

Oct. 10, 2024

This report does not constitute a rating action. Data includes financial and nonfinancial corporates and sovereigns.

Q3 2024: On A Hot Streak

Upgrades have surpassed downgrades for the third straight quarter, with an 18% lead in the year to date among corporates, financial institutions, and sovereigns. But can the streak continue? Forward looking indicators signal it is likely with negative bias falling across most regions and the pace of defaults slowing. Despite some market volatility, strong refinancing activity and anticipated rate cuts have bolstered the positive environment. That said, the timing and magnitude of further rate cuts remain uncertain and regional disparities exist. While many issuers may benefit in time from monetary easing, operating performance remains the key reason for downward rating pressure. Divergence in rating performance is also still prominent--by region, sector, and rating level--as geopolitical tensions increasingly threaten supply chains, trade, and market sentiment. [Explore the data in our interactive dashboard >](#)

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Key Takeaways

Rating actions

- Rating activity declined in the third quarter, although the positive trend from the first half continued with upgrades outpacing downgrades in all major regions except Latin America.
- Media and entertainment led both upgrades and downgrades in the third quarter. Upgrades were concentrated in printing and publishing, education services, and miscellaneous media, largely due to mergers and acquisitions (M&A) and refinancing. Downgrades were concentrated in radio, TV, and broadband and primarily attributable to secular challenges.
- Banks also experienced an uptick in upgrades in the third quarter, which largely came from the Greek banking system with balance-sheet cleanup measures coming to an end, resulting in improved earnings generation and business model resilience.

Rating bias

- All four major regions saw their negative bias (the percentage of issuers with negative outlooks or ratings on CreditWatch negative) drop from the second quarter, a positive indicator for future rating trends.
- The aerospace and defense sector recorded the largest quarter-over-quarter decrease in negative bias of more than five percentage points to 11.9%, albeit with a relatively small dataset. This was largely due to strong free operating cash flow generation and improving market positions from M&A.
- Telecommunications led all sectors in negative bias, at 21.5%, with seven issuers experiencing negative outlook changes during the quarter. Intensifying competition and debt-funded acquisitions were the primary reasons for the negative rating activity.

Corporate defaults

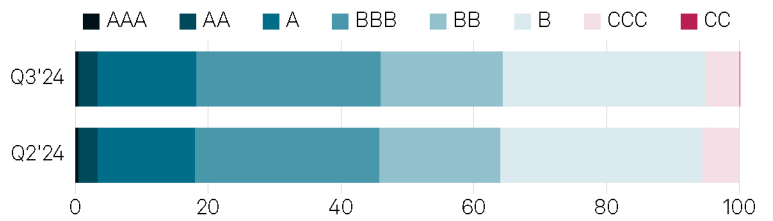
- Defaults were down 24% in the third quarter compared with the second, although still elevated compared to the five-year average.
- The U.S. led defaults with 20 in the third quarter, bringing its year-to-date tally to 67. Meanwhile, Europe is at its highest year-to-date default level since 2008 of 30. Distressed exchanges remain the largest reason for defaults, accounting for over 54% of the year-to-date global default tally.
- We expect the U.S. and European trailing-12-month speculative-grade corporate default rates to reach 3.75% and 4.25%, respectively, by June 2025.

Rating Actions And Distribution

Rating actions

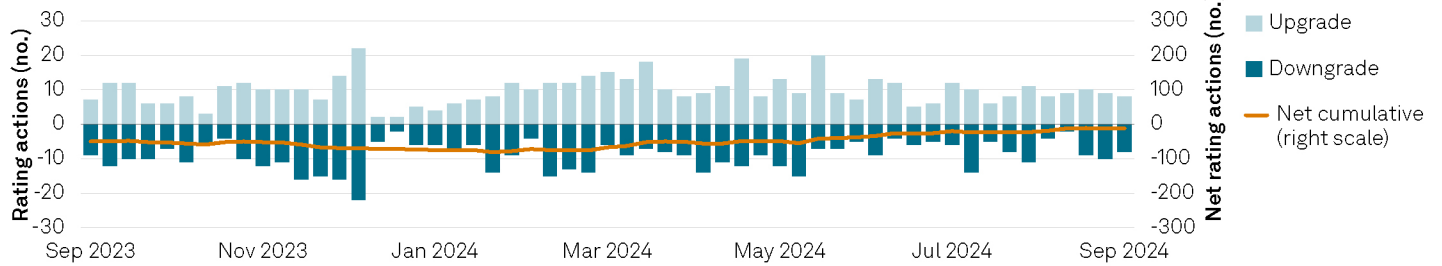
Rating	Q2'24 (no.)	Q3'24 (no.)	Change (%)
Upgrades	154	114	-26
Downgrades	125	92	-26
Outlook and CW			
Positive	167	126	-25
Negative	104	97	-7

