

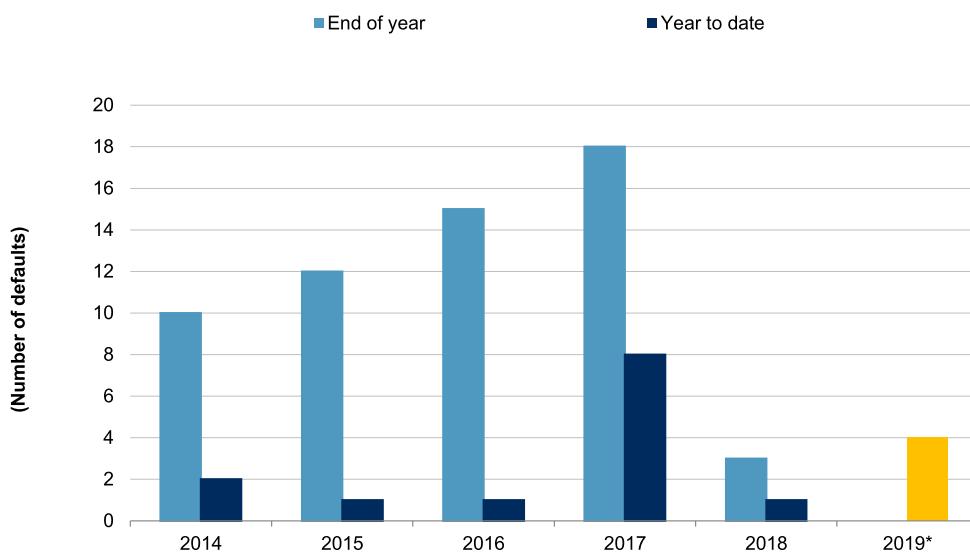
Default, Transition, and Recovery:

Four Metals And Mining Companies Default In Only Two Weeks

March 28, 2019

Chart 1

The metals, mining, and steel sector is off to a rocky start this year with four defaults (two metals producers, two thermal coal producers), already surpassing last year's full-year tally of three.



*Data as of March 27, 2019. Sources: S&P Global Fixed Income Research and S&P Global Market Intelligence's CreditPro®.

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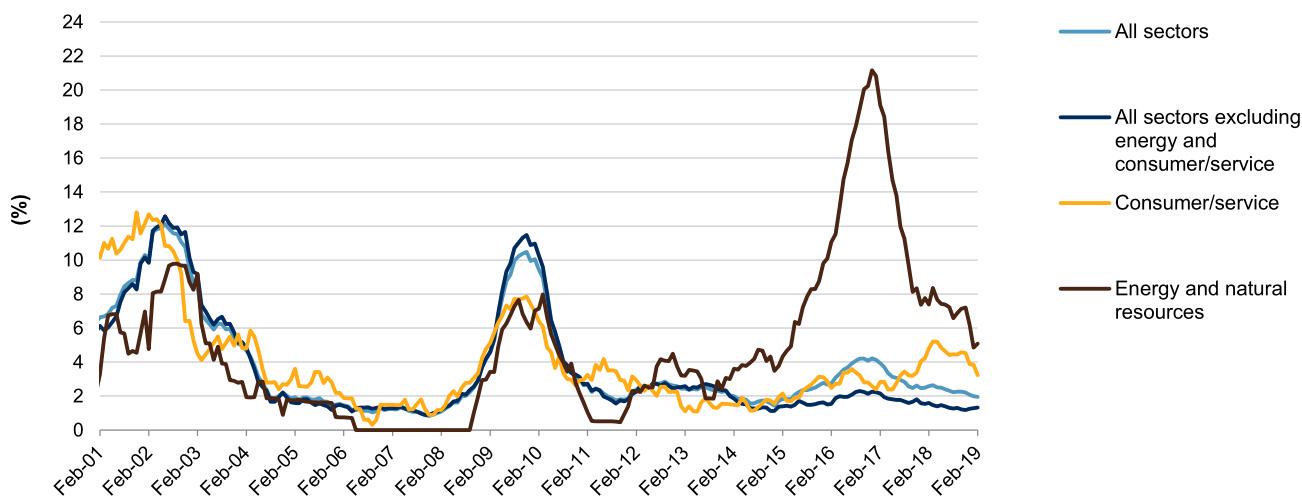
The 2019 global corporate default tally rose to 27 this week following the default of Ohio-based coal producer Murray Energy Corp. This is the fourth default in the metals, mining, and steel sector over the past two weeks.

