S&P Global Ratings

Investment-Grade Credit Check

Pockets Of Risk

Patrick Drury Byrne

Nicole Serino

Sarah Limbach

Oct. 30, 2023

This report does not constitute a rating action

Contents

Investment Grade Landscape
- Overview
- Q3 2023 Snapshot
- What To Watch
- Global Macroeconomic Update

Rating Performance Trends
- Transition Matrices
- Upgrades/Downgrades
- Bias Trends By Rating
- Bias Trends By Sector
- Fallen Angels/Rising Stars

Credit Pricing Themes
- Debt Outstanding
- Market Benchmarks

Glossary

Related Research

Contacts

Investment Grade Landscape

Read on ↓

S&P Global
Ratings

Investment Grade Landscape
- **» Overview**
- Q3 2023 Snapshot
- What To Watch
- Global Macroeconomic Update

Rating Performance Trends
- Transition Matrices
- Upgrades/Downgrades
- Bias Trends By Rating
- Bias Trends By Sector
- Fallen Angels/Rising Stars

Credit Pricing Themes
- Debt Outstanding
- Market Benchmarks

Glossary

Related Research

Contacts

The Top Line

On the surface, investment-grade credit remains resilient but not immune to the winds currently buffering credit. Surprising economic resilience across many regions is acting as a welcome tailwind to operating performance, while higher rates and financing costs and the pick-up in geopolitical tensions are creating obvious headwinds. But the reality is more nuanced and complicated, with different regions and different sectors and even issuers within sectors disproportionately impacted—positively or negatively—by these competing forces. Key areas to watch include European real estate and home builders, U.S. and Latin American regional banks, and, from a positive perspective, oil and gas.

Key Takeaways

- Upgrades and downgrades were largely even in the third quarter of 2023—a change from the second quarter where positive actions exceeded negative actions. This was due to a large drop in upgrades from last quarter by close to half, while the number of downgrades remained broadly the same.
- U.S. regional banks led downgrades in the third quarter while U.S. homebuilders led upgrades.
- Future downgrade risk is lower or the same across most rating categories compared to the end of Q2. The only rating category with a higher negative bias compared to the previous quarter is the 'BBB-' category, and the home builder and real estate sector is the largest cohort within this with six issuers (mostly Europe-based) carrying a negative outlook or CreditWatch.
- Interest rates may have peaked but the continuous higher-for-longer narrative from key central banks is pushing yields higher despite the more recent increase in geopolitical tensions.

Q3 2023 Ratings Snapshot

Investment Grade Landscape
- Overview
- **» Q3 2023 Snapshot**
- What To Watch
- Global Macroeconomic Update

Rating Performance Trends
- Transition Matrices
- Upgrades/Downgrades
- Bias Trends By Rating
- Bias Trends By Sector
- Fallen Angels/Rising Stars

Credit Pricing Themes
- Debt Outstanding
- Market Benchmarks

Glossary

Related Research

Contacts

Most likely to see downgrades Highest negative biases		Most likely to see upgrades Highest positive biases
AA 12.0%	**Rating category**	BBB- 9.3%
Latin America 21.7%	**Region**	Asia-Pacific 7.7%
Transportation 13.3% Metals, mining, steel 13.2%	**Sectors**	Metals, mining, steel 10.5% Oil and gas 10.0%

Quarter over quarter trend

Positive · No change · Negative

Data as of Sept 30, 2023. Negative bias--Percentage of issuers with a negative outlook or on CreditWatch. Positive bias--Percentage of issuers with a positive outlook or on CreditWatch. Change since previous period looks at a quarter-to-quarter comparison. Please note that some percentages (such as 'AAA') are based upon a small number of issuers. Source: S&P Global Ratings Credit Research & Insight.

S&P Global Ratings

What To Watch

Investment Grade Landscape
- Overview
- Q3 2023 Snapshot
- **» What To Watch**
- Global Macroeconomic Update

Rating Performance Trends
- Transition Matrices
- Upgrades/Downgrades
- Bias Trends By Rating
- Bias Trends By Sector
- Fallen Angels/Rising Stars

Credit Pricing Themes
- Debt Outstanding
- Market Benchmarks

Glossary

Related Research

Contacts

Quarter over quarter trend
Positive   No change   Negative

Highest potential for downgrades

Rating category	Negative bias	Highest number of issuers with a negative outlook/CreditWatch: Sector	Highest number of issuers with a negative outlook/CreditWatch: Region
AAA	16.7%	Health care (1)	U.S. (1)
AA+	4.5%	Oil and gas (1)	Europe (1)
AA	12.0%	Financial institutions (2)	Europe (3)
AA-	5.5%	Utilities / Transportation / Consumer products (1)	Asia-Pacific / Europe / U.S. (1)
A+	3.4%	Financial institutions / Retail and restaurants / Insurance / Consumer products (1)	U.S. (2)
A	6.2%	Utilities (3)	Europe / U.S. (4)
A-	7.3%	Utilities / Financial institutions (4)	Europe (7)
BBB+	9.8%	Financial institutions (10)	U.S. (13)
BBB	9.2%	Financial institutions (7)	U.S. (19)
BBB-	9.9%	Homebuilders and real estate companies (6)	U.S. (10)

Highest potential for upgrades

Rating category	Positive bias	Highest number of issuers with a positive outlook/CreditWatch: Sector	Highest number of issuers with a positive outlook/CreditWatch: Region
AAA	0.0%	-	-
AA+	0.0%	-	-
AA	0.0%	-	-
AA-	1.8%	Insurance (1)	Europe (1)
A+	1.7%	Utilities / Financial institutions (1)	Asia-Pacific / Europe (1)
A	2.6%	Consumer products / Insurance / Oil and gas / Utilities / Telecommunications (1)	Europe (3)
A-	3.7%	Insurance (3)	U.S. (6)
BBB+	8.0%	Financial institutions / Utilities (6)	Europe (10)
BBB	6.8%	Financial institutions (17)	Asia-Pacific (14)
BBB-	9.3%	Financial institutions (6)	U.S. (15)

Data as of Sept. 30, 2023. Change since previous period looks at a quarter-to-quarter comparison. Data includes financial and nonfinancial corporates. Data excludes special purpose vehicles and issuers in the diversified sector. Please note that some percentages (such as 'AAA') are based upon a small number of issuers.
Source: S&P Global Ratings Research & Insights.

Investment Grade Landscape
Overview
Q3 2023 Snapshot
What To Watch
» Global Macroeconomic Update

Rating Performance Trends
Transition Matrices
Upgrades/Downgrades
Bias Trends By Rating
Bias Trends By Sector
Fallen Angels/Rising Stars

Credit Pricing Themes
Debt Outstanding
Market Benchmarks

Glossary

Related Research

Contacts

S&P Global
Ratings

Global Macroeconomic Update

Positive change | No change | Negative change

	Forecast				Change			
	23	24	25	26	23	24	25	26
U.S.	2.3	1.3	1.4	1.8	0.5	0.0	-0.1	-0.1
Eurozone	0.6	0.9	1.5	1.5	0.0	0.0	-0.1	-0.1
Germany	-0.2	0.6	1.4	1.4	0.0	-0.2	-0.2	-0.3
France	0.8	0.9	1.5	1.4	0.1	-0.1	0.0	0.0
Italy	0.9	0.7	1.2	1.4	-0.2	0.1	-0.1	0.1
Spain	2.1	1.6	2.2	2.2	0.5	0.3	-0.1	0.0
U.K.	0.3	0.5	1.5	1.6	0.3	-0.3	-0.1	-0.1
Asia-Pacific								
China	4.8	4.4	5.0	4.5	-0.4	-0.3	0.3	0.0
Japan	1.8	1.0	1.0	0.9	0.6	-0.1	0.0	0.0
India*	6.0	6.9	6.9	7.0	0.0	0.0	0.0	-0.1
Emerging economies								
Mexico	3.0	1.7	2.0	2.1	1.2	0.1	-0.1	0.1
Brazil	2.9	1.2	1.8	2.0	1.2	-0.3	-0.1	0.1
South Africa	0.8	1.7	1.7	1.7	0.2	-0.1	0.0	-0.6
World§	3.1	2.8	3.3	3.3	0.2	-0.2	0.0	0.0

Colors indicated change from prior forecast. *Fiscal year, beginning April 1 in the reference calendar year. §Calculated at purchasing power parity exchange rates. For more detailed information, please see Global Economic Outlook Q4 2023: Nearing The Rate Plateau, Sept 27, 2023.
Sources: S&P Global Market Intelligence (model) and S&P Global Ratings (forecasts).