Rating distribution (%)



Global rating actions*

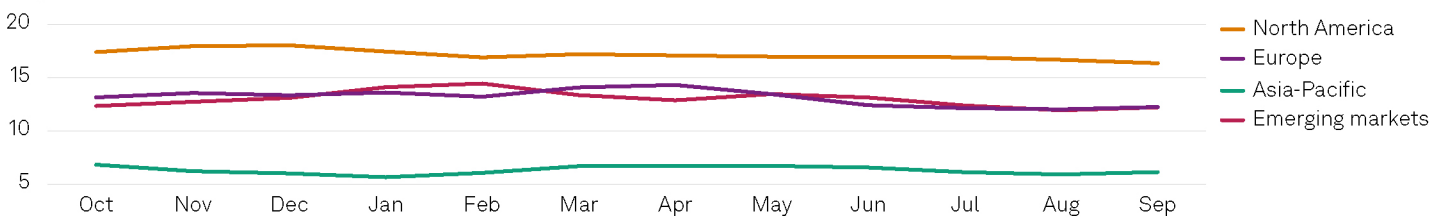
Q3 2024 rating actions



Data as of Sept. 30, 2024. *Downgrades are shown as negative numbers. Rating distribution only includes issuers on a negative, positive, or stable outlook and CreditWatch. Includes nonfinancial and financial corporates and sovereigns, excludes defaults. CW--CreditWatch. Net cumulative--Total net negative rating actions. Source: S&P Global Ratings Credit Research & Insights.

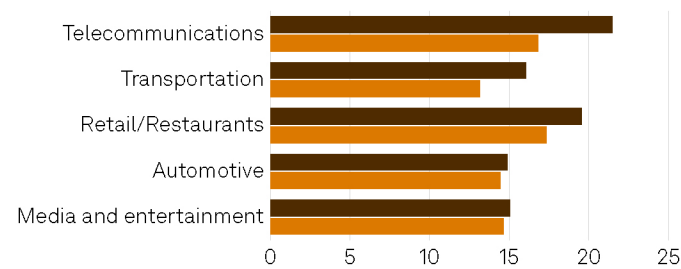
Rating Bias

Regional negative bias (%)



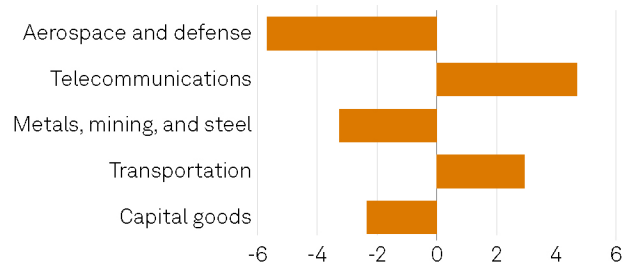
Negative bias by sector (%)

Top five based on highest negative bias in Q3 2024



Negative bias change by sector (QoQ % change)

