

# Market Insights

## Sector Intelligence | Leveraged Finance

This report does not constitute a rating action.

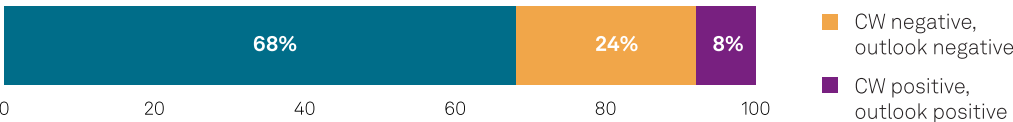
# U.S. And Canada Summary Report

Jan. 8, 2024

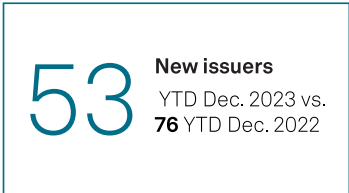
## The 2023 Snapshot

Lower-rated issuers remain pressured as financing conditions remain challenging

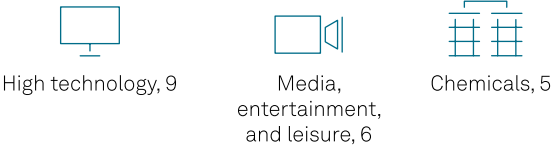
Speculative-grade outlook distribution



Two new speculative-grade rated issuers in December



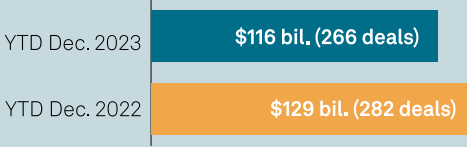
Top sectors



Full-year 2023 institutional volume in the U.S. primary leveraged loan market has surpassed 2022 levels



December's primary market CLO volume reached \$5 billion across 11 transactions



Note: The data above is year-to-date (YTD) except for the outlook distribution. CW--CreditWatch. CLO--Collateralized loan obligations. Outlook distribution is rounded to a whole number and only includes U.S. and Canada corporate ratings (excluding the utilities sector). Source: S&P Global Ratings. Leveraged loan (institutional) and CLO primary market data is sourced from PitchBook LCD.

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

## Key Insights

1. Borrowers across all asset classes will continue to adjust to restrictive financing conditions and softer economic growth. Borrowers have reduced their near-term maturities, though the share of speculative-grade debt coming due will rise significantly in 2025, which makes 2024 a pivotal year.<sup>1</sup>
2. We expect the U.S. trailing-12-month speculative-grade corporate default rate will reach 5.0% by September 2024.<sup>2</sup> Through November 30th, 2023, there were 96 U.S. and Canadian defaults, which lifted the default rate (4.4%) above its long-term average (4.1%).
3. Negative bias for speculative-grade issuers has increased from 19% in Dec. 2022 to 24% in Dec. 2023.

## PODCASTS

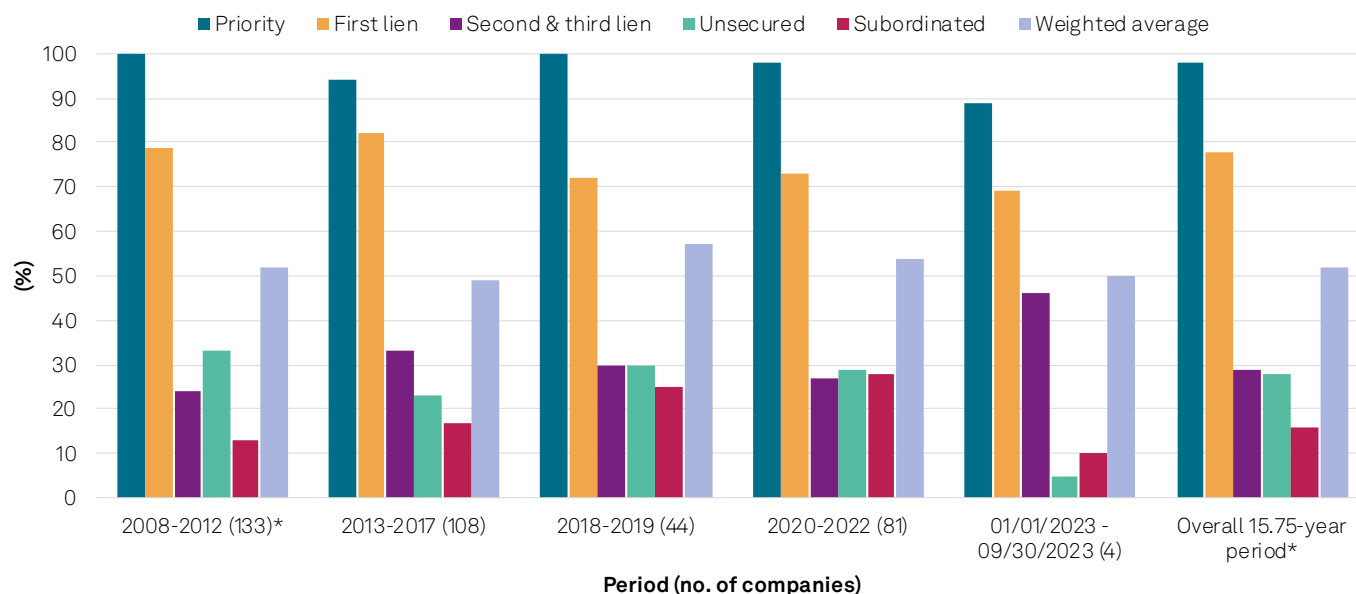
[The Upgrade Episode 32: Creative Structuring Helps Trinseo PLC](#), Nov. 10, 2023

