

# The Ratings View

October 10, 2024

This report does not constitute a rating action.

## Key Takeaways

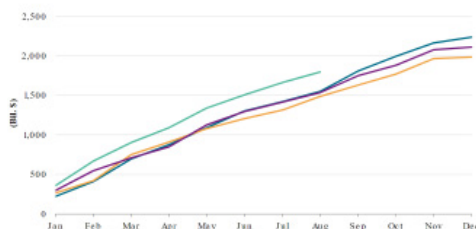
- Escalating hostilities in the Middle East pose risks for regional sovereign ratings.
- Strong issuance has supported the growth of global rated corporate debt.
- U.S. insurers' earnings are facing hits from the ongoing Atlantic hurricane season.

**Recent escalations of hostilities between Israel and Hezbollah are heightening broader regional risks.** The Israel-Hamas-Hezbollah conflict has caused significant human tragedy, but the impact on sovereign credit metrics has so far been limited to the two rated sovereigns involved: Israel and Lebanon. We continue to assume a protracted, direct Israel/U.S.-Iran conflict will not emerge. However, the recent further cycle of escalation means we now think it likely that the conflict will persist into 2025, with greater potential for developments that could weigh on regional sovereign credit ratings.

### [Widening Middle East Conflict Poses Risks For Regional Sovereign Ratings](#)

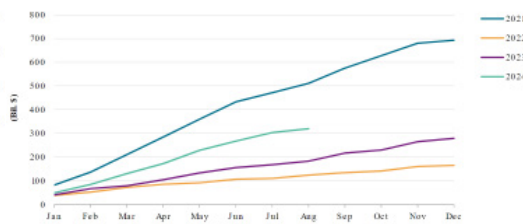
**Strong issuance has supported the growth of global rated corporate debt.** The amount of global corporate debt rated by S&P Global Ratings rose by 3.3% to \$23.98 trillion in the 12 months to July 1, largely driven by 4% growth in investment-grade-rated debt while growth in speculative-grade stood at 1.1%. Financial services drove roughly 60% of the increase in debt. By region, debt grew nearly evenly across the U.S. and Europe, at 3.7% and 3.9%, respectively. Favorable financing conditions led to strong primary issuance, especially speculative-grade debt issuance, which jumped as borrowers took advantage of strong investor demand. Loans and revolving credit facilities account for 55% of speculative-grade nonfinancial corporate debt in the U.S. and 49% in Europe.

Investment-grade issuance picked up strongly in 2024



Data as of Aug. 22, 2024. Sources: S&P Global Ratings Credit Research Insights and Refinitiv.

Speculative-grade bond issuance jumped by 82% over the 12 months to July 2024



Data as of Aug. 22, 2024. Sources: S&P Global Ratings Credit Research Insights and Refinitiv.

### [Credit Trends: Global State Of Play: Strong Issuance Fuels Debt Growth](#)

**Hurricane Milton is the second major hurricane to strike the U.S. this year, following Hurricane Helene two weeks ago.** While the scale of damage remains highly uncertain it could be substantial, potentially matching that of Hurricane Ian in 2022, which resulted in about \$60 billion of insured losses. For our rated portfolio of U.S. property/casualty (P/C) insurers, potential losses from Hurricane Milton could fully deplete their 2024 natural catastrophe budgets, affecting underwriting margins and earnings. However, we expect capitalization will remain stable. We also

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## The Ratings View

think global reinsurers will feel the impact but we do not foresee Milton overstepping the sector's annual catastrophe budgets. In aggregate, our earnings assumptions for reinsurers should remain intact. Hurricane Helene has also been a major human catastrophe, with 190 confirmed deaths and many people still missing. Early insured loss estimates of Hurricane Helene are in the mid-single to low-double-digit billions of dollars.

[Hurricane Milton: The Implications For Rated U.S. Insurers And Global Reinsurers](#)

[U.S. Insurers' Earnings Could Take A Hit From Hurricane Helene](#)

**The U.S. jobs report for September reinforced that the economy is holding up well** before going into the important holiday season. Following a strong positive revision to past GDP, the government's payroll data for September alleviated market participants' fear that the labor market weakened past what is sustainable in the longer term. Payroll employment increased by 254,000 in September, the largest monthly job gains in the past six months. This translated to a three-month average of 186,000 jobs per month, up compared with 147,000 jobs per month in the second quarter and closer to the past 12-month average of 203,000 jobs per month. Meanwhile, the suspension of port strikes on Friday provided much needed relief to policymakers, particularly from any supply chain disruptions. The rising risk to inflation from that channel was removed. But the third week of the Boeing strike, energy price risk from the Middle East conflict, and hurricane disruptions are still risks to inflation.

