

Market Insights

Sector Intelligence | Leveraged Finance

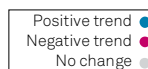
U.S. And Canada Summary Report

Aug. 10, 2022

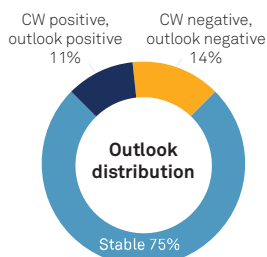
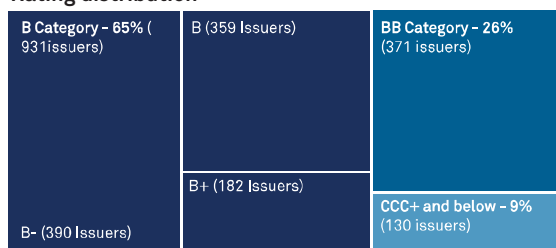
This report does not constitute a rating action.

Monthly Snapshot

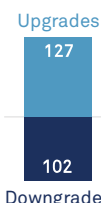
Speculative-grade rating outlook remains buoyant despite rising credit risk environment ●



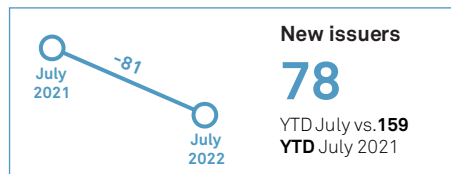
Rating distribution



YTD July 2022 ratings changes



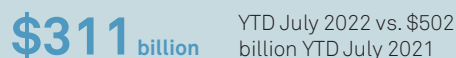
Speculative-grade new issuers drop to half the numbers seen in 2021 ●



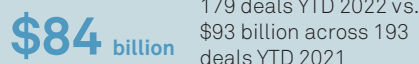
Top sectors



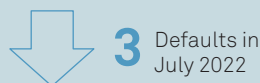
Leveraged Loan issue activity remained at a trickle ●



Consistent CLO issuance despite market headwinds ●



Defaults remain incredibly low ●



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DATA - To see the data referenced in this report, click [here](#).

CW—CreditWatch. YTD—Year-to-date. Source: S&P Global Ratings.

Key Insights

1. The speculative-grade rating outlook stayed largely stable and defaults continued to trend low with the percentage of U.S. defaults at a historical low. U.S.-based issuers have been largely resilient to cost pressures from rising inflation and tightening financial conditions.
2. The downward rating pressure continued in July, with the number of downgrades modestly higher than the number of upgrades. The consumer products, capital goods, and media, entertainment, and leisure sectors had the highest numbers of 'B-' rated issuers with negative outlooks or CreditWatch implications, many of which are facing inflationary cost pressures that are weighing on their margins. The ability or inability of issuers to pass through higher costs was a key differentiating factor influencing rating changes.
3. We recently raised our assessment of recession risk over the next 12 months to 45% from 40%, reflecting increasing credit risks heading into 2023 as the Fed's cumulative rate hikes take hold.¹ We expect the U.S. trailing-12-month spec-grade corporate default rate to increase to 3%² and the leveraged loan default rate to rise to 1.75%³ by March 2023.
4. New credit growth remains slow and the monthly volume of institutional loans (\$6.8 billion) was the lowest output for any July since 2009.⁴

PODCASTS

[The Upgrade Episode 23: Corporate Borrowers Brace For Slow-Growth Recession](#), Aug. 9, 2022

[The Upgrade Episode 22: Envision Healthcare Corp.'s Debt Exchange](#), May 27, 2022

