

# The Ratings View

October 16, 2024

This report does not constitute a rating action.

## Key Takeaways

- Policy outcomes following U.S. elections will be key for sovereign creditworthiness.
- The pace of global corporate defaults has slowed.
- Global auto production is slowing amid margin pressure and intense competition.

**The results of the approaching U.S. elections will play a key role in determining policy outcomes that inform S&P Global Ratings' view of sovereign creditworthiness.** In addition to the presidency, one-third of the Senate and the full House of Representatives are up for election. The composition of the new Congress and its openness to cross-party compromise will inform which legislation the next government can realistically pass. Fiscal challenges remain the sovereign's key weakness as net general government debt rises toward 100% of GDP.

[U.S. Sovereign Brief: Post-Election Policy Outcomes Will Be Key For Creditworthiness](#)

**The number of monthly defaults remained unchanged at 11 in September**, compared with the same amount in August, but quarterly defaults reached their lowest tally in two years. The global default count reached 109 through September, slightly above the five-year average of 106 and below the tally of 118 over the same period in 2023. The media and entertainment, consumer products, and health care sectors recorded most defaults year to date, while the chemicals and packaging sectors led the default tally in September.

Regional default insights				
(No. of defaults)	September 2024	2024*	2023*	Leading sectors
U.S.	7 ↓	67	77	Consumer products Health care Media and entertainment
Europe	3 ↑	30	21	Consumer products Forest products and building materials Media and entertainment
Emerging markets	1 ↓	9	15	Financial institutions Capital goods
Other developed	0 →	3	5	Financial institutions Metals, mining, and steel Telecommunications

Data as of Sept. 30, 2024. Direction of arrow indicates month over month change. Default counts may include confidentially rated issuers. \*Captures year-to-date default tally. Other developed includes Australia, Canada, Japan, and New Zealand. Sources: S&P Global Ratings Research, S&P Global Market Intelligence's CreditProb.

[Default, Transition, and Recovery: The Pace Of Global Corporate Defaults Slows](#)

**Momentum in global auto production is abating.** Original equipment manufacturers (OEMs) are racing to trim fixed costs and lower production to defend their margins by reducing elevated inventory levels and adjusting their output and product mix to suit a more cost-conscious customer base. At the same time, potential disruption by Chinese automakers poses an extraordinary challenge to legacy OEMs' product mix, cost efficiency, and technology. Sales of electric vehicles (EVs) continue to rise in China and the U.S. but stumble in Europe due to diminishing government support for the transition.

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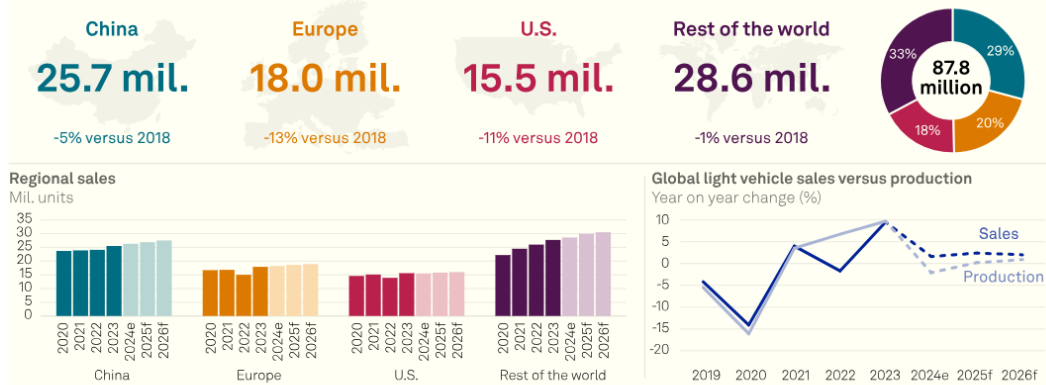
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## The Ratings View

### Global auto sales forecasts: Volume recovery a long way off in Europe and the U.S.

2024 sales forecasts



Data as of Oct. 7, 2024. Note: Percentage change is an average of the estimated range, e--Estimate, f--Forecast. Sources: S&P Global Mobility (2019-2023 data), S&P Global Ratings (estimates and forecasts).