[U.S. And Canada Economic Data Highlights: Week Of Oct. 7, 2024](#)

**AI's rapid adoption across the financial sector exacerbates the risk of operational disruption leading to systemic instability.** Regulators have recognized this challenge and are considering novel solutions to ensure the threats are effectively managed.

**Widespread adoption of AI introduces new systemic risks** The European Systemic Risk Board (ESRB) convened a panel of experts on AI and systemic risks, including a representative from S&P Global Ratings, on Sept. 27, 2024. Discussions encompassed AI models' ability to uncover hidden patterns in complex data, to make faster and more accurate predictions, and to enhance decision-making, including with regards to risk management. The panel also discussed how AI's application in financial services risks unintended consequences, including job displacement, biased-model outcomes, and increased systemic risks.



Source: S&P Global Ratings.

[Your Three Minutes In AI: Financial Systems Will Face New Systemic Risks](#)

# Asset Class Highlights

## Corporates

Notable publications include:

- [Most Boeing Co. Suppliers Have Rating Cushion To Absorb Continuing Strike](#)
- [Credit Trends: Global State Of Play: Strong Issuance Fuels Debt Growth](#)
- [California Utilities Enter Period Of Significant Capital Spending That May Strain Water And Sewer Rate Affordability](#)
- [S&P Global Ratings Revises Its Oil Price Assumptions: North American And Dutch Title Transfer Natural Gas Price Assumptions Unchanged](#)
- [U.S. East Coast Port Operators' Financial Strength Should Help Weather Longshoremen's Strike](#)
- [Power Is Increasingly A Credit Risk For TSMC](#)
- [Your Three Minutes In Water Utilities: The Water Risk And Resilience Organization](#)

We took several rating actions:

- [Boeing Co. Ratings, Including Its 'BBB-' Issuer Credit Rating, On CreditWatch Negative On Strike-Related Financial Risk](#)
- [Lumen Technologies Inc. Upgraded To 'CCC+' On Bolstered Liquidity From Contract Wins; Outlook Developing](#)
- [Global Carmaker Stellantis N.V. Outlook Revised To Negative On 2024 Profitability Slump; 'BBB+/A-2' Ratings Affirmed](#)
- [Sun Hung Kai Properties Outlook Revised To Negative On Weakening Property Development Margins; 'A+' Ratings Affirmed](#)
- [Vistra Corp. Upgraded To 'BB+', Outlook Stable; Recovery Rating Revised To '3' From '4' On Senior Unsecured Debt](#)
- [Dish DBS And Dish Network Downgraded To 'CC' From 'CCC-' On Announced Distressed Exchange: Other Actions Taken](#)

## Financial Institutions

Over the past week, we took several rating actions and published some bulletins:

- [Research Update: Virgin Money UK And Clydesdale Bank Upgraded After Acquisition By Nationwide; Outlook Stable](#)
- [Various Rating Actions Taken On Four Portuguese Banks On Stronger Systemwide Funding Dynamics](#)
- [Bulletin: MedioCredito Centrale SpA's Legal Settlement With AMCO Reduces Downside Risk](#)
- [Research Update: IQera Downgraded To 'SD' From 'CCC-' On Missed Principal Payment; Defaulted Senior Secured Note Rating Lowered To 'D'](#)
- [Research Update: Banco Original S.A. Ratings Placed On CreditWatch Positive On New Strategy and Capital Plan](#)

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## The Ratings View

We published several commentaries including:

- [Your Three Minutes In Banking: HFSF's Exit From NBG Is A Milestone In Greece's Post-Crisis Restructuring Saga](#)