[The Upgrade Episode 31: Unlocking The Big Deal - Worldpay's 'BB' Credit Rating Explained](#), Sept. 15, 2023

[The Upgrade Episode 30: Speculative Grade Issuers Face Rising Pressure as Revenue Growth Slows](#), Sept. 14, 2023

## Monthly Highlight

Average actual recovery by debt class  
2008 - Sept. 20, 2023



\*For information on the dataset and our process, see the linked report's appendix. Source: S&P Global Ratings.

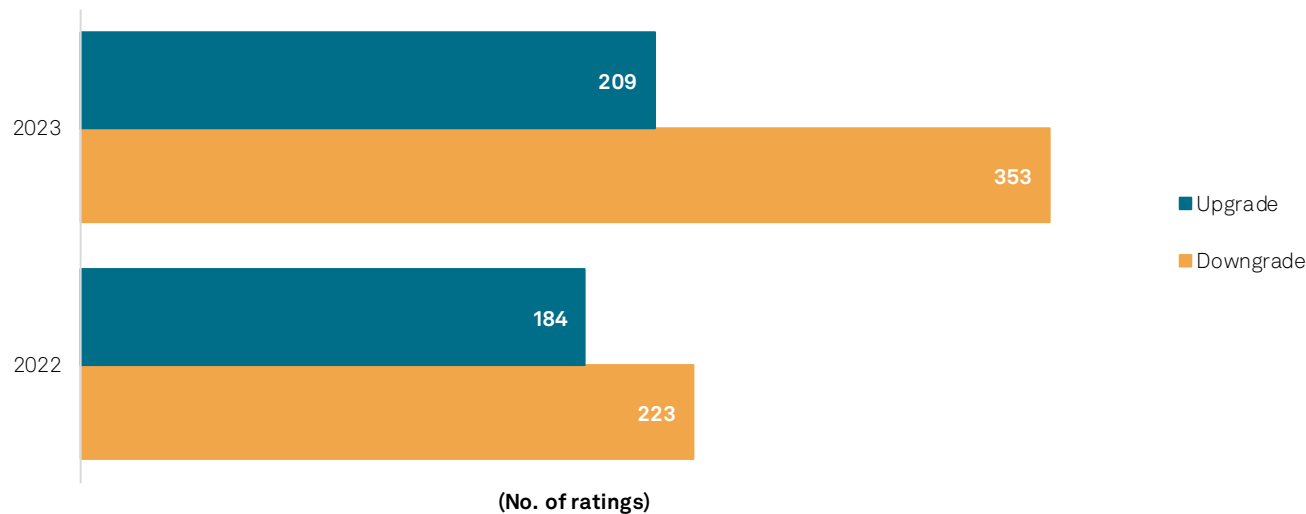
## North American Debt Recoveries May Trend Down For Longer

In the first nine months of 2023, about 30 companies rated by S&P Global Ratings have filed for bankruptcy, including high-profile names such as Bed Bath & Beyond Inc., Party City Holdings Inc., Serta Simmons Bedding LLC, Yellow Corp., KNB Holdings Corp., and Diamond Sports Group LLC. Some of these 2023 bankruptcy cases have resulted in liquidations and partial wind downs of its businesses, leading to worst-case scenarios for some creditors. This may be a precursor to a period of depressed recoveries overall, especially given widespread expectations that the economic environment may worsen before inflation and rate hikes reverse meaningfully.