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- Two of the four defaulters in the sector are U.S. coal producers (Murray Energy Corp. and Cloud Peak Energy Resources LLC). This industry continues to struggle with declining domestic demand due to competition from natural gas and renewables.
- S&P Global Ratings lowered the rating on Murray Energy Corp. to 'SD' (selective default) from 'CCC+', reflecting our view that deeply discounted open market debt repurchases by distressed issuers are tantamount to default. The issuer continues to operate amid depressed domestic coal demand with limited access to capital markets--a trend seen across the U.S. coal sector (see "Murray Energy Downgraded To 'SD' On Open Market Repurchases Below Par; Affected Debt Issues Downgraded To 'D'", March 21, 2019).
- Both Cloud Peak and Murray had issues trading at distressed levels prior to default (see "The U.S. Distress Ratio Remains Higher Than Its 2018 Average," Jan. 30, 2019).
- Bankruptcy is the leading cause of defaults this year, with nine (33%), all of which are U.S.-based Chapter 11 defaults. If this trend continues, this will be the first year since 2010 for which bankruptcy will be the leading cause of default. Distressed exchanges have led the default tally in three of the past four years (see chart 3).

Chart 2

The global speculative-grade default rate decreased to 2.0% in February, though the rate for energy and natural resources increased to 5.1%. We expect the energy default rate to increase further.



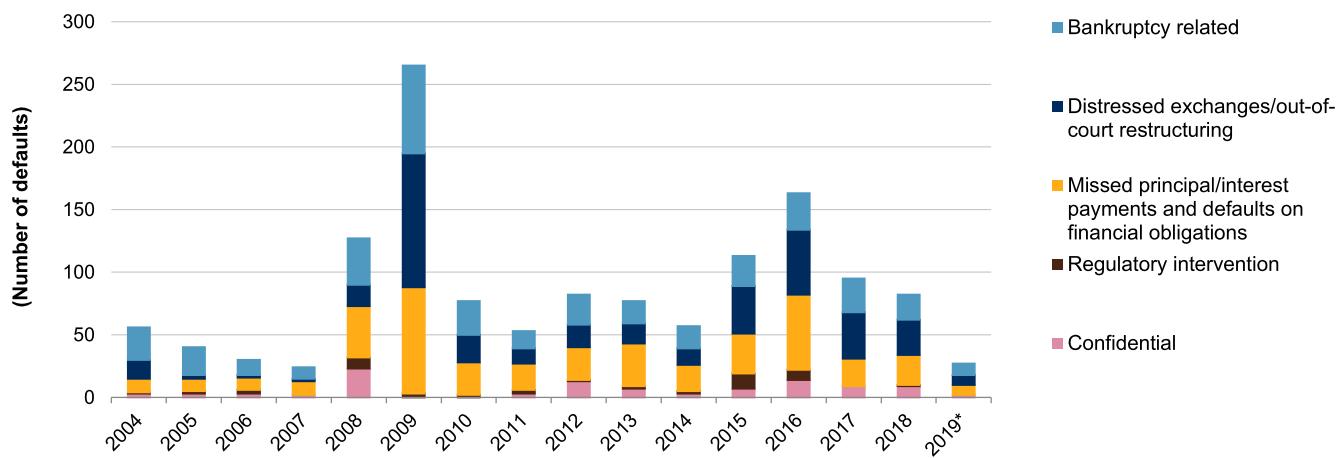
Data as of Feb. 28, 2019. Sources: S&P Global Fixed Income Research and S&P Global Market Intelligence's CreditPro®.

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Chart 3

Bankruptcy is the leading cause of defaults (nine), followed by missed interest payments and distressed exchanges (eight each).



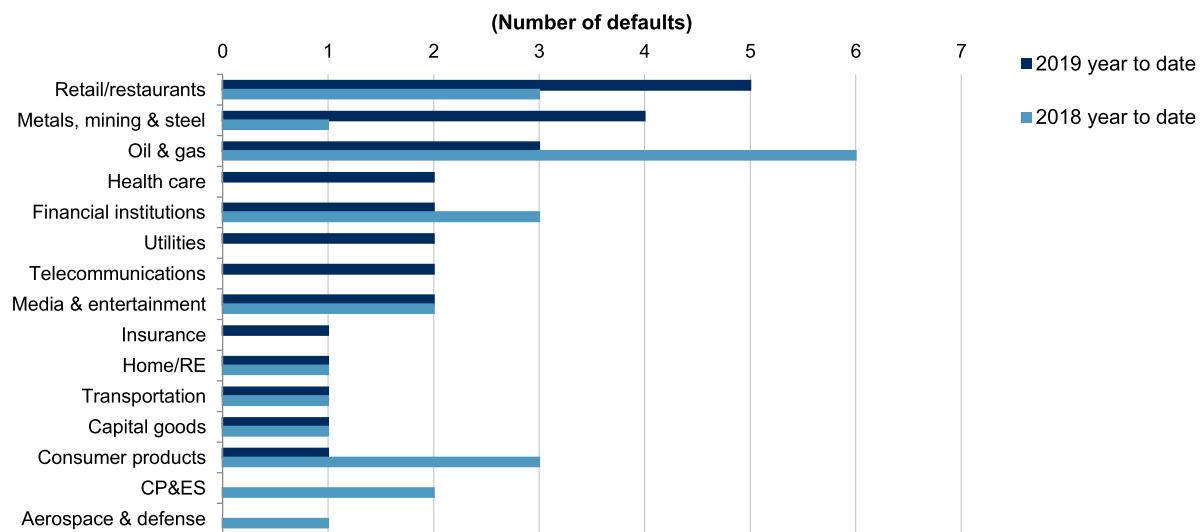
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Chart 4

