

This Week In Credit

The Rumble Of Rating Pressure

S&P Global
Ratings

This report does not constitute a rating action.

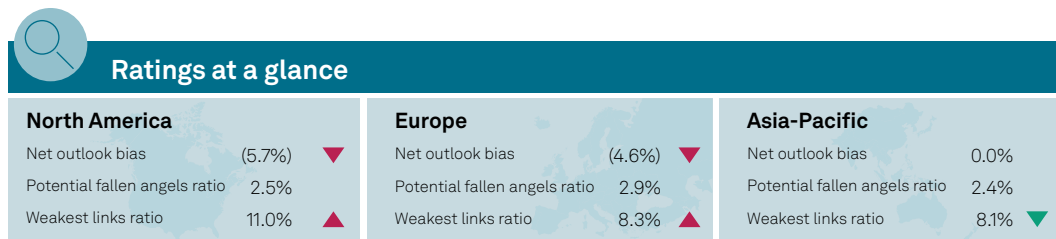
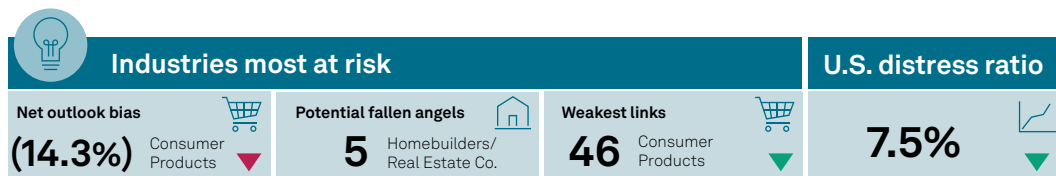
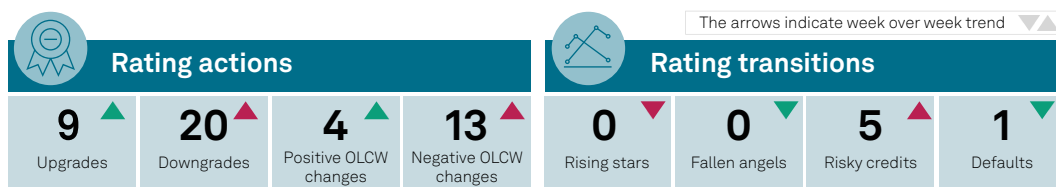
The Top Line | Oct. 24, 2022

Hopes the U.S. Federal Reserve may be nearer the end than the beginning of its rate hikes cycle buoyed markets late last week, but in reality markets are far from settled--nor should they be. Volatility will likely continue so long as inflation remains troublesome. Markets expect the European Central Bank to hike rates another 75 basis points on Thursday, while the Bank of Japan's Friday meeting will also be closely watched. Negative rating pressure is still building with negative actions far exceeding positive ones.

Key Takeaways

- Downgrades, negative outlook/CreditWatch changes, and the number of risky credits, all rose last week. Speculative-grade issuers are most exposed to tight capital markets and deteriorating macroeconomic conditions.
- The highly cyclical media and entertainment, retail/restaurants, and consumer products sectors accounted for 35% of negative rating actions. We also note cases of cash flow deterioration among some technology issuers, amid higher interest expenses.
- Credit spreads tightened in the U.S. and Europe but widened in Asia Pacific. Meanwhile, there was a pickup in primary market volumes across the globe, led by investment-grade financial institutions in the U.S. and Europe.

Ratings performance trends



Data as of Oct. 20, 2022. Note: Weekly rating actions, weekly transitions, and industries most at risk are all global data. Data excludes structured and public finance. Upgrades and downgrades exclude no debt corporate rating actions and confidential rating actions. Downgrades exclude transitions to default and confidential rating actions. Includes sovereigns with and without zero debt. Defaults from confidential issuers are included in the default tally. Source: S&P Global Ratings Credit Research & Insights.