[Read The Full Report >](#)

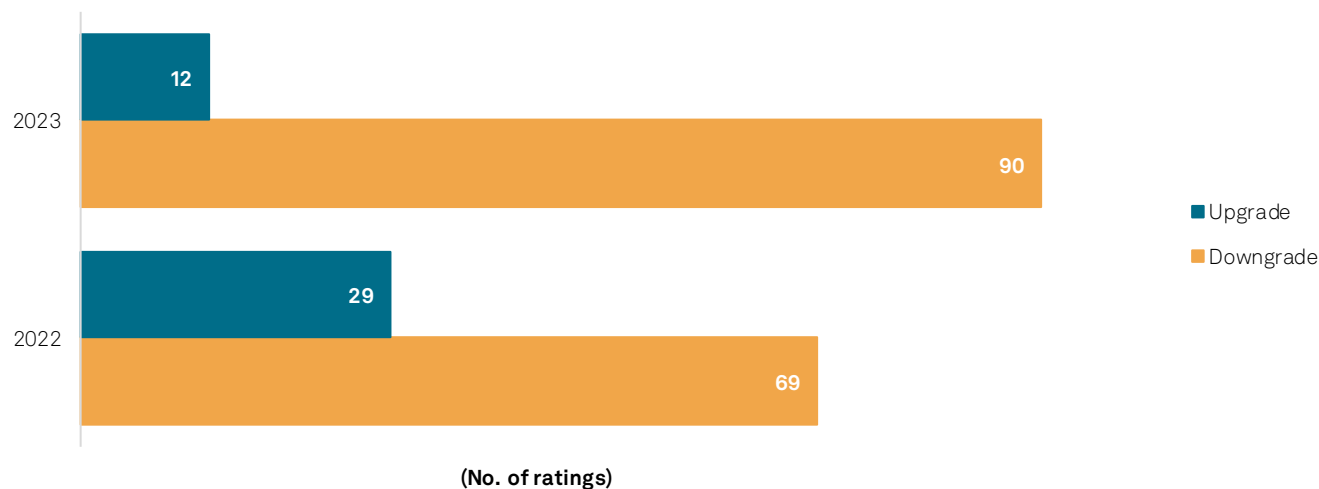
## 2023 & 2022 Speculative-Grade Rating Actions

Chart 1  
Upgrades and Downgrades



Note: Data represents only rating actions for U.S. and Canada corporate ratings as of Dec. 31, 2022, and 2023. In 2023, the downgrade-to-upgrade ratio for the US and Canada was 1.69.  
Source: S&P Global Ratings.