The metals, mining, and steel sector has seen the greatest year-over-year increase in defaults so far in 2019, up by 300%.



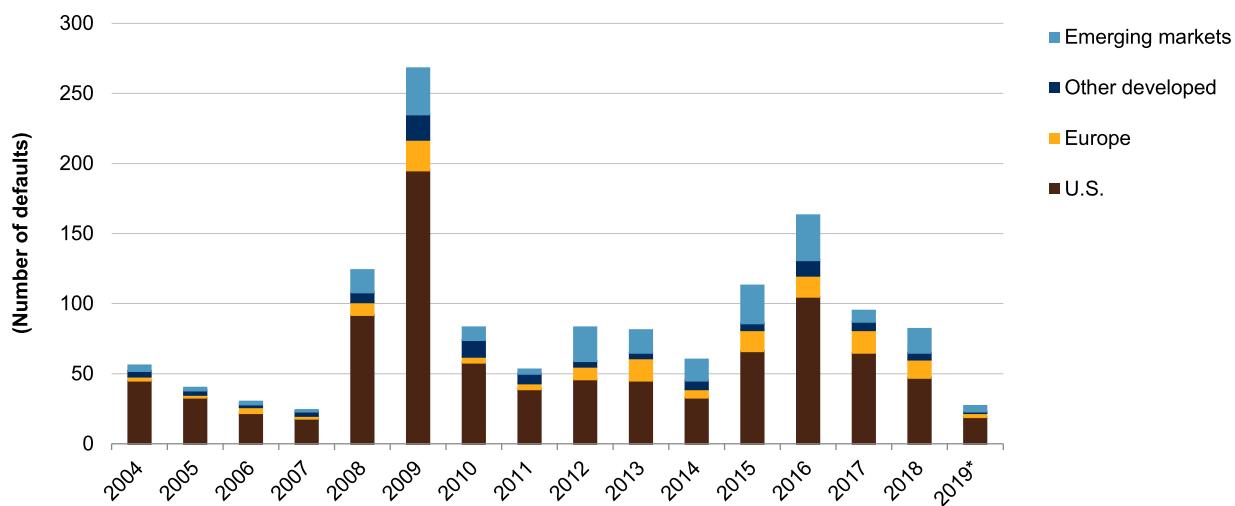
Home/RE--Homebuilders and real estate companies. CP&ES--Chemicals, packaging, and environmental services. Data as of March 27, 2019. Sources: S&P Global Fixed Income Research and S&P Global Market Intelligence's CreditPro®.

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Chart 5

By region, the U.S. accounts for the highest number of defaults in 2019, with 19 (70%), followed by emerging markets with four (15%).



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Table 1

This year's corporate default tally (27) has surpassed the tally at the same point in 2018 (24).

Region	Trailing-12-month speculative-grade default rate (%)	2019 year-to-date tally*	2018 year-to-date tally*	Full-year 2018 tally	Weakest links tally§
U.S.	2.21	19	17	47	145
Emerging markets	1.48	4	3	17	25
Europe	1.86	3	2	13	23
Other developed	1.99	1	2	5	7
Global	1.95	27	24	82	200

Note: Trailing-12-month default rates from Feb. 28, 2018-Feb. 28, 2019, are preliminary and subject to change. The other developed region consists of Australia, Canada, Japan, and New Zealand. Default counts may include confidentially rated issuers. *Year-to-date data as of March 27, 2019. §Weakest link data as of Feb. 18, 2019. Sources: S&P Global Fixed Income Research and S&P Global Market Intelligence's CreditPro®.

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Table 2

The retail and restaurants sector continues to lead the tally with five defaults.