### [Global Auto Outlook: More Players, Less Profit](#)

### [Idling Auto Sales Limit Upside For U.S. Auto Sector Ratings](#)

**EV battery producers will face uncertainty over the next year or two**, amid softening demand growth and geopolitical overhang. We believe Chinese and Korean battery players will retain their leads in technology and in their strong ties with global automakers. We estimate the global battery market will see 30%-40% annual growth in 2024-2025, mainly supported by our anticipated sales growth of EVs in China. Fading EV subsidies in Europe and less aggressive emission standard targets in U.S. could moderate EV sales and battery demand growth in these regions during the period.

### [Global Battery Market: First Movers Will Likely Keep Their Lead](#)

**With inflation slowing, consumer goods companies are shifting their focus from price- to volume-driven organic growth.** Companies are embarking on several strategic and operational initiatives to rejuvenate volumes. We expect brand investments and promotions will pick up as competition remains intense. However, consumers are only slowly embracing the decline in inflation, not least due to the cumulative effect of previous price rises. Consequently, rated consumer goods companies continue to navigate tough operating conditions. Negative outlooks on rated consumer goods companies remain high at about 20%. That said, year-to-date downgrades were low at 8% and mainly occurred in the speculative-grade category.

### [Consumer Product Companies: The Road To Volume Growth Remains Elusive](#)

**Stress scenarios still show CLO structures protecting senior noteholders.** Following two years of "higher-for-longer" interest rates and economic uncertainty, in September, the Federal Reserve provided a tailwind to corporate credit with a 50-basis-point rate cut that should broadly support corporate credit going forward and benefit CLO collateral. As we've done in previous years, we have generated a series of stress scenarios to see how our BSL CLO ratings would perform under different economic environments. The current analysis continues to show the CLO structure protecting senior noteholders, with more than 99% of CLO 'AAA' ratings remaining investment-grade even under our harshest scenario, where 20% of loans default with a 30% recovery and CLO 'CCC' baskets expand to 40%.

### [Scenario Analysis: Stress Tests Show U.S. BSL CLO Ratings Able To Withstand Significant Loan Defaults And Downgrades \(2024 Update\)](#)

# Asset Class Highlights

## Corporates

Notable publications include:

- [Consumer Product Companies: The Road To Volume Growth Remains Elusive](#)
- [Credit FAQ: Assessing The Credit Quality Of Large U.S. Media Companies \(2024 Update\)](#)
- [Indian Conglomerates Poised For US\\$800 Billion Investment Push](#)
- [India Aviation: Funding Needs Will Soar](#)
- [The Health Care Credit Beat 2024: Highlights From Our 2024 Health Care Hot Topic Event](#)
- [Idling Auto Sales Limit Upside For U.S. Auto Sector Ratings](#)
- [Global Auto Outlook: More Players, Less Profit](#)
- [Global Battery Market: First Movers Will Likely Keep Their Lead](#)
- [Secular Pressures Reduce Recovery Prospects For U.S. Local TV Broadcasters](#)

We took some rating actions:

- [Apache Corp. Upgraded To 'BBB-' On Improving Financial Metrics; Outlook Stable](#)
- [Israel Electric Corp. Placed On CreditWatch Negative On Heightened Geopolitical And Operational Risk](#)

## Financial Institutions

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

- [Research Update: The Toronto-Dominion Bank Downgraded To 'A+/A-1' On Anti-Money Laundering Deficiencies; Outlook Is Stable](#)
- [Various Rating Actions Taken On Israeli Banks On Sovereign Downgrade: All Outlooks Negative](#)
- [Research Update: Deutsche Pfandbriefbank 'BBB-/A-3' Ratings Affirmed On Strategic Update; Outlook Still Negative On Asset Quality Risk](#)
- [Bulletin: BPER Banca's Plan Would Convert Its Earnings Momentum Into Increased Dividends](#)
- [Two Mongolian Banks Upgraded To 'B+' On Improved Business Stability; Outlooks Stable](#)

We published several commentaries including:

- [Comparative Statistics: U.S. Banks \(October 2024\)](#)
- [Tech Disruption In Retail Banking: Banks In Central Asia And The Caucasus Rush To Grab A Slice Of The Digital Pie](#)