Newsletter Contacts

Nicole Serino
New York
+1-212-438-1396
nicole.serino@spglobal.com

Patrick Drury Byrne
Dublin
+353-1-568-0605
patrick.drurybyrne@spglobal.com

Jon Palmer, CFA
New York
+1-212-438-1989
jon.palmer@spglobal.com

Media Contacts

Jeff Sexton
New York
jeff.sexton@spglobal.com

Michelle James
London
michelle.james@spglobal.com

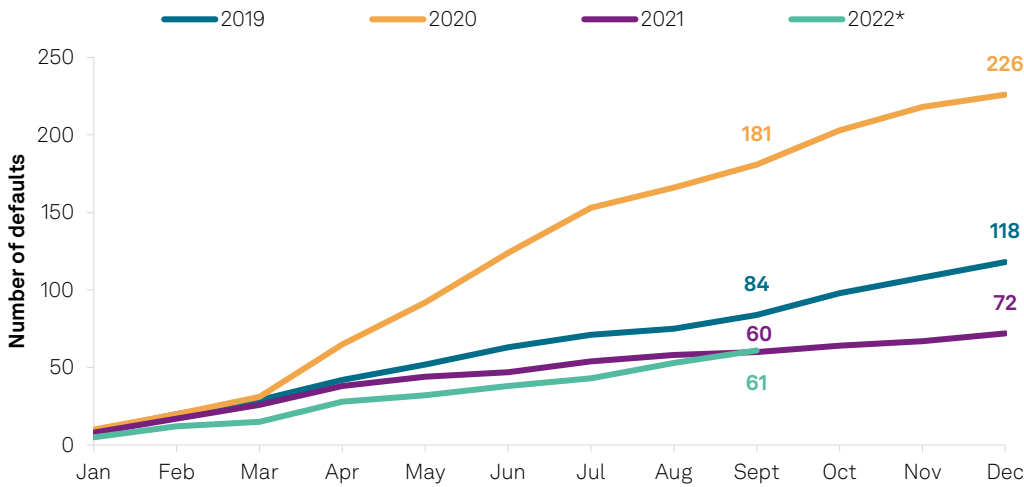
Michelle Lei
Beijing
michelle.lei@spglobal.com

For more
Credit Market
Research
[click here](#)

Chart Of The Week

Chart 1

2022 corporate defaults inch past year-to-date 2021 levels



Note: Data as of Sept. 30, 2022. Source: S&P Global Ratings. Chart first appeared in "2022 Defaults Inch Past Year-To-Date 2021 Tally As Credit Conditions Worsen," published Oct. 17, 2022, on RatingsDirect.

Related Research

[How Resilient Are Middle-Market CLO Ratings \(2022 Update\)](#), Oct. 19, 2022

[Emerging Markets Monthly Highlights: Navigating Through Increasing Uncertainty](#), Oct. 19, 2022.

[2022 Defaults Inch Past Year-To-Date 2021 Tally As Credit Conditions Worsen](#), Oct. 17, 2022

[U.S. Corporate Bond Yields As Of Oct. 19, 2022](#), Oct. 20, 2022 (published weekly)

Upcoming Webinars

[High-Frequency Trading Firms: Who They Are, Why They Matter, and How S&P Rates Them](#), Oct. 25, 2022

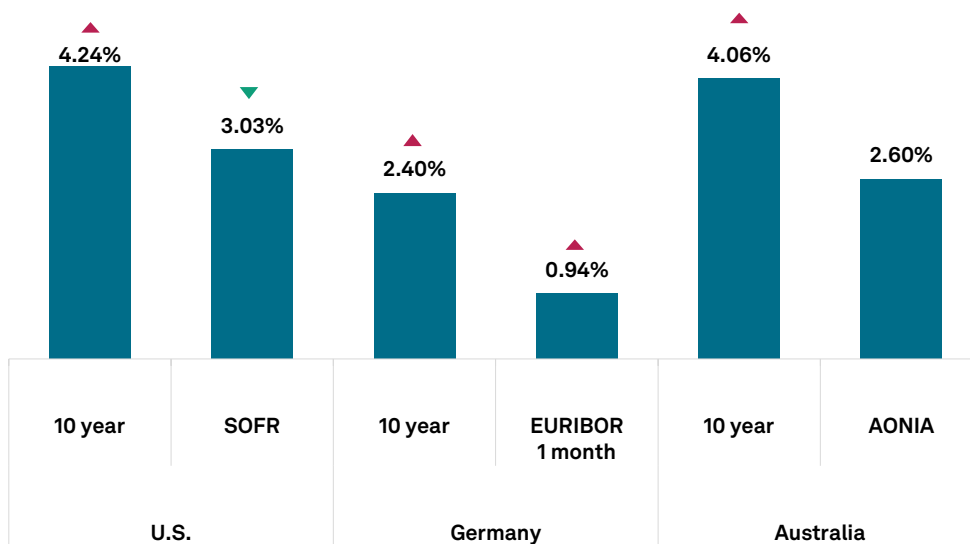
[Japan Corporate Credit Spotlight 2022: Slowing Recovery Trend Of Japanese Corporate's Credit Quality](#), Oct. 26, 2022

[Third Annual Cyber Security Seminar](#), Oct. 26, 2022

Credit Market Conditions

Chart 2

Benchmark yields



Leveraged Loan Indexes average bid price over the week

Morningstar LSTA US LLI

92 ▲ (0.30%)