## Sovereign

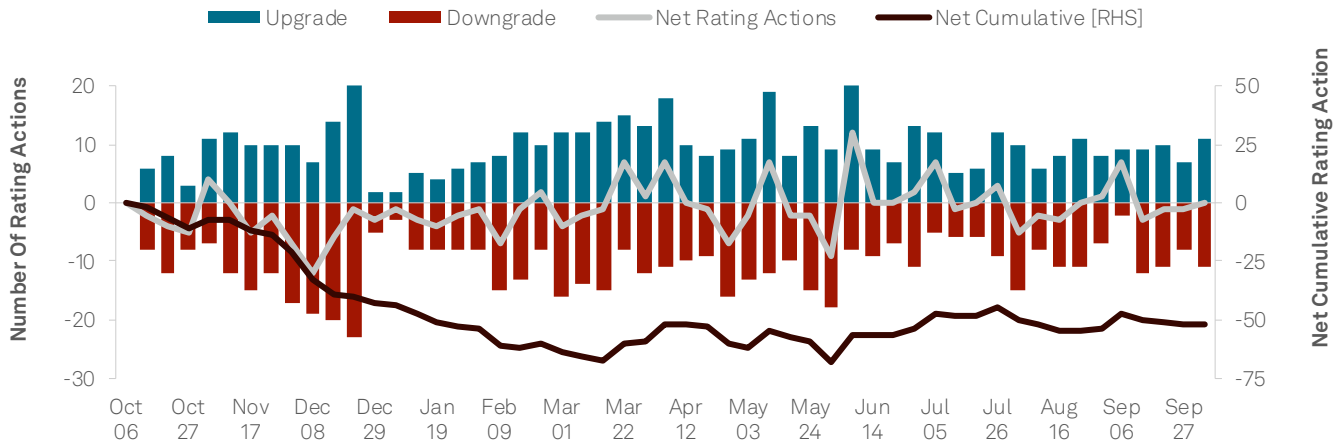
- [Serbia Upgraded To 'BBB-/A-3' On Strong GDP Growth And Increased External Buffers; Outlook Stable](#)
- [Mongolia Ratings Raised To 'B+' On Robust Growth And Fiscal Consolidation; Outlook Positive](#)
- [Israel Long-Term Ratings Lowered To 'A' From 'A+' On Heightened Security Risk; Outlook Negative](#)

## Structured Finance

- German Covered Bonds: Here are a few "Key Takeaways" from a recent article:
  - Year-to-date German benchmark covered bond issuance is lower compared to the same period in 2023 but remained buoyant with €26 billion issued by the beginning of September.
  - German households' debt servicing risks remain below historical figures despite sharply rising interest rates, which have cooled the housing market.
  - There are initial signs of a stabilization of house and commercial real estate (CRE) prices as policy rates fall.
  - Foreclosures on immobile real estate in Germany have increased in 2023 but remain below historical figures.
  - The article, "[German Covered Bond Market Insights 2024](#)", was published Oct. 3, 2024.

## 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 Oct. 4, 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. \$)
1-Oct	Downgrade	<a href="#">State of Israel</a>	Sovereign	Israel	A	A+	42,635
2-Oct	Downgrade	<a href="#">Lumen Technologies Inc.</a>	Telecommunications	U.S.	SD	CC	31,544
1-Oct	Downgrade	<a href="#">DISH Network Corp.</a>	Telecommunications	U.S.	CC	CCC-	21,500
1-Oct	Upgrade	<a href="#">Vistra Corp.</a>	Utilities	U.S.	BB+	BB	17,250
4-Oct	Upgrade	<a href="#">Republic of Serbia</a>	Sovereign	Serbia	BBB-	BB+	10,215
1-Oct	Upgrade	<a href="#">Virgin Money UK PLC</a>	Bank	U.K.	BBB	BBB-	6,656
1-Oct	Upgrade	<a href="#">Southwestern Energy Co.</a>	Oil & gas	U.S.	BBB-	BB+	4,200
4-Oct	Upgrade	<a href="#">Mongolia</a>	Sovereign	Mongolia	B+	B	3,125
2-Oct	Upgrade	<a href="#">Epic Crude Services, LP</a>	Utilities	U.S.	BB-	B	2,375
1-Oct	Upgrade	<a href="#">Chesapeake Energy Corp.</a>	Oil & gas	U.S.	BBB-	BB	1,950

Source: S&P Global Ratings Credit Research & Insights. Data as of Oct. 4, 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.



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