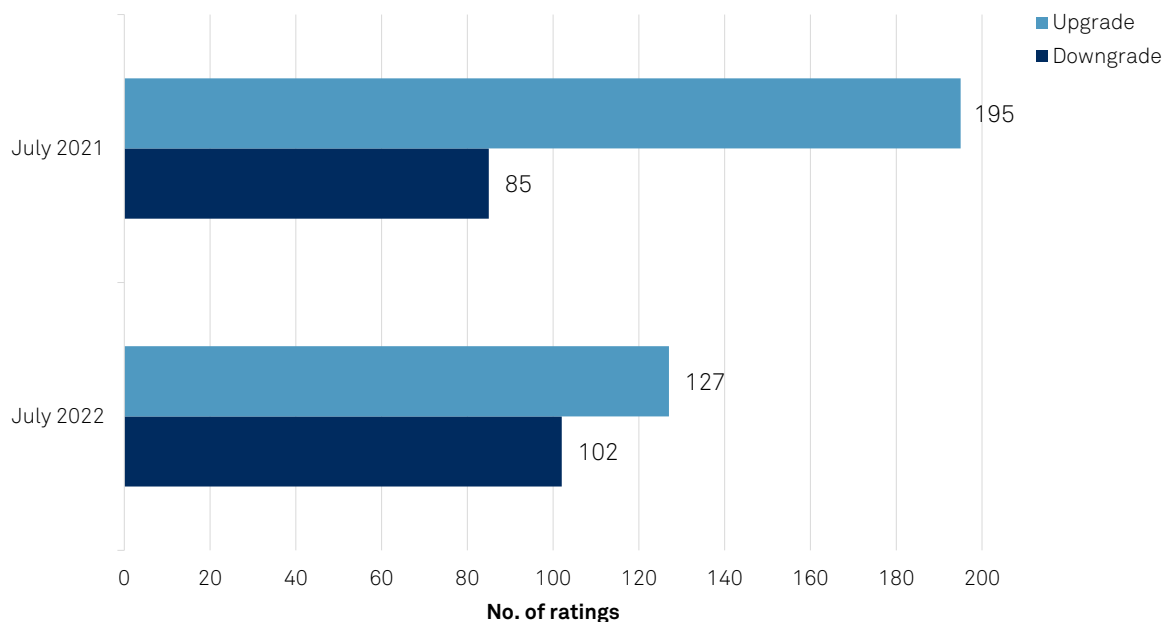
[The Upgrade Episode 21: Interest Rate And Cash Flow Pressures](#), May 11, 2022

Rating Actions: Speculative-Grade And Into/Out Of 'CCC'/'CC'

Chart 1

Upgrades And Downgrades

Consumer products leads with four downgrades in July

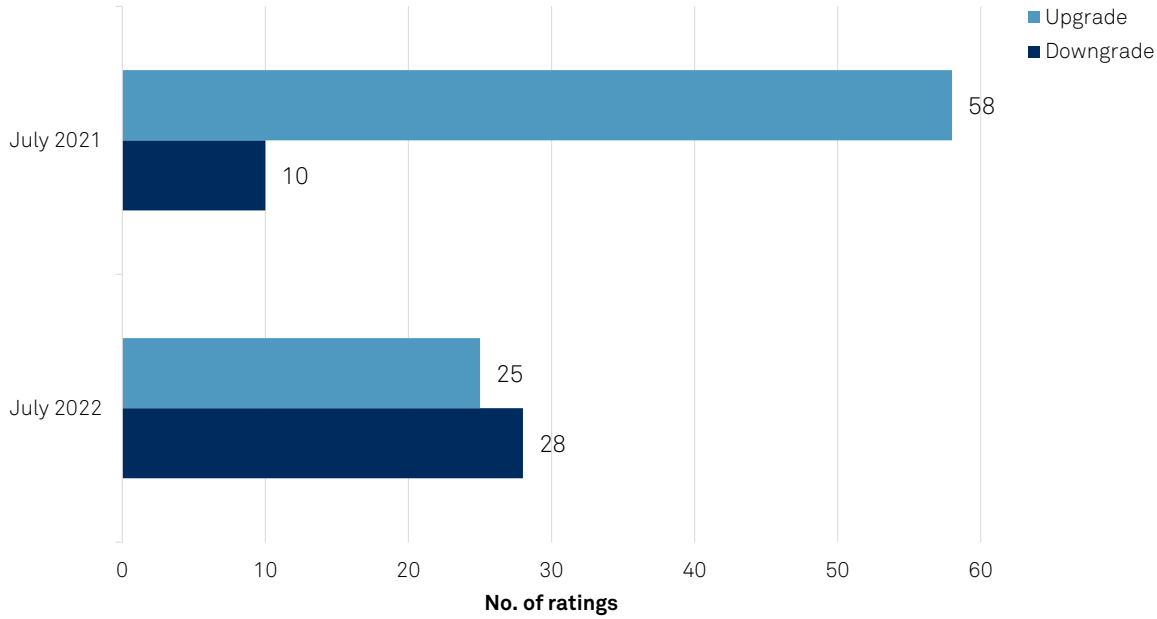


Note: YTD data as of July 31, 2021, and 2022. Includes U.S. and Canada corporate ratings. In July 2022, there were 15 upgrades and 17 downgrades. 22 months of historical upgrades and downgrades are available in the associated excel data download. Source: S&P Global Ratings.