Date	Parent company	Country	Subsector	To	From	Reason
1/2/2019	Ultra Petroleum Corp.	U.S.	Oil and gas	SD	CC	Distressed exchange
1/8/2019	Confidential	Confidential	Telecommunications	D	CCC	Confidential
1/15/2019	API Heat Transfer Co.	U.S.	Capital goods	SD	CCC-	Distressed exchange
1/16/2019	Pacific Gas & Electric Co. (PG&E Corp.)	U.S.	Utilities	D	CC	Missed interest payments
1/16/2019	Shopko Stores Inc.	U.S.	Retail/restaurants	D	NR	Chapter 11
1/18/2019	Ditech Holding Corp.	U.S.	Finance companies	SD	CCC	Missed interest payments
1/29/2019	PG&E Corp.	U.S.	Utilities	D	CC	Chapter 11
1/30/2019	Eletson Holdings Inc.	Liberia	Transportation	SD	CCC	Missed interest payments
1/31/2019	New Look Retail Group Ltd.	U.K.	Retail/restaurants	SD	CC	Distressed exchange
2/1/2019	Tsesnabank	Kazakhstan	Bank	SD	B-	Distressed exchange/out-of-court restructuring
2/4/2019	Charlotte Russe Inc.	U.S.	Retail/restaurants	D	CCC-	Chapter 11
2/4/2019	Confidential	Confidential	Homebuilders/real estate companies	D	CCC-	Confidential
2/6/2019	TRM Holdings Corp.	U.S.	Retail/restaurants	D	NR	Chapter 11
2/7/2019	Fuse Media Inc.	U.S.	Media and entertainment	D	CC	Missed interest payments
2/7/2019	Hornbeck Offshore Services Inc.	U.S.	Oil and gas	SD	CC	Distressed exchange
2/10/2019	Trident Holding Co. LLC	U.S.	Health care	D	NR	Chapter 11
2/19/2019	Payless Inc.	U.S.	Retail/restaurants	D	CCC-	Chapter 11
2/21/2019	One Call Corp. (One Call Care Management Inc.)	U.S.	Insurance	SD	CC	Distressed exchange/out-of-court restructuring
2/21/2019	Novasep Holding S.A.S.	France	Health care	SD	CC	Distressed exchange
2/26/2019	Windstream Holdings Inc.	U.S.	Telecommunications	D	CCC-	Chapter 11
3/8/2019	Affinion Group Holdings Inc.	U.S.	Media and entertainment	SD	CCC-	Missed interest payments
3/11/2019	CTI Foods Holding Co. LLC	U.S.	Consumer products	D	CCC-	Chapter 11
3/15/2019	Cloud Peak Energy Resources LLC	U.S.	Metals, mining, and steel	SD	CCC	Missed interest payments

Table 2

**The retail and restaurants sector continues to lead the tally with five defaults.
(cont.)**

Date	Parent company	Country	Subsector	To	From	Reason
3/15/2019	Imperial Metals Corp.	Canada	Metals, mining, and steel	SD	CCC-	Missed interest payments
3/15/2019	PHI Inc.	U.S.	Oil and gas	D	CCC-	Chapter 11
3/20/2019	Nyrstar N.V.	Belgium	Metals, mining, and steel	SD	CCC+	Missed interest payments
3/21/2019	Murray Energy Corp.	U.S.	Metals, mining, and steel	SD	CCC+	Distressed exchange

NR--Not rated. SD--Selective default. Data as of March 27, 2019. Sources: S&P Global Fixed Income Research and S&P Global Market Intelligence's CreditPro®.

Related Research

- Distress Persists For The U.S. Telecom Sector, March 4, 2019
- U.S. Coal Producers Fire Up Shareholder Returns, Feb. 13, 2019
- When The Cycle Turns: U.S. Coal Companies Seek Pay Dirt In Exports, Oct. 26, 2018

Default Studies

More analysis and statistics are available in our annual default studies, published on RatingsDirect:

Corporate (financial and nonfinancial)

- Japanese Issuer Credit Rating Transitions Study 2018
- 2017 Annual Australia And New Zealand Corporate Default Study And Rating Transitions
- 2017 Inaugural Infrastructure Default Study And Rating Transitions
- 2017 Mexican National-Scale Corporate And Public Finance Default Study And Rating Transitions
- 2017 Annual Emerging Markets Corporate Default Study And Rating Transitions
- 2017 Annual European Corporate Default Study And Rating Transitions
- 2017 Annual Canadian Corporate Default Study And Rating Transitions
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- 2017 Annual Greater China Corporate Default Study And Rating Transitions
- 2017 Annual Global Financial Services Default Study And Rating Transitions
- 2017 Annual Global Corporate Default Study And Rating Transitions

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- 2017 Annual U.S. Corporate Default Study And Rating Transitions
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- 2017 Annual Latin American Corporate Default Study And Rating Transitions
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- 2018 Annual Global Structured Finance Default Study And Rating Transitions
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- 2017 Annual U.S. Public Finance Charter School Default Study And Rating Transitions
- 2017 Annual U.S. Public Finance Higher Education And Nonprofit Organization Default Study And Rating Transitions

Sovereign and international public finance

- 2018 Annual Sovereign Default And Rating Transition Study
- 2017 Annual International Public Finance Default Study And Rating Transitions

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