## Sovereign

- [U.S. Sovereign Brief: Post-Election Policy Outcomes Will Be Key For Creditworthiness](#)
- [Chile Outlook Revised To Stable On Improved Fiscal Trajectory; 'A/A-1' Foreign Currency Ratings Affirmed](#)
- [The Early Warning Signs Of Sovereign Foreign Currency Defaults](#)

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## Structured Finance

- **U.S. CMBS:** Here are a few "Key Takeaways" from a recent article:
  - Overall U.S. CMBS delinquency, special servicing, and modification rates continued to trend upward in the third quarter, driven mostly by the office sector, though multifamily rates increased noticeably.
  - Rating actions have been biased heavily toward downgrades, especially SASB office, and this trend will likely continue through year end.
  - Rated exposures to Hurricanes Helene and Milton surpassed \$2 billion across several metros in Florida, Georgia, and the Carolinas. Insurance coverage should broadly help, but there may be underinsured properties in areas that are not flood prone.
  - Overall issuance volume rose to \$29 billion from \$26 billion the previous quarter, comprising two-thirds SASB and one-third conduits. We have raised our full-year new issuance forecast to \$90 billion from \$80 billion.
  - We declined to give rating feedback on seven of the 27 single-borrower transactions priced in the third quarter, mostly because they were not covering debt service on day one and due to some concentration risk.
  - The article is titled "[U.S. CMBS Update Q3 2024: Issuance Remains Robust Despite Accelerated Office Downgrades](#)" and published on October 11, 2024.
- **U.S. CLO:** Here are a few "Key Takeaways" from a recent article:
  - Following two years of "higher-for-longer" interest rates and economic uncertainty, in September, the Federal Reserve provided a tailwind to corporate credit with a 50-basis-point rate cut that should be broadly supportive of corporate credit going forward and benefit CLO collateral.
  - As we've done in previous years, we have generated a series of stress scenarios to see how our BSL CLO ratings would perform under different economic environments. For this year's stress scenarios, we added scenarios with a 30% recovery assumption for defaulted assets alongside the 45% recovery assumption modeling we've published in prior years.
  - We've also added two other new stresses where we take a different approach and notch the ratings on all obligors in BSL CLO collateral pools downward by one notch or two notches.
  - As with our previous BSL CLO rating stress scenarios, the current analysis shows the CLO structure protecting senior noteholders, with more than 99% of CLO 'AAA' ratings remaining investment-grade even under our harshest scenario, where 20% of loans default with a 30% recovery and CLO 'CCC' baskets expand to 40%.
  - The article is titled "[Stress Tests Show U.S. BSL CLO Ratings Able To Withstand Significant Loan Defaults And Downgrades \(2024 Update\)](#)" and published on October 10, 2024.
- **U.S. Auto ABS:** Here are a few "Key Takeaways" from a recent article:
  - Despite strong recovery rates in August, U.S. auto loan ABS losses rose to record-high levels. Prime losses rose to the highest August levels since 2010 and subprime losses rose to the highest August levels since 2009.