Top Global Trends/Risks

- Global growth is uneven but slowing; resilient services demand has led us to push out the necessary slowdown.
- Labor markets remain tight, even in regions where output has stalled (Eurozone); growing evidence of some slowing.
- Global trade has stalled, meaning domestic driven economies are outperforming more open ones (esp. EMs).
- Core inflation remains sticky, but policy rates are near the peak in DMs and will stay there well into 2024; some EMs are starting cut. Overall inflation rising again due to oil.
- Markets have bought the “higher” but not the “longer” part of the narrative (aligned in 2023); more work to do in 2024.
- Economic resilience means the necessary adjustment can be spread out—shallower, longer downturn or "soft landing“.
- **Bottom line:** drawn out slowdown; higher-for-longer rates.

Rating Performance Trends

Read on ↓

S&P Global
Ratings

Transition Matrices

Investment Grade Landscape
Overview
Q3 2023 Snapshot
What To Watch
Global Macroeconomic Update

Rating Performance Trends
» Transition Matrices
Upgrades/Downgrades
Bias Trends By Rating
Bias Trends By Sector
Fallen Angels/Rising Stars

Credit Pricing Themes
Debt Outstanding
Market Benchmarks

Glossary

Related Research

Contacts

3-month | 12-month | 3-month (2008-09) | 12-month (2008-09)

3-month corporate transition rates (%)

Positive change in transition rate, quarter-on-quarter
Negative change in transition rate, quarter-on-quarter

	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+
AAA	**100.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
AA+	0.0	**100.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
AA	0.0	0.0	**100.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
AA-	0.0	0.0	0.0	**99.3**	0.7	0.0	0.0	0.0	0.0	0.0	0.0
A+	0.0	0.0	0.0	0.0	**99.7**	0.3	0.0	0.0	0.0	0.0	0.0
A	0.0	0.0	0.0	0.0	0.9	**97.2**	1.3	0.4	0.0	0.0	0.0
A-	0.0	0.0	0.0	0.0	0.0	1.1	**97.1**	1.1	0.0	0.0	0.0
BBB+	0.0	0.0	0.0	0.0	0.0	0.0	0.8	**97.0**	1.4	0.0	0.0
BBB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.4	**95.3**	0.9	0.0
BBB-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.7	**96.4**	0.4
BB+	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.3	**94.6**

Transition rates compare issuer credit ratings at the beginning of a period with the ratings at the end of the period. 3-month and 12-month corporate transitions rates end Aug 2023. In order to compare current transition rates to previous periods of stress, we have shown transition rates for the global financial crisis period. For both 3-month and 12-month corporate transition rates during the GFC--we determined the month with highest investment grade downgrade ratio (downgrades/total rating actions). Therefore, the 3-month and 12-month corporate transition rates for the GFC end March 2009. Source: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

Transition Matrices

Investment Grade Landscape
Overview
Q3 2023 Snapshot
What To Watch
Global Macroeconomic Update

Rating Performance Trends
» Transition Matrices
Upgrades/Downgrades
Bias Trends By Rating
Bias Trends By Sector
Fallen Angels/Rising Stars

Credit Pricing Themes
Debt Outstanding
Market Benchmarks

Glossary

Related Research

Contacts

12-month corporate transition rates (%)

- Positive change in transition rate, quarter-on-quarter
- Negative change in transition rate, quarter-on-quarter

	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+
AAA	**100.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
AA+	0.0	**100.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
AA	0.0	2.6	**94.7**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
AA-	0.0	0.0	0.0	**92.7**	2.7	0.0	0.0	0.0	0.0	0.0	0.0
A+	0.0	1.1	0.0	0.8	**93.5**	1.9	0.5	0.0	0.0	0.0	0.0
A	0.0	0.0	0.0	0.0	3.2	**88.9**	3.2	0.6	0.0	0.0	0.0
A-	0.0	0.0	0.0	0.0	0.0	4.6	**89.9**	2.6	0.4	0.0	0.0
BBB+	0.0	0.0	0.2	0.0	0.0	0.0	4.4	**87.5**	3.8	0.3	0.0
BBB	0.0	0.0	0.0	0.0	0.0	0.0	0.6	7.0	**85.1**	2.5	0.1
BBB-	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.4	6.7	**83.5**	2.9
BB+	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	1.0	6.2	**78.2**

Transition rates compare issuer credit ratings at the beginning of a period with the ratings at the end of the period. 3-month and 12-month corporate transitions rates end Aug 2023. In order to compare current transition rates to previous periods of stress, we have shown transition rates for the global financial crisis period. For both 3-month and 12-month corporate transition rates during the GFC-- we determined the month with highest investment grade downgrade ratio (downgrades/total rating actions). Therefore, the 3-month and 12-month corporate transition rates for the GFC end March 2009. Source: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

S&P Global
Ratings

Transition Matrices

Investment Grade Landscape
Overview
Q3 2023 Snapshot
What To Watch
Global Macroeconomic Update

Rating Performance Trends
» Transition Matrices
Upgrades/Downgrades
Bias Trends By Rating
Bias Trends By Sector
Fallen Angels/Rising Stars

Credit Pricing Themes
Debt Outstanding
Market Benchmarks

Glossary

Related Research

Contacts

3-month | 12-month | **3-month (2008-09)** | 12-month (2008-09)

3-month corporate transition rates during the Great Recession (%)

	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+
AAA	**78.1**	6.1	0.0	1.2	1.2	2.4	0.0	1.2	0.0	0.0	0.0
AA+	0.0	**35.9**	28.3	3.8	26.4	0.0	1.9	0.0	0.0	0.0	0.0
AA	0.0	4.6	**50.7**	21.0	13.7	3.7	2.3	0.0	0.5	0.5	0.0
AA-	0.0	0.0	2.3	**60.2**	18.9	10.2	0.0	0.8	0.0	0.0	0.4
A+	0.0	0.0	0.3	3.8	**64.1**	16.3	5.6	1.3	1.3	0.0	0.6
A	0.0	0.0	0.2	0.4	4.0	**71.9**	11.8	1.7	1.3	0.2	0.0
A-	0.0	0.0	0.0	0.0	0.0	6.2	**75.9**	8.6	2.2	1.0	0.2
BBB+	0.0	0.0	0.0	0.0	0.4	0.6	7.1	**68.6**	13.8	2.5	0.0
BBB	0.0	0.0	0.0	0.0	0.0	0.4	0.0	4.8	**75.1**	8.8	2.0
BBB-	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2	7.1	**69.9**	7.6
BB+	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.3	10.2	**60.9**

Transition rates compare issuer credit ratings at the beginning of a period with the ratings at the end of the period. 3-month and 12-month corporate transitions rates end Aug 2023. In order to compare current transition rates to previous periods of stress, we have shown transition rates for the global financial crisis period. For both 3-month and 12-month corporate transition rates during the GFC--we determined the month with highest investment grade downgrade ratio (downgrades/total rating actions). Therefore, the 3-month and 12-month corporate transition rates for the GFC end March 2009. Source: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

Transition Matrices

Investment Grade Landscape
Overview
Q3 2023 Snapshot
What To Watch
Global Macroeconomic Update

Rating Performance Trends
» Transition Matrices
Upgrades/Downgrades
Bias Trends By Rating
Bias Trends By Sector
Fallen Angels/Rising Stars

Credit Pricing Themes
Debt Outstanding
Market Benchmarks

Glossary

Related Research

Contacts

S&P Global Ratings

3-month | 12-month | 3-month (2008-09) | **12-month (2008-09)**

12-month corporate transition rates during the Great Recession (%)