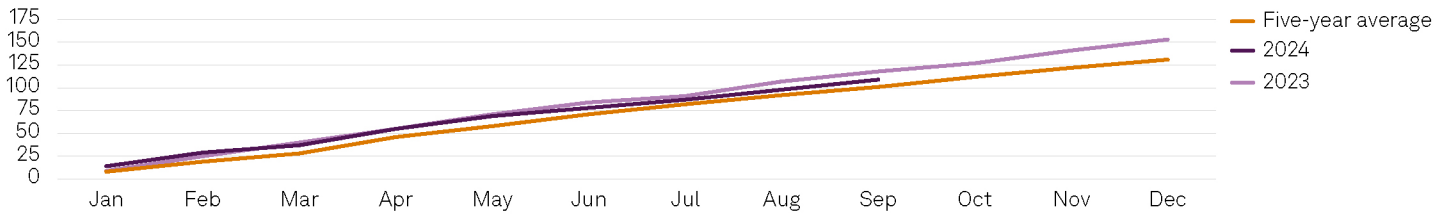
Top five with the largest QoQ change



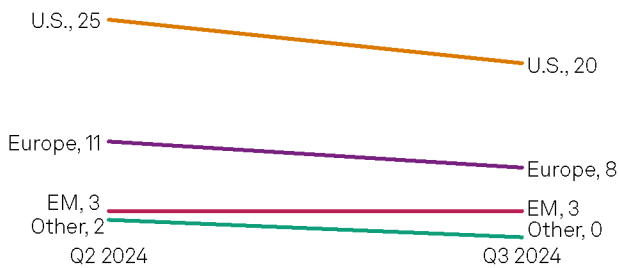
Data as of Sept. 30, 2024. Includes nonfinancial and financial corporates and sovereigns. Note: To ensure better regional alignment, we have incorporated minor adjustments to the country composition of certain regions. Negative bias change by sector includes quarter-over-quarter percentage point change. Negative bias--Percentage of issuers with negative outlooks or ratings on CreditWatch negative. Source: S&P Global Ratings Credit Research & Insights.

Corporate Defaults

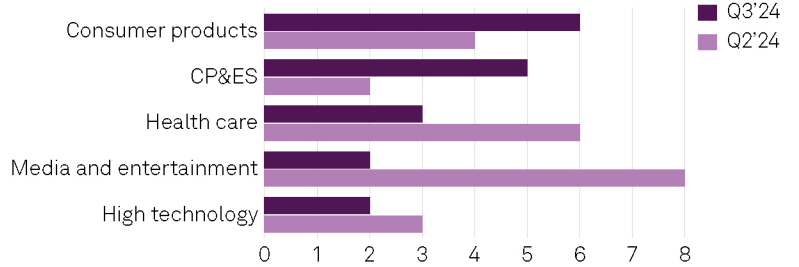
Monthly default count (no.)



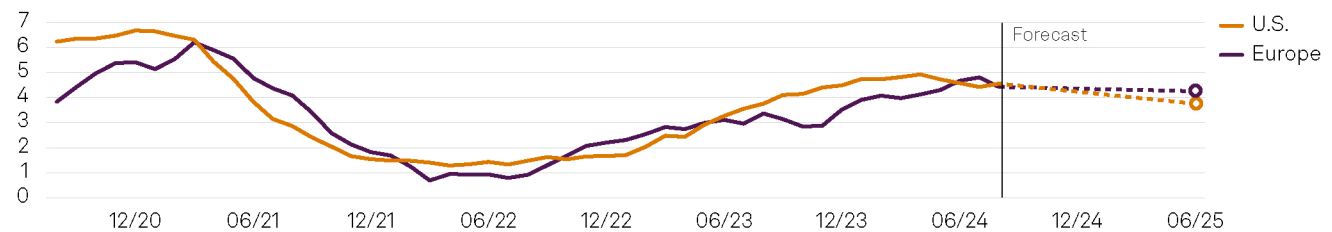
Defaults by region (no.)



Defaults by sector, top five (no.)



Speculative-grade default forecast (%)



Data as of Sept. 30, 2024. Includes nonfinancial and financial corporates as well as confidential issuers. EM--Emerging markets. Other--Developed regions include Canada, Japan, New Zealand, and Australia. U.S. and Europe default rates are as of Aug. 30, 2024, while forecast default rates are for June 30, 2025. CP&ES--Chemicals, packaging, and environmental services. Source: S&P Global Ratings Credit Research & Insights.

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