Chart 2

Ratings Coming Into/Out Of 'CCC'/'CC'

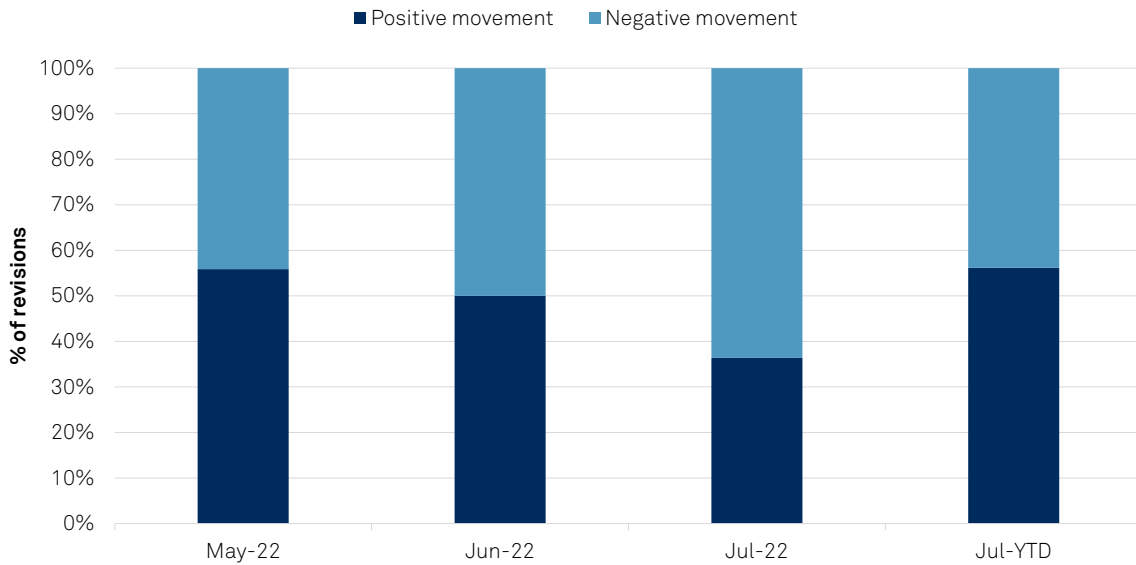
Consumer products also leads with 10 downgrades into 'CCC'/'CC' in 2022



Note: YTD data as of July 31, 2021, and 2022. Includes U.S. and Canada corporate ratings. In July 2022, there were three upgrades and three downgrades in this category. 22 months of historical upgrades and downgrades are available in the associated excel data download. Source: S&P Global Ratings.

Chart 3

Movement By Rating Outlook Or CreditWatch

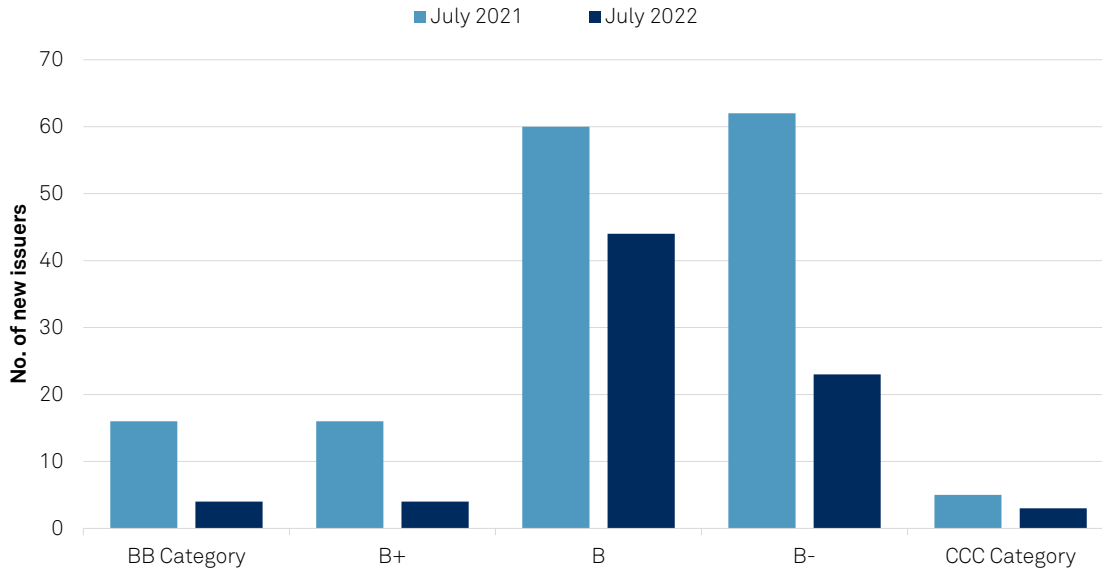


Note: Data excludes outlook or CreditWatch placement changes associated with issuer rating changes. Includes U.S. and Canada corporate ratings except insurance and financial services and corporate issuers rated in our infrastructure practice. Source: S&P Global Ratings.