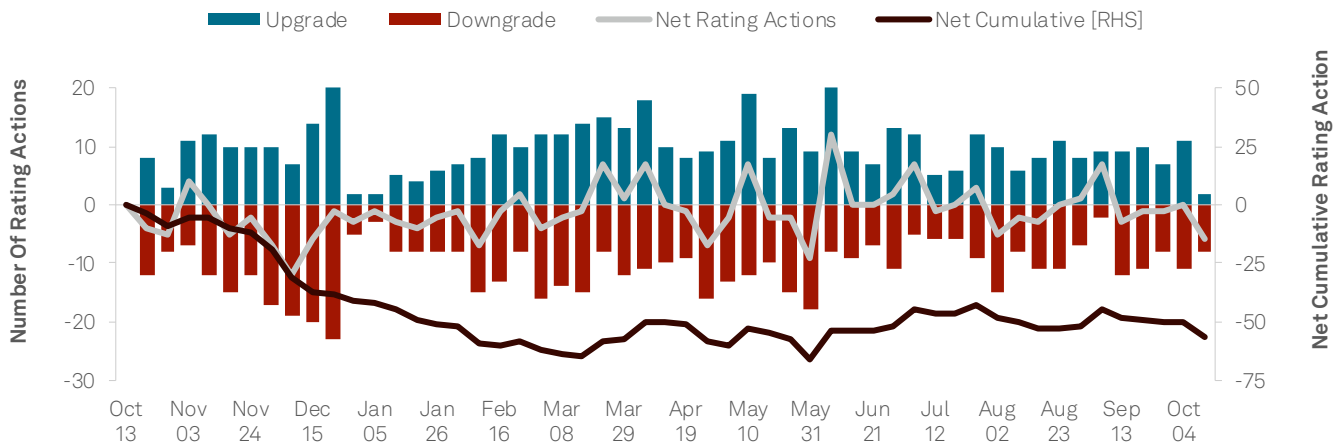
## The Ratings View

- Delinquency rates finally showed some improvement, with 60-plus-day delinquencies remaining nearly stable for prime and declining slightly month over month and year over year for subprime.
- In September, we upgraded nine classes, affirmed 46, and downgraded three (all downgrades were on subprime transactions from 2022, two of which were downgraded to 'CC (sf)').
- The article is titled "[U.S. Auto Loan ABS Tracker: August 2024 Performance](#)" and published on October 7, 2024.
- **U.S. Corporate Securitization:** See the recent "[U.S. Corporate Securitization Newsletter October 2024](#)" published on October 11, 2024.
- **Swedish Covered Bonds:** Here are a few "Key Takeaways" from a recent article:
  - Increasing salaries and declining interest rates will support the credit performance while the correction in Swedish house prices will drive the Swedish housing market.
  - Swedish covered bond issuers have avoided the credit and liquidity concerns of Swedish real estate companies, but could offer a secure refinancing option for attractive assets in need of refinance.
  - Although the number of borrowers receiving a temporary exemption from the amortization requirement has recently increased, it remains low in relation to the whole market.
  - Year-to-date (YTD) public euro-denominated benchmark covered bond issuance from Sweden remains subdued compared to the 2023 level. We expect easing interest rates, economic recovery, and the end of the central bank's purchase program will support higher market-based covered bond issuances.
  - The article is titled "[Swedish Covered Bond Market Insights 2024](#)" and published on October 10, 2024.
- **China Micro and Small Enterprise Lease ABS:** See the recent "[A Primer On China's Micro And Small Enterprise Lease ABS Market](#)" published on October 10, 2024.
- **Australian RMBS:** See the recent "[RMBS Arrears Statistics: Australia - August 2024](#)" published on October 9, 2024.
- **Canadian Credit Card ABS:** We published the "[Canadian Credit Card Quality Index: Monthly Performance--August 2024](#)" on October 10, 2024. The CCQI is a monthly performance index that aggregates performance information of securitized credit card receivables in key risk areas.
- **Australian Auto ABS:** See the recent "[Auto ABS Arrears Statistics: Australia - August 2024](#)" published on October 7, 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. 11, 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. \$)
9-Oct	Downgrade	<a href="#">Bank Leumi le-Israel B.M.</a>	Bank	Israel	BBB+	A-	1,750
7-Oct	Downgrade	<a href="#">LifeScan Global Corp.</a>	Health Care	U.S.	SD	CCC-	1,586
10-Oct	Downgrade	<a href="#">Aimbridge Acquisition Co Inc</a>	Media & Entertainment	U.S.	CCC	CCC+	1,034
9-Oct	Downgrade	<a href="#">Bank Hapoalim B.M.</a>	Bank	Israel	BBB+	A-	1,000
9-Oct	Downgrade	<a href="#">8th Avenue Food &amp; Provisions Inc.</a>	Consumer Products	U.S.	CCC	CCC+	750
9-Oct	Downgrade	<a href="#">Mizrahi Tefahot Bank Ltd.</a>	Bank	Israel	BBB+	A-	600
10-Oct	Downgrade	<a href="#">CareerBuilder LLC</a>	Media & Entertainment	U.S.	SD	CCC-	415
10-Oct	Downgrade	<a href="#">Accuride Corp.</a>	Automotive	U.S.	D	CCC+	363
11-Oct	Upgrade	<a href="#">Adler Real Estate AG (ADO Group Ltd.)</a>	Homebuilders/Real Estate Co.	Germany	B-	CCC-	328
9-Oct	Upgrade	<a href="#">Golomt Bank JSC (Mongolia)</a>	Bank	Mongolia	B+	B	300

Source: S&P Global Ratings Credit Research & Insights. Data as of Oct. 11, 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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