Morningstar ELLI (Europe)

88 ▲ (0.09%)

Chart 3

Secondary market credit spreads

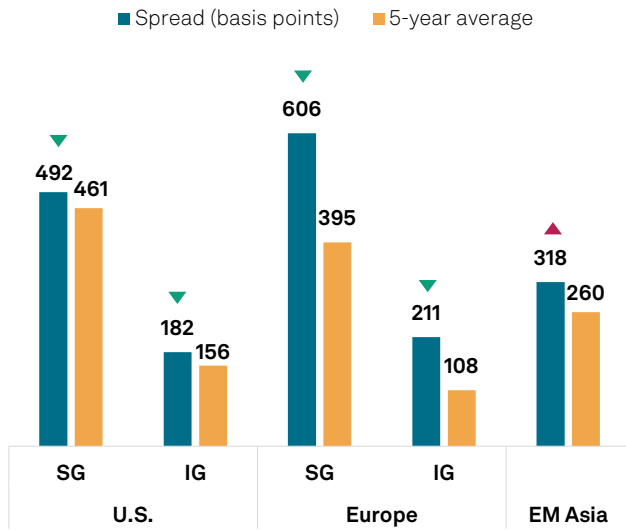
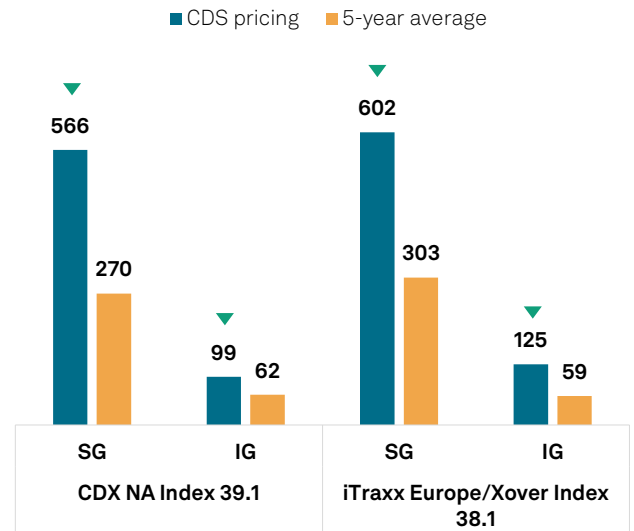


Chart 4

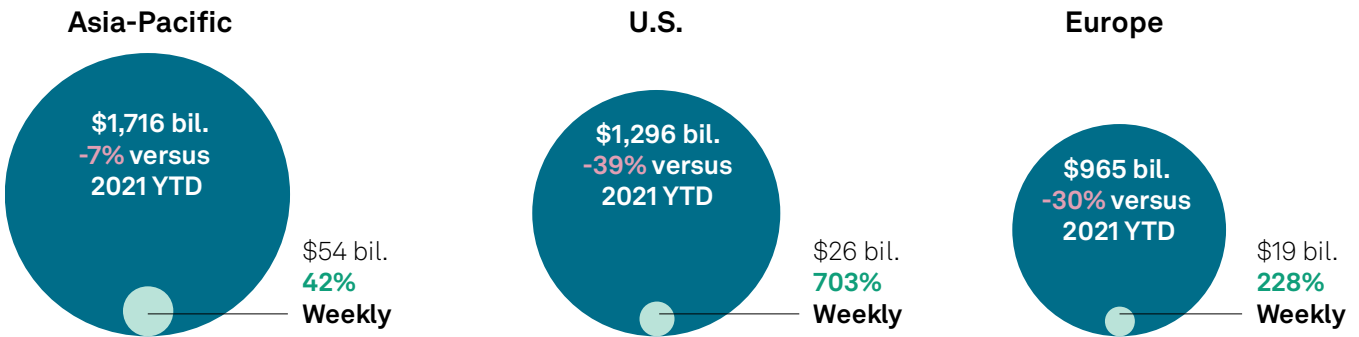
CDS pricing



The arrows indicate weekly trends. Data as of Oct. 20, 2022. Leveraged loan data source: Leveraged Commentary and Data (LCD) from PitchBook, a Morningstar company; Morningstar LSTA U.S. Leveraged Loan Index; Morningstar European Leveraged Loan Index. Sources: S&P Global Ratings Credit Research & Insights, Ice Data Indices LLC, ICE BofA Euro High-Yield Index Option-Adjusted Spread, retrieved from the Federal Reserve Bank of St. Louis, S&P Global Market Intelligence.