YTD Speculative-Grade New Issuers

Chart 4

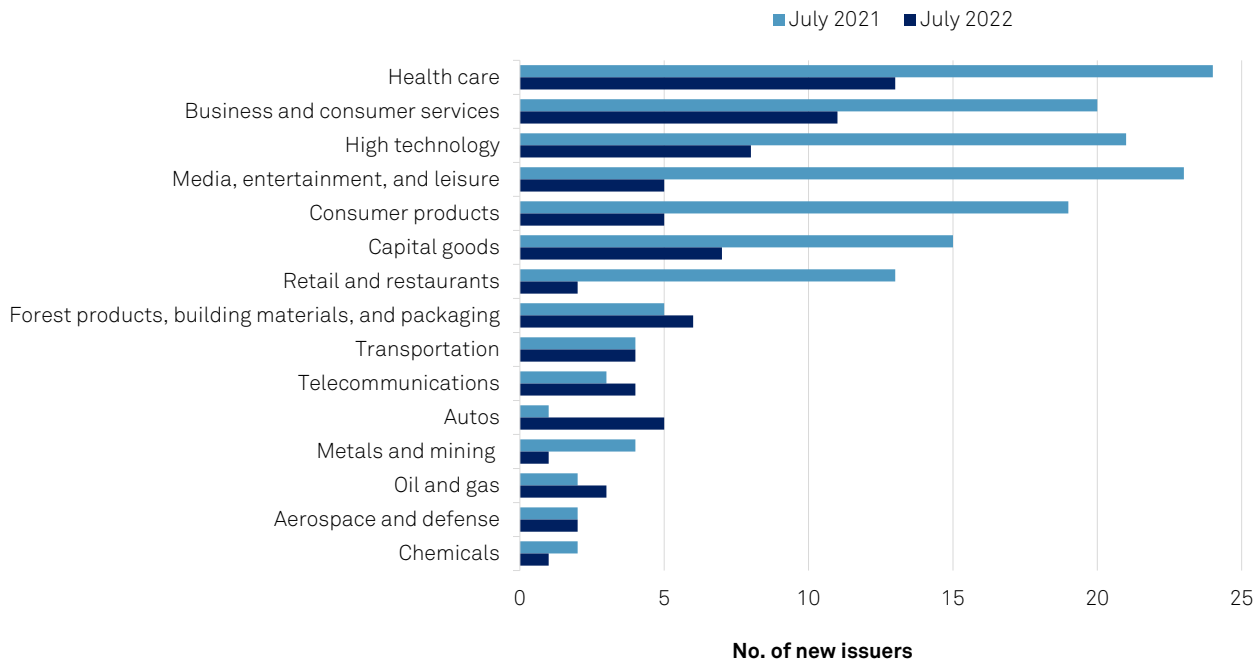
New Issuers By Rating



Note: Data represent new issuers as of July 31, 2021, and 2022. Includes U.S. and Canada corporate ratings, as well as confidential issuers. For the month of July, there were 23 new issuers in 2021 and five new issuers in 2022. Source: S&P Global Ratings.

Chart 5

New Issuers By Industry Group



Note: Data represent new issuers as of July 31, 2021, and 2022. Includes U.S. and Canada corporate ratings, as well as confidential issuers. Source: S&P Global Ratings.

Defaults

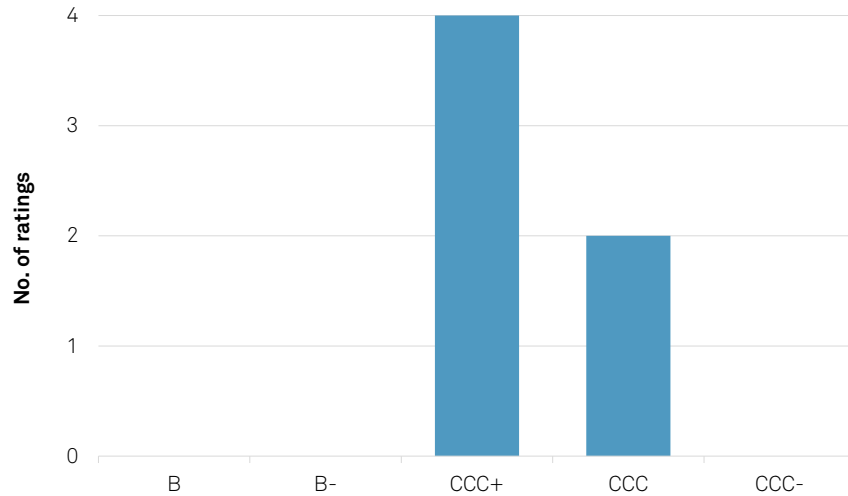
Chart 6

Downgrade To 'SD'/'D'