	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+
AAA	**83.8**	5.4	4.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
AA+	0.0	**54.1**	37.8	5.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
AA	0.0	0.5	**56.5**	22.0	11.5	0.5	0.5	0.0	0.0	1.0	0.5
AA-	0.0	0.0	2.3	**59.3**	24.9	5.3	0.8	1.1	0.0	0.0	0.0
A+	0.0	0.3	0.3	0.9	**67.1**	18.0	2.4	2.1	0.9	0.9	0.0
A	0.0	0.0	0.0	0.2	2.5	**69.9**	16.2	1.9	1.7	0.0	0.2
A-	0.0	0.0	0.0	0.0	0.0	3.7	**73.0**	11.2	2.6	1.7	0.6
BBB+	0.0	0.0	0.0	0.0	0.0	0.2	4.5	**66.9**	16.9	2.2	1.2
BBB	0.0	0.0	0.0	0.0	0.0	0.4	0.6	3.1	**74.7**	9.3	3.5
BBB-	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.5	5.8	**67.7**	7.6
BB+	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.9	7.8	**56.5**

Transition rates compare issuer credit ratings at the beginning of a period with the ratings at the end of the period. 3-month and 12-month corporate transitions rates end Aug 2023. In order to compare current transition rates to previous periods of stress, we have shown transition rates for the global financial crisis period. For both 3-month and 12-month corporate transition rates during the GFC--we determined the month with highest investment grade downgrade ratio (downgrades/total rating actions). Therefore, the 3-month and 12-month corporate transition rates for the GFC end March 2009. Source: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

Upgrades/Downgrades

Investment Grade Landscape
- Overview
- Q3 2023 Snapshot
- What To Watch
- Global Macroeconomic Update

Rating Performance Trends
- Transition Matrices
- **» Upgrades/Downgrades**
- Bias Trends By Rating
- Bias Trends By Sector
- Fallen Angels/Rising Stars

Credit Pricing Themes
- Debt Outstanding
- Market Benchmarks

Glossary

Related Research

Contacts

S&P Global Ratings

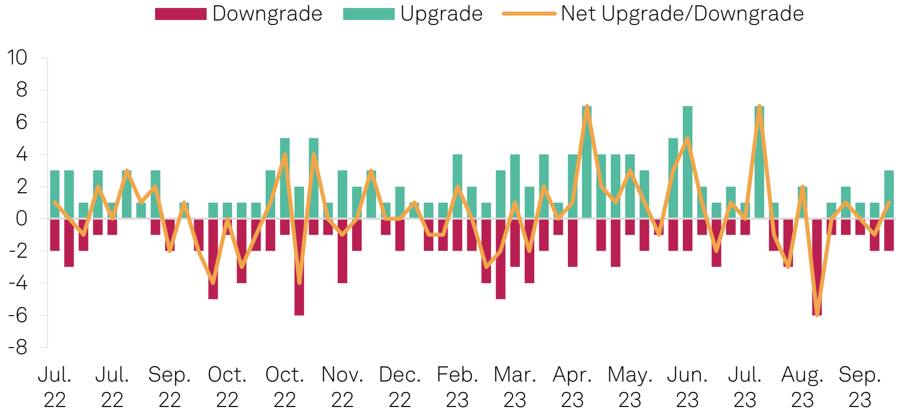
U.S. regional banks led investment-grade downgrades in the third quarter—responsible for 25% of the overall total—including UMD Financial Corp., KeyCorp, and Valley National Bancorp, as deposit pressures and higher-for-longer rates are expected to constrain profitability

Upgrades were led by U.S. homebuilders including D.R. Horton, Lennar Corp. and PulteGroup, Inc. Some U.S. homebuilders are continuing to build their cash balances and are paying down debt, despite sustained higher mortgage expenses for consumers, either by utilizing their scale or increasing incentives and promotions to offset the decreasing demand.

Most upgrades this quarter were concentrated in the lower rated investment grade categories ('BBB+', 'BBB', 'BBB-') with 14, while downgrades were concentrated in the higher rating categories ('A+', 'A', 'A-') with eleven.

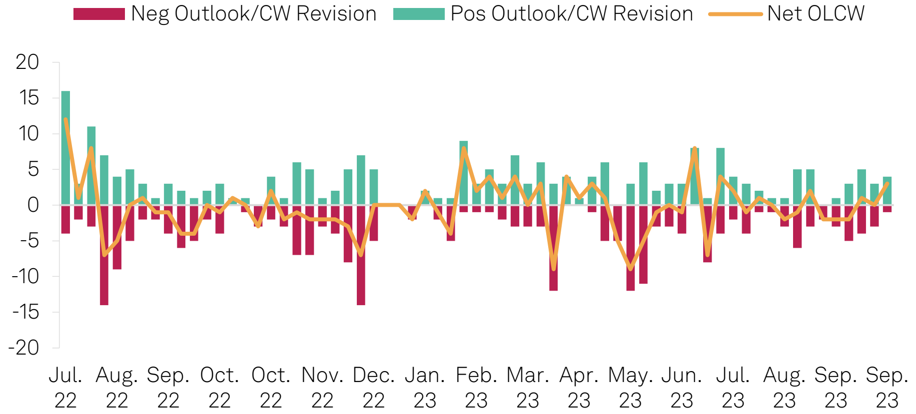
Credit quality improved notably over the last quarter

Upgrades and downgrades (no.)



Positive outlook and CreditWatch revisions outpaced negative ones

Outlook revisions (no.)



Data as of Sept. 30, 2023. Includes financial and nonfinancial corporates. Source: S&P Global Ratings Credit Research & Insights.

Bias Trends By Region And Ratings

Investment Grade Landscape
- Overview
- Q3 2023 Snapshot
- What To Watch
- Global Macroeconomic Update

Rating Performance Trends
- Transition Matrices
- Upgrades/Downgrades
- **» Bias Trends By Rating**
- Bias Trends By Sector
- Fallen Angels/Rising Stars

Credit Pricing Themes
- Debt Outstanding
- Market Benchmarks

Glossary

Related Research

Contacts

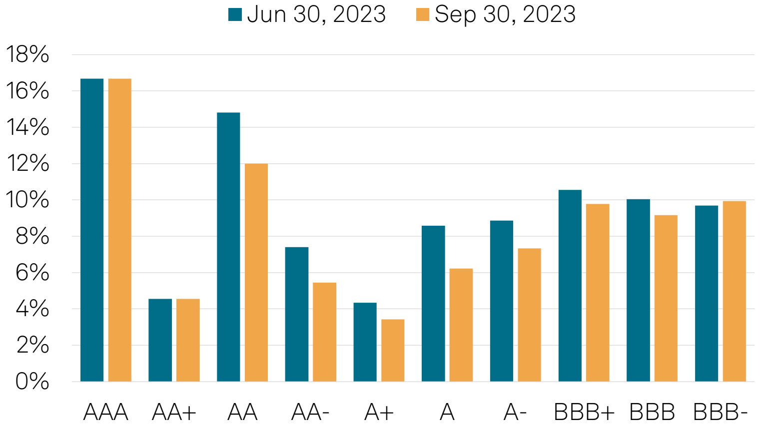
Most rating categories experienced a drop in negative bias in the third quarter from the previous quarter, apart from the ‘BBB-’ category. Negative actions in the ‘BBB-’ category were spread across sectors although Chemicals led with two issuers whose outlooks were revised to negative from stable, citing sluggish demand, weak profitability, and pricing pressures.

The investment grade negative bias dropped across all regions in the third quarter. This was a reversal in the trend we saw in the second quarter, and potentially reflects economic resilience as demand for services remains strong and the labor market tight.

The rating category with the highest negative bias (excluding 'AAA' due to small issuer population) is the 'AA' category, which has six issuers with a negative outlook or CreditWatch, five of which are France-based issuers whose outlooks were revised in March following our revision of the outlook on the sovereign rating to negative.