Chart 2  
Ratings coming into/out of 'CCC' categories

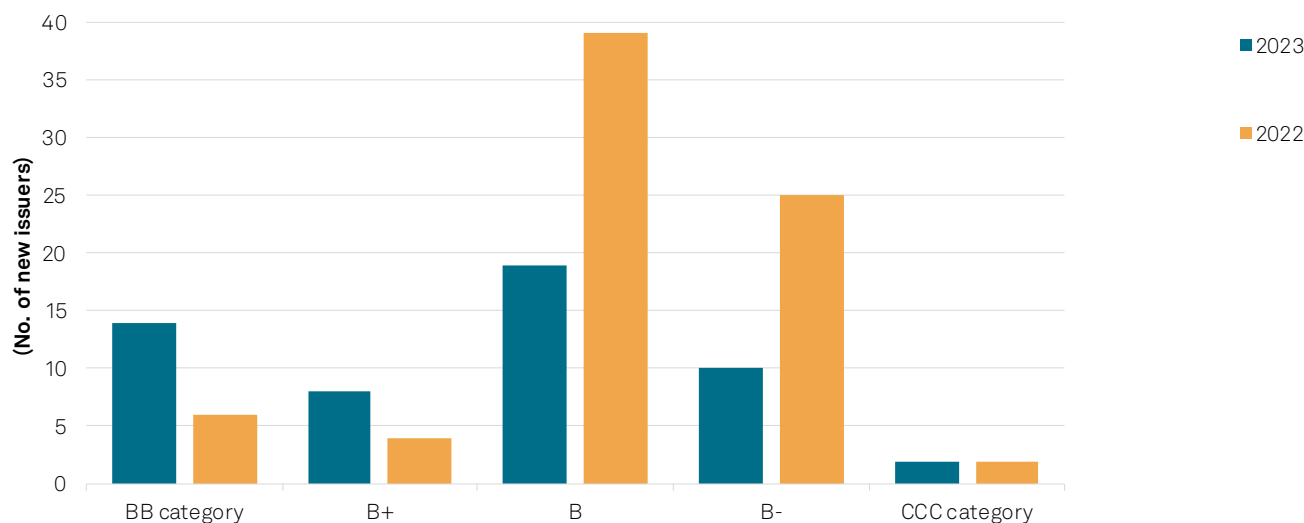


Note: Data represents only rating actions for U.S. and Canada corporate ratings as of Dec. 31, 2022, and 2023.  
Source: S&P Global Ratings.

## 2023 Speculative-Grade New Issuers

Chart 3

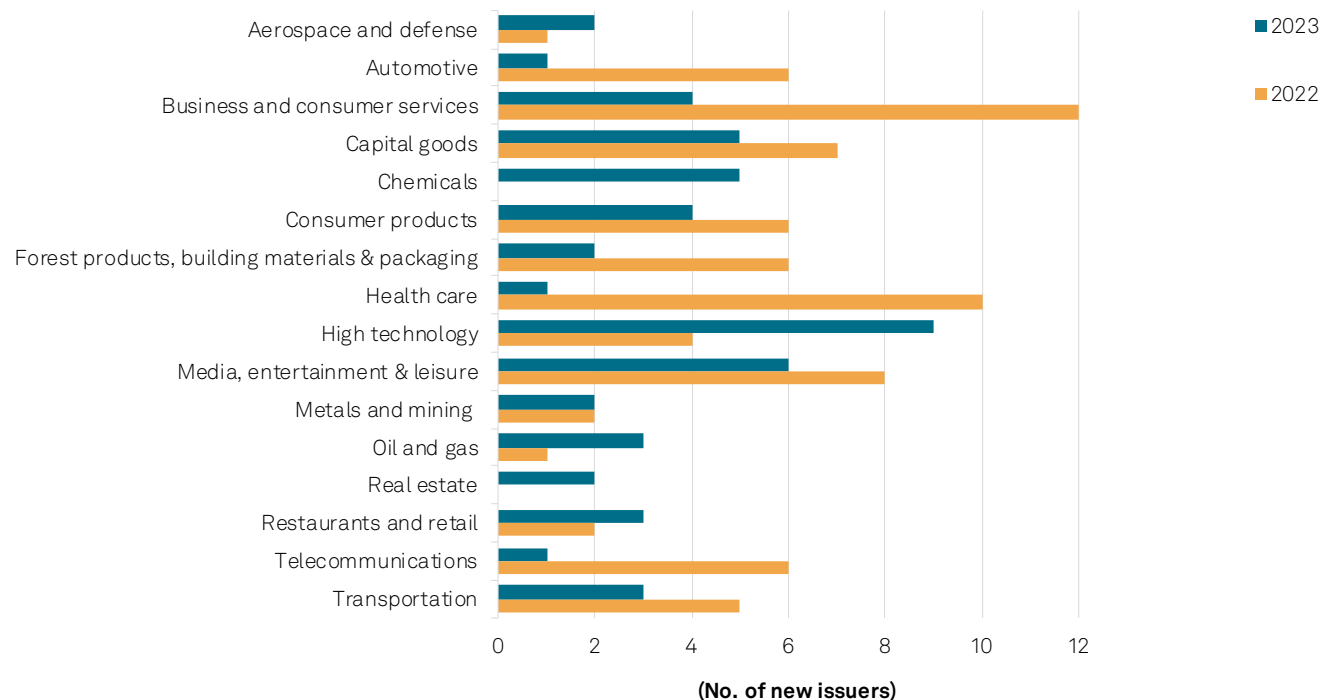
### New issuers by rating



Note: Data represents new issuers as of Dec. 31, 2022, and 2023. Includes U.S. and Canada corporate ratings and excludes confidential issuers. Source: S&P Global Ratings.

Chart 4

### New issuers by industry group



Note: Data represents new issuers as of Dec. 31, 2022, and 2023. Includes U.S. and Canada corporate ratings and excludes confidential issuers. Source: S&P Global Ratings.