Chart 7

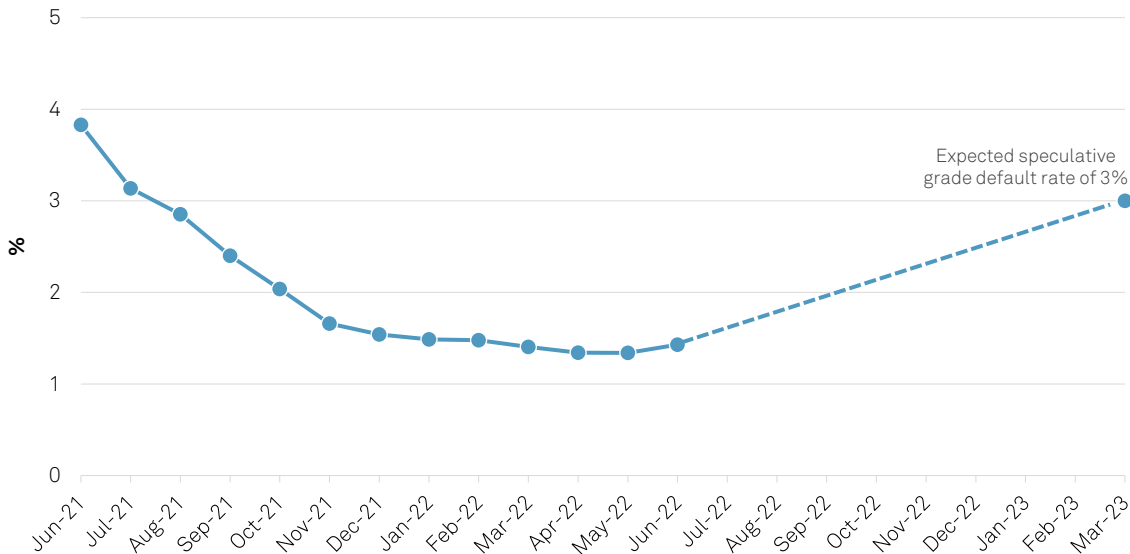
Out Of 'SD'



Note: Data as of year-to-date July 31, 2022. Includes U.S. (including Cayman Islands in chart 5) and Canada corporate ratings. SD--Selective default. Nine issuers were rated 'D' while the other 10 were rated 'SD'. Source: S&P Global Ratings.

Chart 8

U.S. Trailing-12-Month Speculative-Grade Default Rate

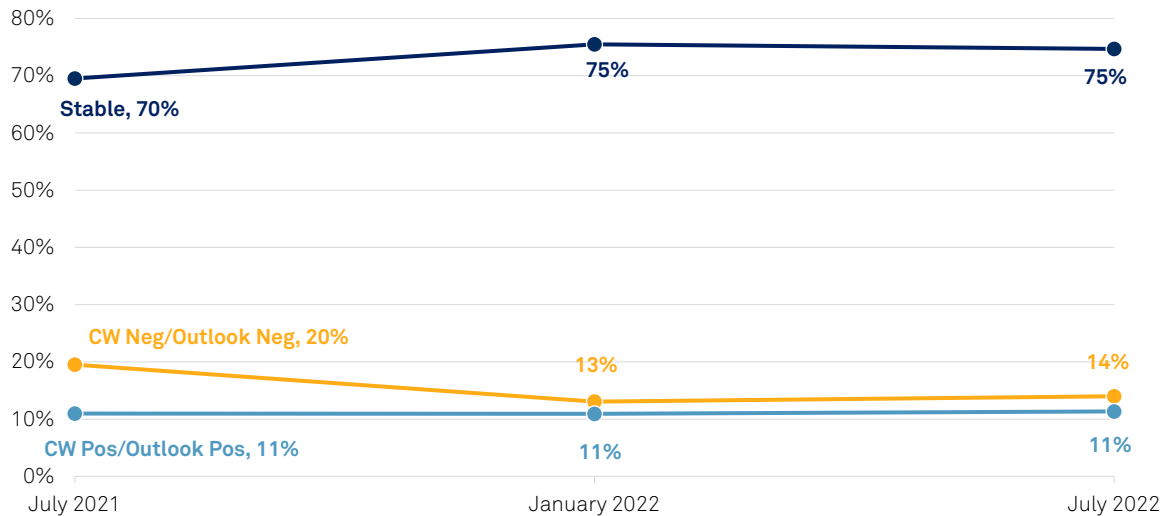


Note: Data as of June 30, 2022. Source: S&P Global Ratings Research, S&P Global Market Intelligence's CreditPro. [Overall Stable Corporate Default Trends Camouflage Pockets Of Vulnerability](#), Aug, 8, 2022.