'BBB-' experienced an increase in negative bias

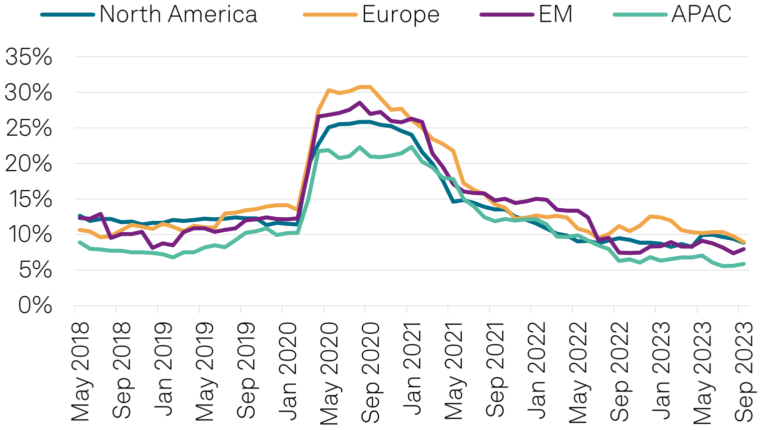
Negative bias by rating category (%)



Data as of Sept. 30, 2023. Data includes financial and nonfinancial corporates. Source: S&P Global Ratings Credit Research and Insights.

Negative bias dropped across all regions

Negative bias by region (%)



Data as of Sept. 30, 2023. Includes financial and nonfinancial corporates. Source: S&P Global Ratings Credit Research & Insights.

S&P Global
Ratings

Bias Trends By Sector

Investment Grade Landscape
Overview
Q3 2023 Snapshot
What To Watch
Global Macroeconomic Update

Rating Performance Trends
Transition Matrices
Upgrades/Downgrades
Bias Trends By Rating
» Bias Trends By Sector
Fallen Angels/Rising Stars

Credit Pricing Themes
Debt Outstanding
Market Benchmarks

Glossary

Related Research

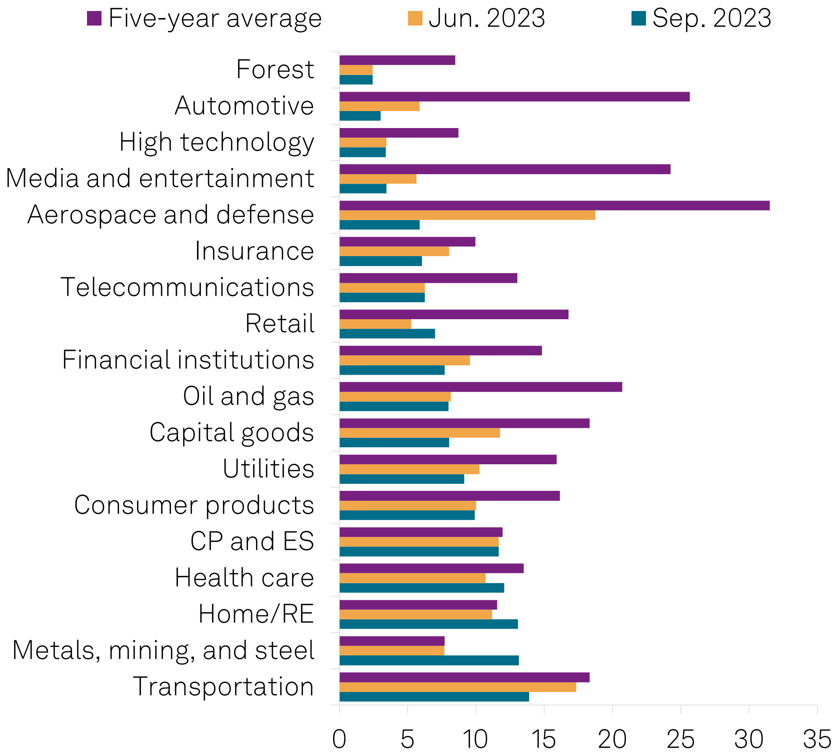
Contacts

Negative bias | Positive bias

Overall, the negative bias has fallen across most sectors so far in 2023 except for homebuilders and health care which have increased by 3.9 and 1.9 percentage points, respectively. Nonetheless, the transportation sector leads with the highest investment grade negative bias at 13.9%, but this has fallen from the prior quarter level of 17.3% and is well below its five-year average of 18.3%. Within transportation, air freight and logistic companies have the largest number of issuers with a negative outlook or CreditWatch.

Homebuilders and metals, mining, and steel are the only sectors that have a higher negative bias compared to five-year averages, and many of these ratings are concentrated within the 'BBB' and 'BBB-' rating categories. Home builders and real estate companies have already contributed to four of the 14 fallen angels we have seen this year so far, which is not surprising as it is one of the sectors most acutely impacted by higher interest rates.

Most sectors' negative bias below their 5-year averages
Investment-grade negative bias (%)



Data as of Sept. 30, 2023. Includes financial and nonfinancial corporates. Financial institutions includes banks and nonbanking financial institutions.
Source: S&P Global Ratings Credit Research & Insights.

S&P Global Ratings

Bias Trends By Sector

Investment Grade Landscape
Overview
Q3 2023 Snapshot
What To Watch
Global Macroeconomic Update

Rating Performance Trends
Transition Matrices
Upgrades/Downgrades
Bias Trends By Rating
» Bias Trends By Sector
Fallen Angels/Rising Stars

Credit Pricing Themes
Debt Outstanding
Market Benchmarks

Glossary

Related Research

Contacts

Negative bias | **Positive bias**

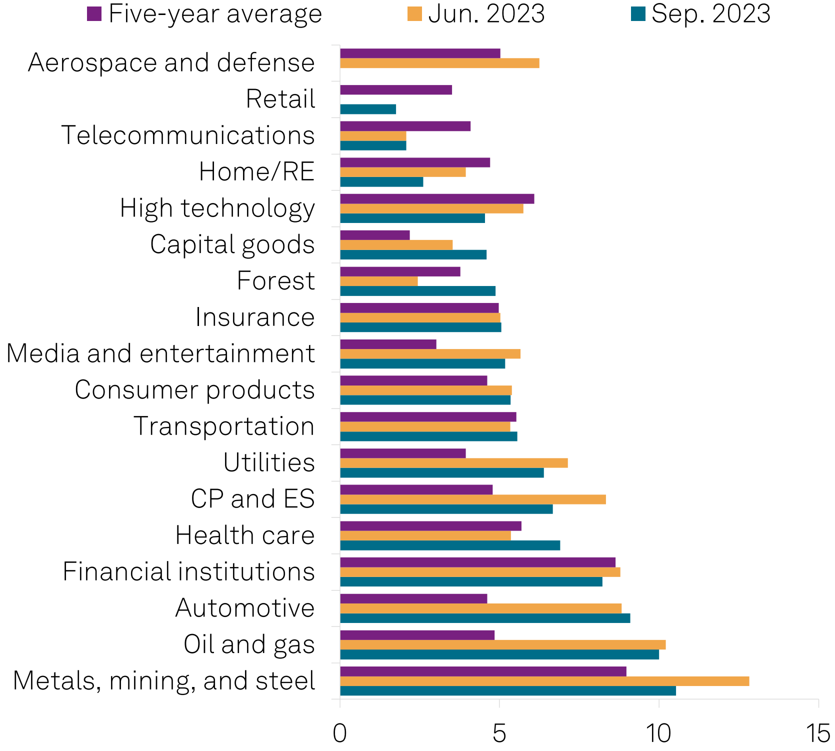
The only rating categories to experience a quarter-on-quarter increase in positive bias were the 'AA-', 'BBB+', and 'BBB-' rating categories driven in part by U.S. utilities and Australian banks.

Building materials led with the largest quarter-on-quarter increase in positive bias last month, increasing by 2.4 percentage points—driven by positive rating actions in Europe.

Energy sectors continue to hold the highest upgrade potential—those with the highest positive bias. Both metals, mining and steel, and oil and gas, have higher positive biases than their long-term averages. For oil and gas, even as prices have fallen in 2023, the balance sheet repair over the last few years has allowed many issuers to lower their debt levels.

