% in July, and represented 55% of year-to-date defaults, driven by U.S.-based issuers. Defaults in Europe fell in August compared to the previous few months, but still exceed 2023 year-to-date and remain at their highest level since 2008.

[Default, Transition, and Recovery: Monthly Defaulted Debt More Than Doubled To \\$14.9 Billion In August](#)

**Interest rate cuts from the Federal Reserve are historically positive for real estate.** We expect they will drive more transactions and price discovery. Commercial real estate (CRE) remains under pressure due to cooling economic growth and consumer spending. Rent growth has generally slowed and occupancy ticked lower. CRE finance companies' loan portfolios will remain under pressure given growing underperforming loans. For CRE services issuers, sales and leasing transactions may be at an inflection point while recurring property and facilities management business remain stable. Rated equity REITs reported resilient operating performance across most property types in the second quarter. We still expect homebuilder revenues to increase through higher community counts and closings on average. Demand in the building materials sector will remain weak.

[Real Estate Monitor: Rate Cuts Could Spur Sector Recovery](#)

**Private credit agreements have tighter loan documentation than the syndicated loan market** based on our review of select provisions from a sample of companies that moved from the broadly syndicated loan market to the private market. Most private credit agreements have financial maintenance covenants; there is an inverse relationship between the size of entities and the presence of financial maintenance covenants. Distressed private credit entities have utilized payment-in-kind (PIK) provisions and extension of maturities extensively to address liquidity and financing issues. Increasingly, PIK is used as an opportunistic pricing option to address high interest rates, even among better-performing credits.

[Leveraged Finance: Documentation, Flexible Structuring Continue To Reign In Private Credit](#)

## Contacts

### Gareth Williams

London  
Head of Corporate Credit Research  
+44-20-7176-7226  
gareth.williams@spglobal.com

### Gregg Lemos-Stein

New York  
Chief Analytical Officer,  
Corporate Ratings  
+1-212-438-1809  
gregg.lemos-stein@spglobal.com

### Joe Maguire

New York  
Lead Research Analyst  
joe.maguire@spglobal.com

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## Asset Class Highlights

### Corporates

Notable publications include:

- [U.S. Containers & Packaging Newsletter: Issuers Emerging From Worst Of Destocking](#)
- [North American Investor-Owned Utilities' Hybrid Issuance Hits New Record](#)
- [Utilities Handbook 2024: Western Europe Regulated Gas](#)
- [Credit FAQ: Can Operators Navigate Pitfalls In Asia-Pacific's Data Center Boom?](#)
- [Leveraged Finance: Documentation, Flexible Structuring Continue To Reign In Private Credit](#)
- [Default, Transition, and Recovery: Monthly Defaulted Debt More Than Doubled To \\$14.9 Billion In August](#)
- [Sector Review: Taiwan Container Carriers: Megaship Deliveries Will Be A Game-Changer](#)
- [The Energy Transition, Geopolitics, And Cannibalization Are Shaping Europe's Power Prices](#)
- [Some European Power Markets Will Suffer As Renewables Put Pressure On Prices](#)
- [U.S. Transportation Infrastructure Transit Update: Sector View Now Stable As Dedicated Tax Growth Mitigates Lower Ridership Revenue](#)

### Financial Institutions

We published several commentaries including:

- [Research Update: Bank Polska Kasa Opieki Upgraded To 'A-' On Additional Loss-Absorbing Capacity; Outlook Stable](#)
- [Research Update: Thailand's Muangthai Capital Public Co. Ltd. Assigned 'BB-' Rating; Outlook Stable](#)
- [Bulletin: UniCredit's Purchase Of A Significant Stake In Commerzbank Could Pave The Way For A More Transformational Deal](#)
- [Your Three Minutes In Cambodian Banking: Covenant Breaches Point To A Survival Of The Fittest](#)
- [Your Three Minutes In China TLAC: The Deposit Insurance Fund Will Come In Handy](#)
- [Jordan-Based Arab Bank PLC And Some Branches And Subsidiaries Upgraded; All Outlooks Stable](#)

### Sovereign

- [Croatia Upgraded To 'A-' On Reform Progress; Outlook Positive](#)
- [Saudi Arabia Outlook Revised To Positive On Sustained Reform Momentum; 'A/A-1' Ratings Affirmed](#)
- [Togo Outlook Revised To Positive On Prospect Of Improved Budgetary And External Positions; 'B/B' Ratings Affirmed](#)