Speculative-Grade Rating Outlook Mix

Chart 9

July 2021/2022 Spec-Grade CreditWatch/Outlook Distribution



Note: Data as of July 31, 2021, and July 31, 2022. CreditWatch/outlook distribution includes all of U.S. and Canada corporate ratings. Does not include investment-grade issuers. CW--CreditWatch. Source: S&P Global Ratings.

Chart 10

July 2021 Spec-Grade Ratings Distribution

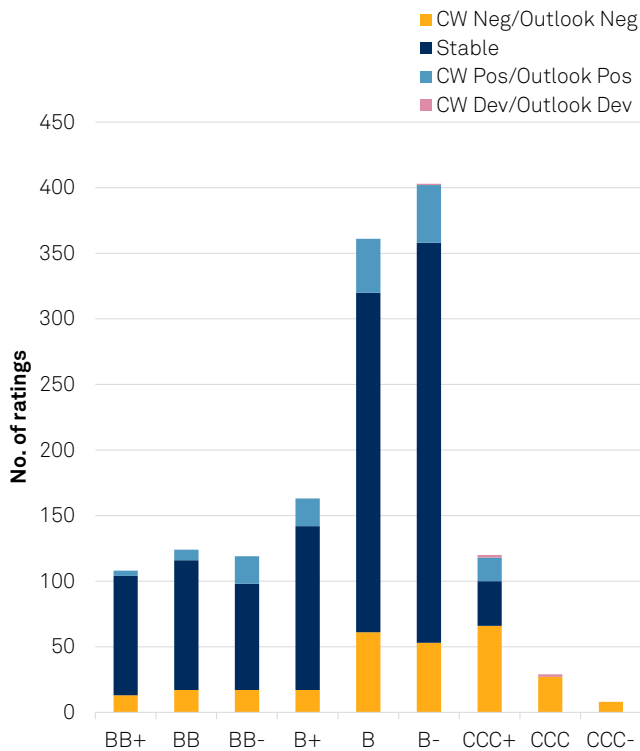
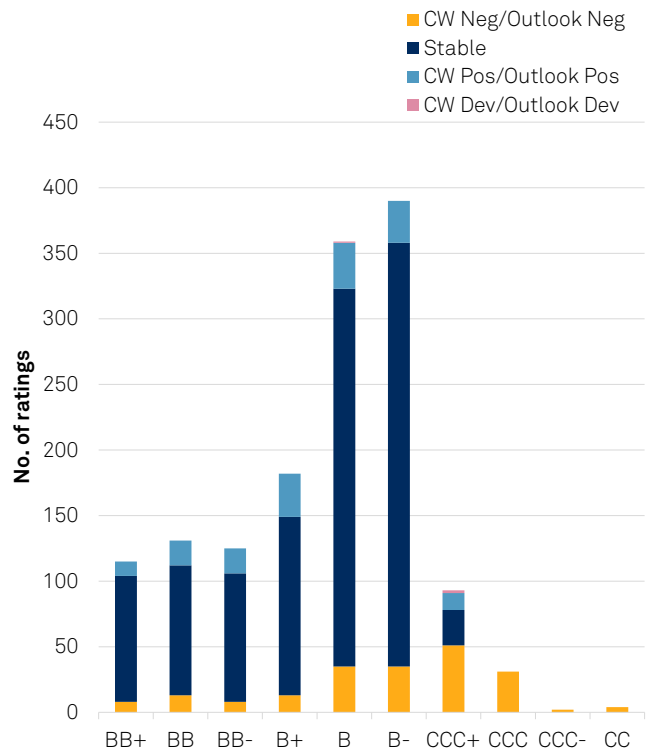