Energy sector's positive bias still showing upgrades momentum

Investment-grade positive bias (%)



Data as of Sept. 30, 2023. Includes financial and nonfinancial corporates. Financial institutions includes banks and nonbanking financial institutions.
Source: S&P Global Ratings Credit Research & Insights.

S&P Global Ratings

Fallen Angels/Rising Stars

Investment Grade Landscape
Overview
Q3 2023 Snapshot
What To Watch
Global Macroeconomic Update

Rating Performance Trends
Transition Matrices
Upgrades/Downgrades
Bias Trends By Rating
Bias Trends By Sector
» Fallen Angels/Rising Stars

Credit Pricing Themes
Debt Outstanding
Market Benchmarks

Glossary

Related Research

Contacts

S&P Global Ratings

Overview	Global Fallen Angels	Global Rising Stars

Global rising stars have well outpaced global fallen angels in Q3 2023 with nine rising stars and only one fallen angel.

The media and entertainment sector led rising stars in the third quarter, with three. This sector also leads our year-to-date tally with one third of 2023 rising stars through September. Many of these issuers fall within the lodging and leisure sector as issuers continue to benefit from the shift in consumer spending toward experiences.

The home builder sector has the most potential fallen angels (issuers rated 'BBB-' with a negative outlook or CreditWatch) with six—four of these are either Germany- or France-based real estate investment companies.

Oil and gas leads potential rising stars (issuers rated 'BB+' with a positive outlook or CreditWatch) with four—mostly U.S.-based oil and gas exploration and production companies.

Fallen Angels/Rising Stars

Investment Grade Landscape
Overview
Q3 2023 Snapshot
What To Watch
Global Macroeconomic Update

Rating Performance Trends
Transition Matrices
Upgrades/Downgrades
Bias Trends By Rating
Bias Trends By Sector
» Fallen Angels/Rising Stars

Credit Pricing Themes
Debt Outstanding
Market Benchmarks

Glossary

Related Research

Contacts

Overview | **Global Fallen Angels** | Global Rising Stars

Date	Issuer	To	From	Sector/subsector	Country	Rated debt affected (mil. $)
07/03/2023	Nissan Motor Co. Ltd.	BB+	BBB-	Automotive	Japan	14,769
10/03/2023	SVB Financial Group	CC	BBB-	Financial institutions	U.S.	6,000
15/03/2023	First Republic Bank	BB+	A-	Financial institutions	U.S.	5,150
20/03/2023	Newell Brands Inc.	BB+	BBB-	Consumer products	U.S.	6,560
22/03/2023	Globalworth Real Estate Investments Ltd.	BB+	BBB-	Home/RE	Guernsey	429
31/03/2023	Crane Holdings Co.	BB+	BBB	High technology	U.S.	1,200
31/03/2023	Office Properties Income Trust	BB	BBB-	Home/RE	U.S.	2,500
03/04/2023	Fluor Corp.	BB+	BBB-	Capital goods	U.S.	1,100
01/05/2023	CI Financial Corp.	BB+	BBB-	Financial institutions	Canada	2,634
08/05/2023	Samhallsbyggnadsbolaget i Norden AB (publ)	BB+	BBB-	Home/RE	Sweden	5,943
17/05/2023	One Rail Australia Holdings Ltd.	BB	BBB-	Transportation	Australia	409
06/06/2023	System Energy Resources Inc. (Entergy Corp)	BB	BBB+	Utilties	U.S.	525
28/06/2023	Brandywine Realty Trust Inc.	BB+	BBB-	Home/RE	U.S.	1,500
12/09/2023	Advance Auto Parts Inc.	BB+	BBB-	Retail	U.S.	1,800

Data as of Sept. 30, 2023. Fallen angels are defined as investment-grade issuers currently with bonds outstanding that have been downgraded to speculative-grade (i.e. from 'BBB-' or above, to 'BB+' or below). Includes all rated issuers with valid outstanding debt at the time of the rating action. Valid debt includes issuer level debt (both secured and unsecured), bank loans, subordinated debt, medium term notes (MTN), preferred stock, convertible debt, and drawdowns under MTN programs and excludes commercial paper programs, shelf registrations, certificates of deposit, and debt rated on a confidential basis. This debt may be rated above or below the issuer credit rating. Moreover, if a subsidiary's parent is itself a fallen angel, only the parent is counted. Source: S&P Global Ratings Credit Research & Insights.

Fallen Angels/Rising Stars

Investment Grade Landscape
Overview
Q3 2023 Snapshot
What To Watch
Global Macroeconomic Update

Rating Performance Trends
Transition Matrices
Upgrades/Downgrades
Bias Trends By Rating
Bias Trends By Sector
» Fallen Angels/Rising Stars

Credit Pricing Themes
Debt Outstanding
Market Benchmarks

Glossary

Related Research

Contacts

Overview | Global Fallen Angels | **Global Rising Stars**

Date	Issuer	To	From	Sector/subsector	Country	Rated debt affected (mil. $)
17/01/2023	Booz Allen Hamilton Inc.	BBB-	BB+	Aerospace and defense	U.S.	3368
07/02/2023	Nokia Corp.	BBB-	BB+	High technology	Finland	3712
23/02/2023	MSCI Inc.	BBB-	BB+	High technology	U.S.	4550
09/03/2023	Pilot Travel Centers LLC	BBB+	BB+	Retail	U.S.	8000
13/03/2023	Seminole Hard Rock Entertainment Inc. (Seminole Tribe of Florida)	BBB-	B+	Media and entertainment	U.S.	1140
13/03/2023	Seminole Hard Rock International LLC (Seminole Tribe of Florida)	BBB-	B+	Media and entertainment	U.S.	1140
21/03/2023	Ingersoll Rand Inc.	BBB-	BB+	Capital goods	U.S.	5768
03/04/2023	Belron Group S.A.	BBB-	BB+	Media and entertainment	Luxembourg	4540
03/04/2023	The Weir Group PLC	BBB-	BB+	Capital goods	U.K.	800
05/04/2023	LPL Holdings Inc.,	BBB-	BB+	Financial institutions	U.S.	3670
26/04/2023	Teollisuuden Voima Oyj	BBB-	BB+	Utilities	Finland	3464
27/04/2023	Mattel Inc.	BBB-	BB+	Media and entertainment	U.S.	2350
04/05/2023	Host Hotels & Resorts Inc.	BBB-	BB+	Media and entertainment	U.S.	4150
05/05/2023	Verallia S.A. (Horizon Parent Holdings S.a r.l.)	BBB-	BB+	CP&ES	France	1106
17/05/2023	Aristocrat Leisure Ltd.	BBB-	BB+	Media and entertainment	Australia	3800
05/06/2023	K+S Aktiengesellschaft	BBB-	BB+	CP&ES	Germany	644
18/07/2023	Gartner Inc.	BBB-	BB+	Media and entertainment	U.S.	2100
26/07/2023	Las Vegas Sands Corp.	BBB-	BB+	Media and entertainment	U.S.	11150
27/07/2023	Toll Brothers Inc.	BBB-	BB+	Home/RE	U.S.	1600
27/07/2023	Meritage Homes Corp.	BBB-	BB+	Home/RE	U.S.	950
04/08/2023	Leonardo S.p.a.	BBB-	BB+	Aerospace and defense	Italy	1748
08/08/2023	PDC Energy Inc.,	AA-	BB	Oil and gas	U.S.	1700
01/09/2023	Patterson-UTI Energy Inc.,	BBB-	BB+	Oil and gas	U.S.	875
12/09/2023	Accor S.A.	BBB-	BB+	Media and entertainment	France	4608
12/09/2023	Banco Comercial Portugues S.A.	BBB-	BB+	Financial institutions	Portugal	1265

Data as of Sept. 30, 2023. Rising stars are defined as speculative-grade issuers currently with bonds outstanding that have been upgraded to investment-grade (i.e. from 'BB+' and below, to 'BBB-' and above). Includes all rated issuers with valid outstanding debt at the time of the rating action. Valid debt includes issuer level debt (both secured and unsecured), bank loans, subordinated debt, medium term notes (MTN), preferred stock, convertible debt, and drawdowns under MTN programs and excludes commercial paper programs, shelf registrations, certificates of deposit, and debt rated on a confidential basis. This debt may be rated above or below the issuer credit rating. Moreover, if a subsidiary's parent is itself a rising star, only the parent is counted. Source: S&P Global Ratings Credit Research & Insights.