Chart 5

Corporate debt issuance



Data as of Oct. 20, 2022. Corporate bond issuance is the most recent weekly total and the percentage weekly change. YTD--Year to date. Note: U.S. and Europe totals include bonds and leveraged loans and Asia-Pacific total only includes bonds. Leveraged loan data source: Leveraged Commentary and Data (LCD) from PitchBook, a Morningstar company. Source: S&P Global Ratings Credit Research & Insights.

Table 1

Top 10 upgrades and downgrades by debt

Date	Action	Issuer	Industry	Country	To*	From*	Debt volume (mil. \$)
Oct. 14, 2022	Downgrade	Finastra Ltd.	High technology	Cayman Islands	CCC+/Negative	B-/Stable	34,432
Oct. 14, 2022	Downgrade	Telecom Italia SpA	Telecommunications	Italy	B+/Negative	BB-/Negative	18,335
Oct. 20, 2022	Upgrade	Banco de Sabadell S.A.	Financial Institutions	Spain	BBB/Stable	BBB-/Positive	10,783
Oct. 19, 2022	Upgrade	Live Nation Entertainment Inc.	Media & entertainment	U.S.	B+/Positive	B/Positive	5,005
Oct. 18, 2022	Downgrade	Fomento Economico Mexicano, S. A. B. de C. V.	Retail/restaurants	Mexico	BBB+/Stable	A-/Watch Neg	4,669
Oct. 14, 2022	Downgrade	Michaels Cos. Inc., (The)	Retail/restaurants	U.S.	B-/Negative	B/Negative	4,100
Oct. 19, 2022	Downgrade	PECF USS Intermediate Holding III Corp.	Chemicals, packaging, & environmental Services	U.S.	CCC+/Stable	B-/Stable	2,550
Oct. 20, 2022	Upgrade	InterContinental Hotels Group PLC	Media & entertainment	U.K.	BBB/Stable	BBB-/Positive	2,369
Oct. 20, 2022	Upgrade	SeaWorld Parks & Entertainment Inc.	Media & entertainment	U.S.	BB-/Stable	B+/Positive	2,153
Oct. 19, 2022	Upgrade	Alleghany Corp.	Financial institutions	U.S.	AA/Stable	BBB+/Watch Pos	1,650

Data as of Oct. 20, 2022. Note: Rating actions include financial and nonfinancial corporates and sovereign issuer credit ratings. *Long-term issuer credit rating/outlook or CreditWatch status. Downgrades include defaults. Source: S&P Global Ratings Credit Research & Insights.

Table 2

This week's defaults

Date	Parent company	Country/market	Subsector	To	From	Reason
Oct. 19, 2022	Fly Leasing Ltd.	Bermuda	Transportation	SD	CCC-	Distressed exchange

Data as of Oct. 20, 2022. D--Default. Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

Research Contributors

Yogesh Kumar
Pune

Nivritti Mishra
Mumbai

Deegant Pandya
New York

Bushra Dawawala
Mumbai

Glossary And Abbreviations

Ratings Performance Trends

Fallen angels--Issuers downgraded to speculative grade from investment grade.

Investment grade--Issuers rated 'BBB-' or above.

Negative bias--Percentage of issuers with a negative outlook or on CreditWatch.

Net outlook bias--Percentage of issuers with a positive bias minus those with a negative bias.

OLCW--Outlooks and CreditWatch placements.

Positive bias--Percentage of issuers with a positive outlook or CreditWatch placement.

Potential fallen angels--Issuers rated 'BBB-' with either a negative outlook or CreditWatch placement.

Potential fallen angel ratio--The number of potential fallen angels divided by the population of issuers rated in the 'BBB' category.

Rising stars--Issuers upgraded to investment grade from speculative grade.

Risky credits--Issuers in the 'CCC' rating category.

Speculative grade--Issuers rated 'BB+' or below.

U.S. distress ratio--Proportion of speculative-grade issues with option-adjusted composite spreads of more than 1,000 basis points relative to U.S. Treasury bonds.

Weakest links--Issuers rated 'B-' and below with either a negative outlook or CreditWatch placement.

Weakest links ratio--The number of weakest links divided by the total speculative-grade ratings population.

Credit Market Conditions

AONIA--Reserve Bank of Australia Cash Rate.

EM--Emerging markets.

EURIBOR--Euro Interbank Offered Rate.

IG--Investment grade.

SG--Speculative grade.

SOFR--Secured overnight financing rate.

Note: For definitions of ratings, outlooks, CreditWatch status, and other credit terms, see: "S&P Global Ratings Definitions."

Copyright 2022 © by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.spglobal.com/ratings (free of charge) and www.ratingsdirect.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.spglobal.com/ratings/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.