Chart 11

July 2022 Spec-Grade Ratings Distribution

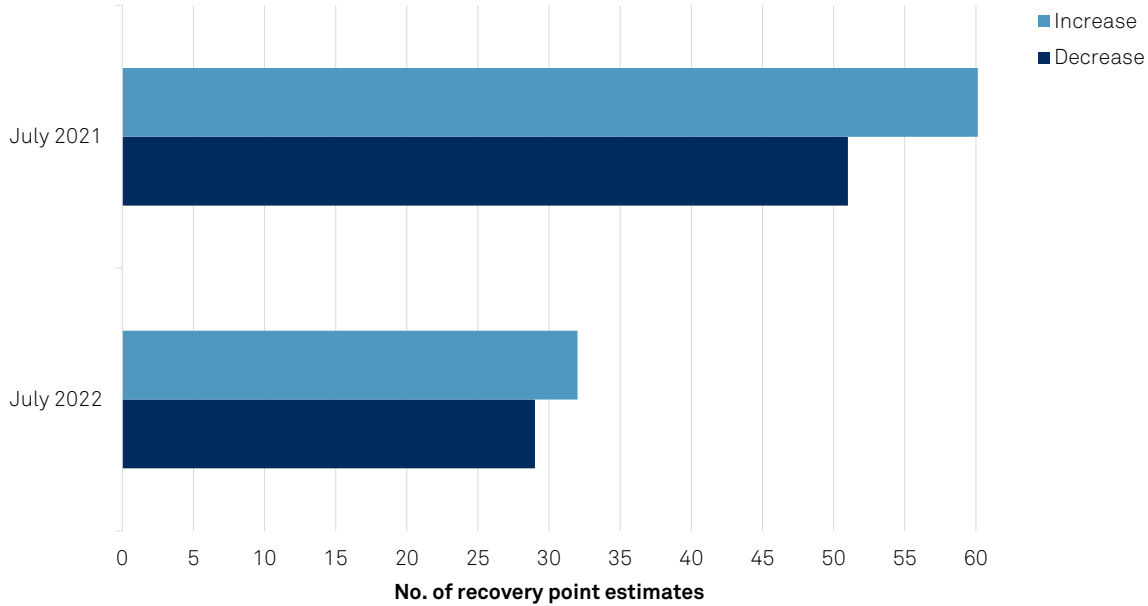


Note: Data as of July 31, 2021, and 2022. Includes U.S. and Canada corporate ratings. Source: S&P Global Ratings.

Recovery Ratings

Chart 12

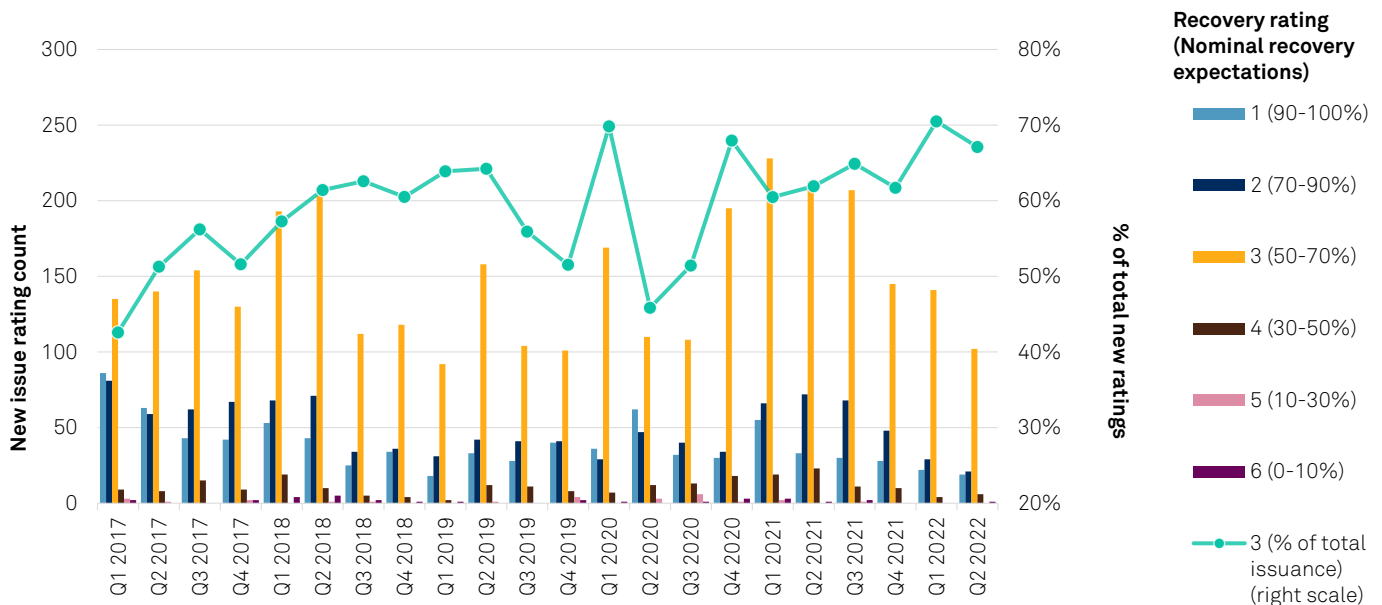
Net Changes In Recovery Point Estimates (Issuer Count)