Credit Pricing Themes

Read on ↓

S&P Global
Ratings

Investment Grade Landscape
Overview
Q3 2023 Snapshot
What To Watch
Global Macroeconomic Update

Rating Performance Trends
Transition Matrices
Upgrades/Downgrades
Bias Trends By Rating
Bias Trends By Sector
Fallen Angels/Rising Stars

Credit Pricing Themes
» Debt Outstanding
Market Benchmarks

Glossary

Related Research

Contacts

Credit Pricing Themes | Debt Outstanding

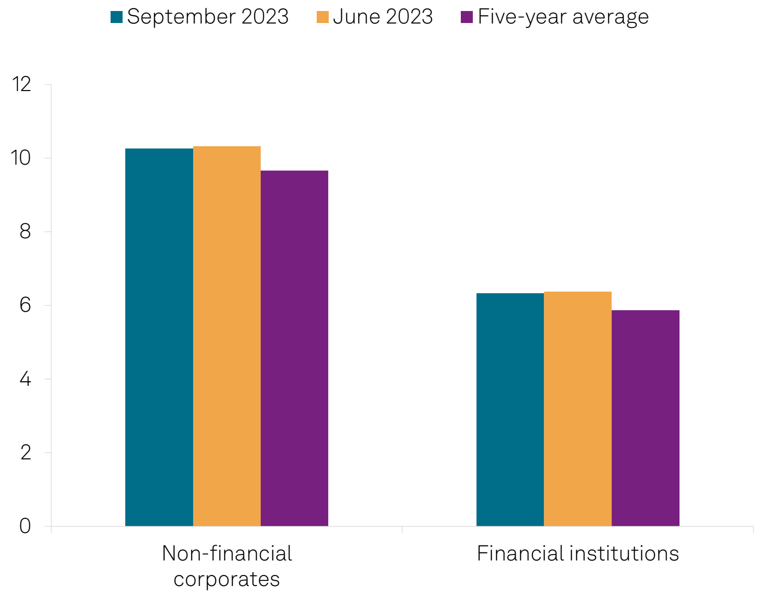
Debt outstanding across all asset classes decreased over the three months to September. This comes in a context of declining corporate issuance, down by 24% in the third from the second quarter.

The utilities sector has the highest absolute debt amount outstanding, largely on account of the higher number of issuers within this sector (219) . In contrast telecom is the sector with the highest average debt per issuer.

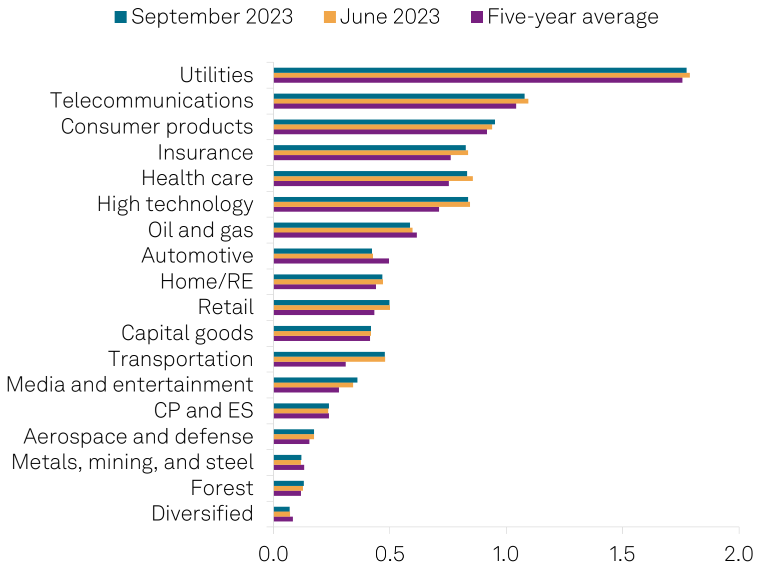
Media and entertainment leads with the highest relative increase in outstanding debt during the third quarter. This is largely due to an increase in the number of investment-grade rated companies in this sector. Five companies, that is roughly 10%, were added between June and September, mostly due to upgrades from speculative grade.

Debt outstanding decreased in most sectors despite higher financing costs

Debt outstanding by sector (tril. $)



Debt by sector (tril. $)



Data as of Sept. 30, 2023. Includes financial and nonfinancial corporates. Source: S&P Global Ratings Credit Research & Insights.

S&P Global Ratings

Investment Grade Landscape
Overview
Q3 2023 Snapshot
What To Watch
Global Macroeconomic Update

Rating Performance Trends
Transition Matrices
Upgrades/Downgrades
Bias Trends By Rating
Bias Trends By Sector
Fallen Angels/Rising Stars

Credit Pricing Themes
Debt Outstanding
» Market Benchmarks

Glossary

Related Research

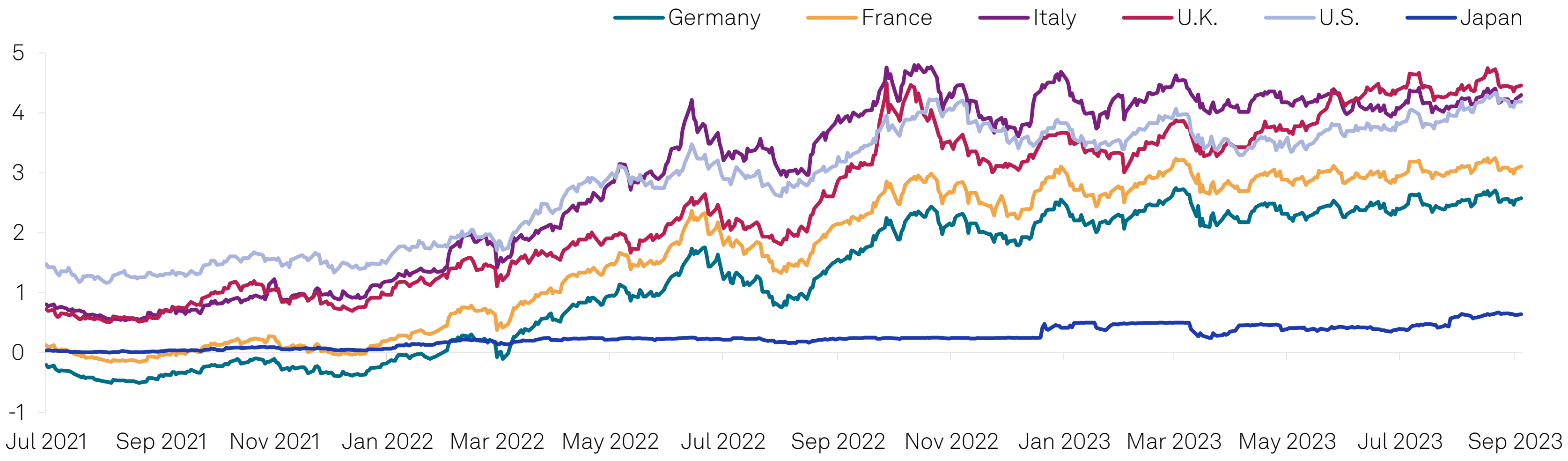
Contacts

S&P Global Ratings

Credit Pricing Themes | Market Benchmarks

Benchmark Yield | Secondary Market | IG Yields | IG CDS | iBoxx

Global benchmark yields (%)



Sources: Data as of Sept 30, 2023. S&P Global Credit Research & Insights, S&P Global Market Intelligence Capital IQ.

Benchmark yields across most developed economies continue to trend higher on expectations that central banks will keep interest rates higher for longer. In the U.K., the benchmark rate has reached levels comparable to 2008, while benchmark rates in Japan have been rising fueled by market expectations that the period of negative interest rates may be close to the end.