## Research Contributors

### Financial Institutions

#### Matthew Albrecht

matthew.albrecht@spglobal.com

#### Mehdi El mrabet

mehdi.el-mrabet@spglobal.com

### Structured Finance

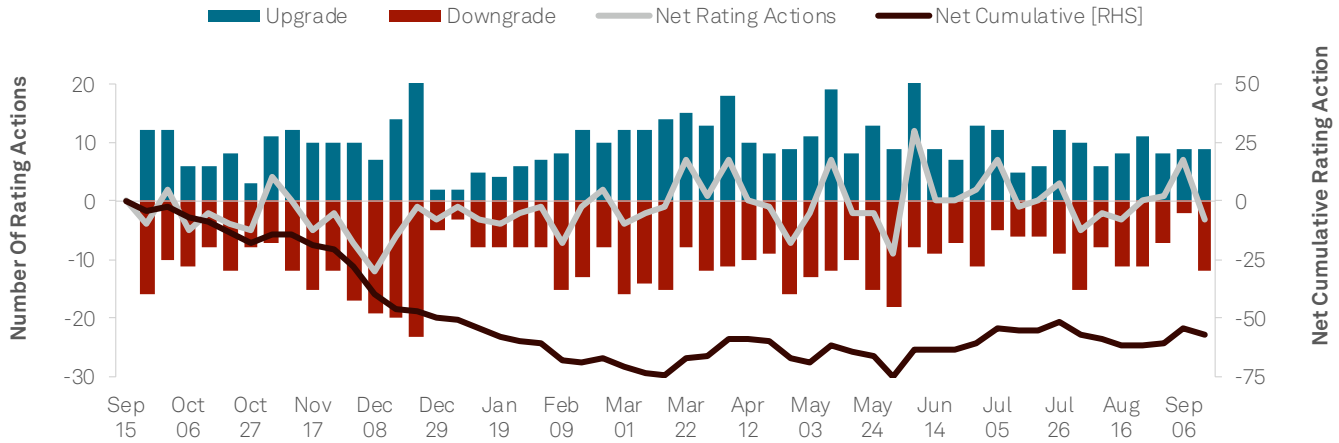
#### Winston Chang

winston.chang@spglobal.com

## The Ratings View

Chart 1

### Global Rating Actions (Rolling 52-Weeks)



Source: S&P Global Ratings. Net rating actions means downgrades minus upgrades. Net cumulative means total net rating actions. Data as of Sept. 13, 2024. Global rating actions include actions on both financial and non-financial corporates and sovereign issuers.

Table 1

### Recent Rating Actions

Date	Action	Issuer	Industry	Country	To	From	Debt vol (mil. \$)
12-Sep	Downgrade	<a href="#">BCE Inc.</a>	Telecommunications	Canada	BBB	BBB+	26,366
13-Sep	Upgrade	<a href="#">Republic of Croatia</a>	Sovereign	Croatia	A-	BBB+	15,986
10-Sep	Upgrade	<a href="#">Sirius XM Radio LLC</a>	Media & entertainment	U.S.	BB+	BB	8,750
13-Sep	Downgrade	<a href="#">Service Properties Trust</a>	Homebuilders/real estate co.	U.S.	B	B+	5,425
11-Sep	Downgrade	<a href="#">Evoke PLC</a>	Media & entertainment	Gibraltar	B-	B	2,825
9-Sep	Upgrade	<a href="#">Macquarie AirFinance Holdings Ltd. (Macquarie Group Ltd.)</a>	NBFI	U.K.	BBB-	BB+	2,000
10-Sep	Downgrade	<a href="#">WheelPros Inc.</a>	Automotive	U.S.	D	CC	1,775
10-Sep	Upgrade	<a href="#">Weatherford International plc</a>	Oil & gas	Ireland	BB-	B+	1,500
9-Sep	Downgrade	<a href="#">Patagonia Holdco 3 Ltd</a>	Forest products & building materials	U.K.	CCC+	B-	1,250
10-Sep	Downgrade	<a href="#">Woof Intermediate Inc.</a>	Consumer products	U.S.	CCC	CCC+	1,124

Source: S&P Global Ratings Credit Research & Insights. Data as of Sept. 13, 2024. U.S. means United States, U.K. means United Kingdom and U.A.E. means United Arab Emirates. NBFI - NonBank Financial Institutions (ex. Insurance)

For further credit market insights, please see our **This Week In Credit** newsletter.



## The Ratings View

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