Note: Year-to-date data as of July 31, 2021, and 2022. Data only includes recovery point estimate changes equal to or greater than 15% for both senior secured/unsecured notes (e.g., the recovery point estimate changes to '3' [50%] from '4' [35%]). Source: S&P Global Ratings.

Chart 13

Recovery Ratings Distribution Of First-Lien New Issues (U.S. And Canada)



Source: S&P Global Ratings.

CLOs

Table 1

Top 10 Obligators Held In U.S. BSL CLOs (Second-Quarter 2022)

Rank	Issuer	Rating & CW/Outlook	Industry
1	Liberty Global PLC	BB-/Stable	Diversified telecommunication services
2	Altice Europe N.V.	NR	Diversified telecommunication services
3	Asurion Group Inc.	B+/Stable	Information technology services
4	Altice USA Inc.	BB/Negative	Media
5	Lumen Technologies Inc.	BB/Watch Neg	Diversified telecommunication services
6	TransDigm Inc.	B+/Stable	Aerospace and defense
7	Endeavor Group Holdings Inc.	B/Stable	Entertainment
8	American Airlines Group Inc.	B-/Stable	Airlines
9	athenahealth Group Inc.	B-/Stable	Health care technology
10	Sinclair Broadcast Group Inc.	B/Stable	Media

CLOs--Collateralized loan obligations. Note: Ratings and CreditWatch/outlooks as of Aug. 9, 2022. NR--Not rated.
Source: S&P Global Ratings. [U.S. BSL CLO Top Obligators And Industries Report: Second-Quarter 2022](#), July 7, 2022.

Sources

- ¹ [U.S. Business Cycle Barometer: The Party's Over](#), July 27, 2022
- ² [The U.S. Speculative-Grade Corporate Default Rate Could Reach 3% By 2023 As Risks Continue To Increase](#), May 19, 2022
- ³ [The S&P/LSTA Leveraged Loan Index Default Rate Could Rise To 1.75% By March 2023](#), June 6, 2022
- ⁴ [LCD News | Leveraged Commentary & Data](#)

Related Research

- [U.S. Leveraged Finance Q2 2022 Update: Corporate Borrowers Brace For Slow-Growth Recession](#), July 27, 2022
- [Common Themes In Middle-Market Credit Agreements](#), July 6, 2022
- [Recovery Prospects In The U.S. Technology Sector](#), June 28, 2022
- [Searching For Stress Fractures: Evaluating The Impact Of Interest Rate And EBITDA Stresses On U.S. Speculative-Grade Corporates](#), May 25, 2022
- [U.S. Leveraged Finance Q1 2022 Update: Free Operating Cash Flow Is Put To The Test As Headwinds Blow Harder](#), May 3, 2022
- [Credit FAQ: Themes From Recent Leveraged Finance Investor Conversations](#), May 2, 2022
- [CLO & Leveraged Finance Quarterly Key Themes: An Early Spring Chill In The Credit Markets](#), April 28, 2022
- [Global Leveraged Finance Handbook Provides Unique Insights Into Challenging Questions](#), April 5, 2022
- [Leveraged Finance: Beyond The Term Sheet: Analysis Of LIBOR Transition Language Within Executed Credit Agreements](#), Feb. 10, 2022
- [A Credit-Cycle Turn Could Expose Vulnerabilities In The Middle Market](#), Feb. 9, 2022
- [EBITDA Addbacks Continue To Stack](#), Feb. 8, 2022
- [Recovering From COVID-19: Why The Timing Of Bankruptcy And Emergence Matters For Debt Recovery](#), Feb. 7, 2022
- [U.S. Corporate Credit Outlook 2022: New Year, New Risks \(Beyond, Of Course, Inflation\)](#), Jan. 31, 2022
- [North American Speculative-Grade Corporates Have A Whole Lotta Liquidity \(And Upgrades\)](#), Dec. 14, 2021
- [A Closer Look At How Uptier Priming Loan Exchanges Leave Excluded Lenders Behind](#), June 15, 2021

Articles are available at [Corporate Research | S&P Global Ratings \(spglobal.com\)](#).

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