Investment Grade Landscape
Overview
Q3 2023 Snapshot
What To Watch
Global Macroeconomic Update

Rating Performance Trends
Transition Matrices
Upgrades/Downgrades
Bias Trends By Rating
Bias Trends By Sector
Fallen Angels/Rising Stars

Credit Pricing Themes
Debt Outstanding
» Market Benchmarks

Glossary

Related Research

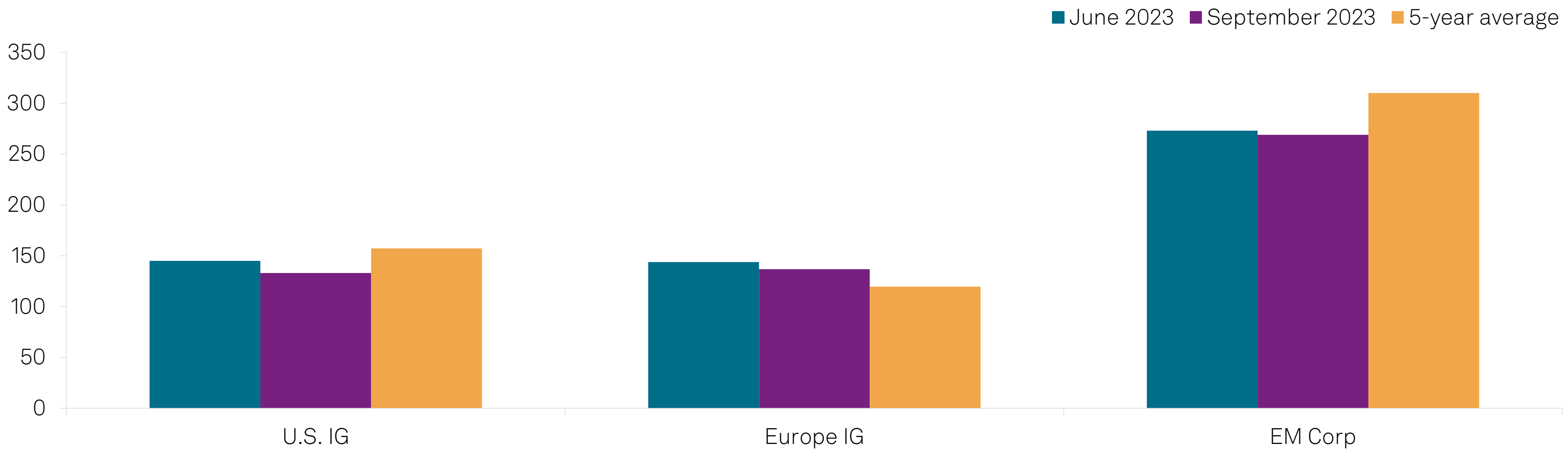
Contacts

S&P Global
Ratings

Credit Pricing Themes | Market Benchmarks

Benchmark Yield | **Secondary Market** | IG Yields | IG CDS | iBoxx

Regional secondary market spreads (bps)



Data as of Oct. 4, 2023. bps--Basis points. Sources: ICE Benchmark Administration Limited (IBA), 'ICE BofAML Asia Emerging Markets Corporate Plus Sub-Index Option-Adjusted Spread', 'ICE BofAML Europe, the Middle East, and Africa (EMEA) Emerging Markets Corporate Plus Sub-Index Option-Adjusted Spread', retrieved from FRED, Federal Reserve Bank of St. Louis, U.S. Investment-Grade and Speculative-Grade Spreads from S&P Global Ratings, Europe Investment-Grade Spreads From S&P Dow Jones Indices.

Regional secondary market spreads tightened marginally across most regions as economic resilience supported operating performance.

Credit Pricing Themes | Market Benchmarks

Investment Grade Landscape
Overview
Q3 2023 Snapshot
What To Watch
Global Macroeconomic Update

Rating Performance Trends
Transition Matrices
Upgrades/Downgrades
Bias Trends By Rating
Bias Trends By Sector
Fallen Angels/Rising Stars

Credit Pricing Themes
Debt Outstanding
» Market Benchmarks

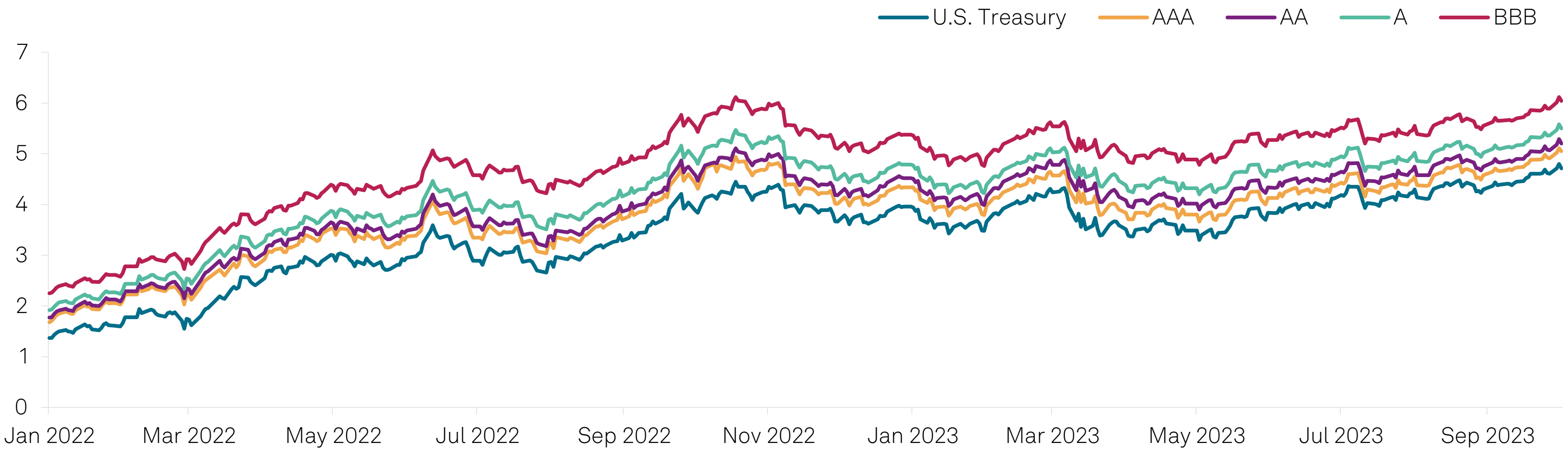
Glossary

Related Research

Contacts

Benchmark Yield | Secondary Market | **IG Yields** | IG CDS | iBoxx

Investment-grade U.S. bond yields (%)



Data as of Oct. 4, 2023. Data includes five-year maturity yields. Source: S&P Global Ratings Credit Research and Insights.

U.S. bond yields are still on the rise. U.S. 'BBB' yields reached over 6% in September—the highest level since 2009.

Credit Pricing Themes | Market Benchmarks

Investment Grade Landscape
Overview
Q3 2023 Snapshot
What To Watch
Global Macroeconomic Update

Rating Performance Trends
Transition Matrices
Upgrades/Downgrades
Bias Trends By Rating
Bias Trends By Sector
Fallen Angels/Rising Stars

Credit Pricing Themes
Debt Outstanding
» Market Benchmarks

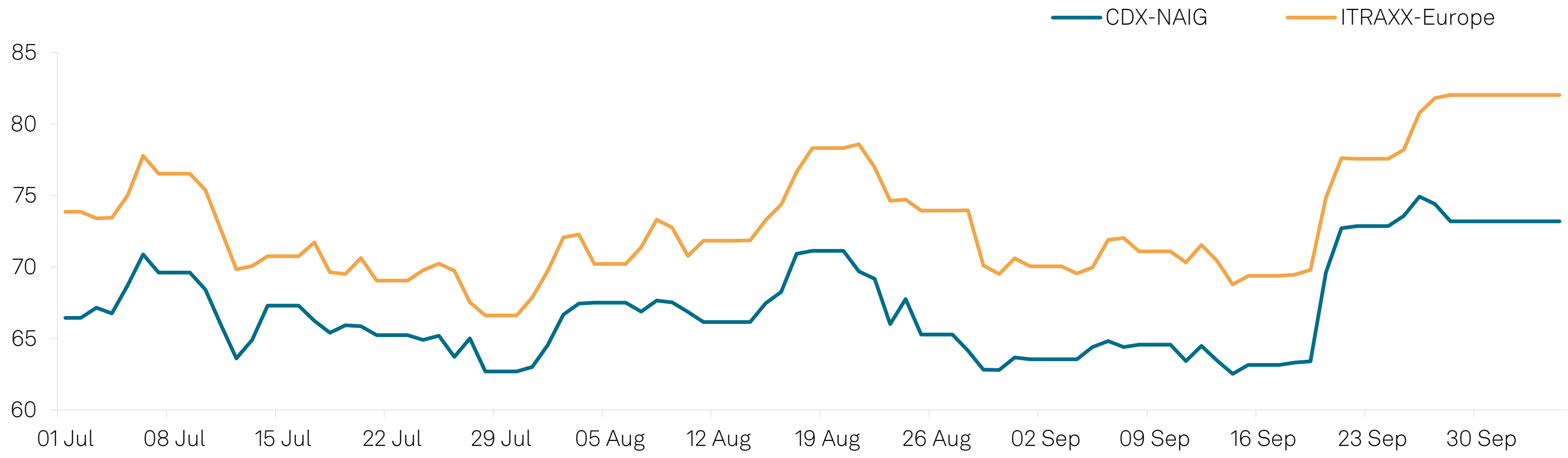
Glossary

Related Research

Contacts

Benchmark Yield | Secondary Market | IG Yields | **IG CDS** | iBoxx

CDX-NAIG 5 Y vs ITRAXX-Europe 5 Y (bps)



Data as of Sept 30, 2023. bps--Basis points. Sources: CDX-NAIG 5 Y ConvSpread vs ITRAXX-Europe 5 Y, S&P Global Market Intelligence.

CDX NAIG 5-year and ITRAXX Europe 5 year closed the quarter at 73 bps and 82 bps, both around 10% higher than the end of Q2.

S&P Global Ratings

Credit Pricing Themes | Market Benchmarks

Investment Grade Landscape
Overview
Q3 2023 Snapshot
What To Watch
Global Macroeconomic Update

Rating Performance Trends
Transition Matrices
Upgrades/Downgrades
Bias Trends By Rating
Bias Trends By Sector
Fallen Angels/Rising Stars

Credit Pricing Themes
Debt Outstanding
» Market Benchmarks

Glossary

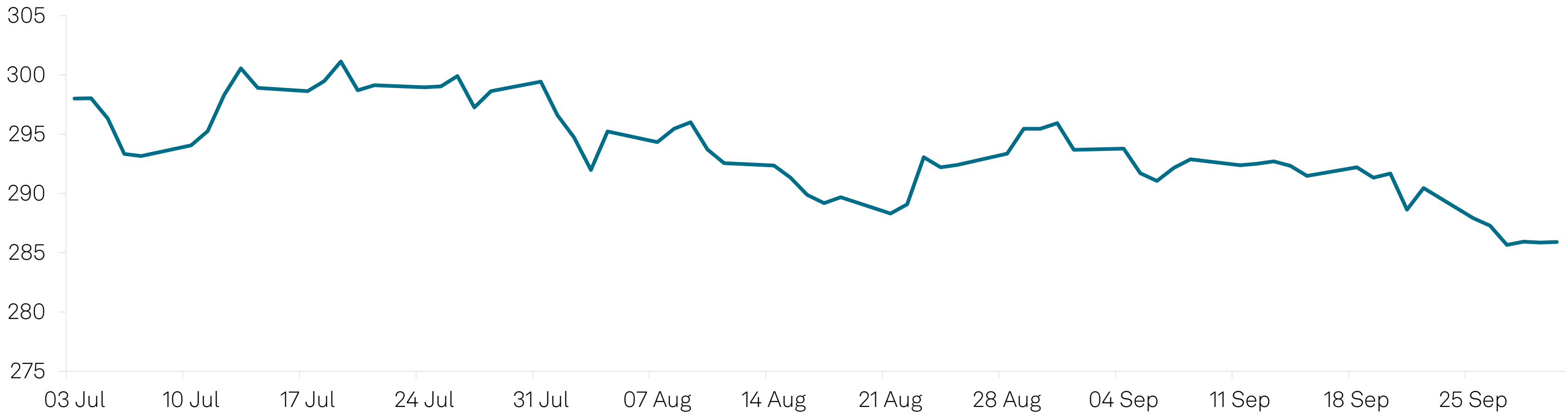
Related Research

Contacts

S&P Global Ratings

Benchmark Yield | Secondary Market | IG Yields | IG CDS | **iBoxx**

iBoxx USD Liquid IG (total return index level)



Data as of Sept 30, 2023. ETF indices that speak to liquidity/tone in the investment grade market. The index is used as the benchmark for one of the largest investment grade ETFs in the market (LQD) and has a robust liquidity ecosystem backing it via the credit derivatives market. Source: S&P Global Dow Jones Indices.

The iBoxx $ Liquid Investment Grade Bond Index slid by over 4% since the end of Q2.

Glossary

Investment Grade Landscape
Overview
Q3 2023 Snapshot
What To Watch
Global Macroeconomic Update

Rating Performance Trends
Transition Matrices
Upgrades/Downgrades
Bias Trends By Rating
Bias Trends By Sector
Fallen Angels/Rising Stars

Credit Pricing Themes
Debt Outstanding
Market Benchmarks

» Glossary

Related Research

Contacts

Negative bias--Percentage of issuers with negative outlooks or ratings on CreditWatch negative.

OLCW--Outlooks and CreditWatch placements.

Positive bias--Percentage of issuers with positive outlooks or ratings on CreditWatch positive.

Potential downgrade--An issuer rated by S&P Global Ratings with a negative outlook or on CreditWatch negative.

Potential upgrade--An issuer rated by S&P Global Ratings with a positive outlook or on CreditWatch positive.

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

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

S&P Global
Ratings

Investment Grade Landscape
Overview
Q3 2023 Snapshot
What To Watch
Global Macroeconomic Update

Rating Performance Trends
Transition Matrices
Upgrades/Downgrades
Bias Trends By Rating
Bias Trends By Sector
Fallen Angels/Rising Stars

Credit Pricing Themes
Debt Outstanding
Market Benchmarks

Glossary

» Related Research

Contacts

Related Research

- This Month in Credit: On Fragile Footing (October 2023), Oct. 27, 2023
- Global Credit Markets Update A Fork In The Road (Q3 2023), Aug. 3, 2023
- Ratings Performance Insights: Q3 2023, Oct. 11, 2023
- Credit Trends: Global State Of Play: Debt Growth Diverging By Credit Quality, Sept. 6, 2023
- Credit Trends: Global Financing Conditions: Market Resilience Supports Stronger-Than-Expected Issuance In 2023, July 26, 2023

Please find comprehensive lists of all upgrades and downgrades among corporates rated investment grade by S&P Global Ratings in our Data Companion.

S&P Global
Ratings

Contacts

Investment Grade Landscape
Overview
Q3 2023 Snapshot
What To Watch
Global Macroeconomic Update

Rating Performance Trends
Transition Matrices
Upgrades/Downgrades
Bias Trends By Rating
Bias Trends By Sector
Fallen Angels/Rising Stars

Credit Pricing Themes
Debt Outstanding
Market Benchmarks

Glossary

Related Research

» **Contacts**

Patrick Drury-Byrne
Head Of Credit Markets Research
Dublin
+353-1-568-0605
patrick.drurybyrne
@spglobal.com

Nicole Serino
Director,
Credit Research & Insights
New York
+1-212-438-1396
nicole.serino
@spglobal.com

Sarah Limbach
Economist/Associate,
Credit Research & Insights
Paris
+33-14-420-6708
sarah.limbach
@spglobal.com

Research Contributor

Yogesh Kumar
CRISIL Global Analytical Center,
an S&P affiliate

Digital Design

Tom Lowenstein
London

Editor

Julie Dillon
London

S&P Global
Ratings