## Defaults as of YTD Nov. 30, 2023

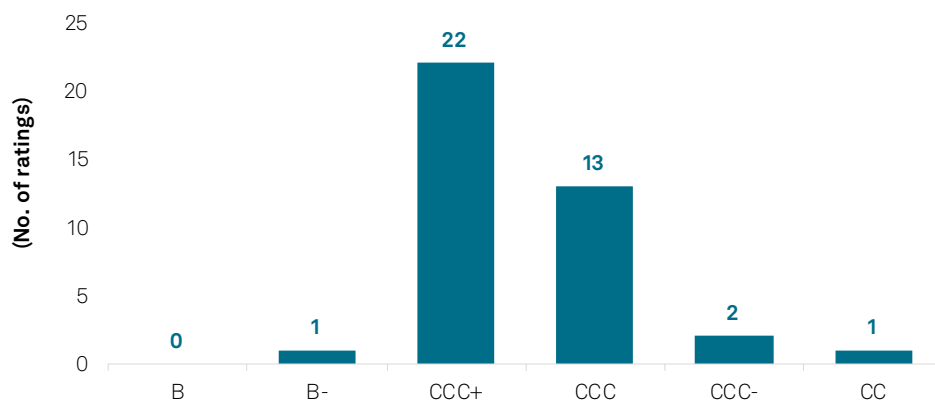
Chart 5

Downgrade to 'SD'/D'



Chart 6

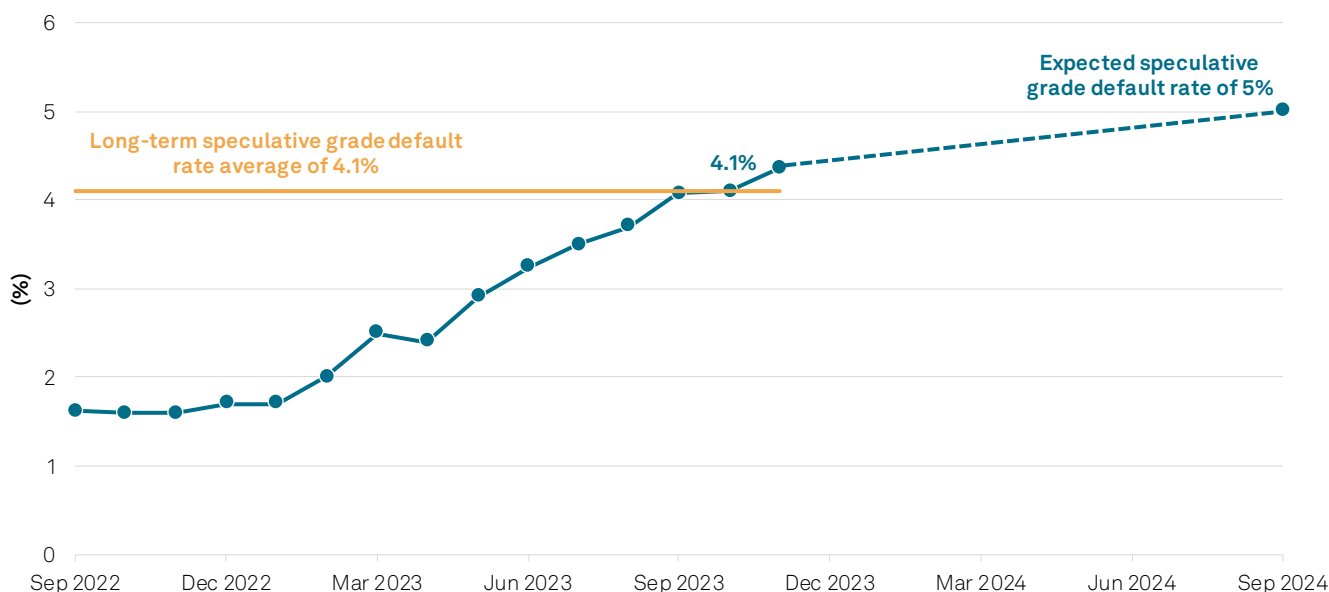
Ratings raised after selective default ('SD' - 39 Raised)



Note: Data as of YTD Nov. 30, 2023. Includes U.S. (including Bermuda and Cayman Islands in chart 3) and Canada corporate ratings. SD--Selective default. Source: S&P Global Ratings. For more information on U.S. and Canada defaults, refer to our monthly publication, [November Defaults Rise Well Above Long-Term Averages](#), published Dec. 12, 2023. We also publish a newsletter, This Week In Credit, which lists our weekly rating actions and defaults. Click [here](#) for the latest "This Week In Credit" report.

Chart 7

U.S. trailing-12-month speculative-grade default rate

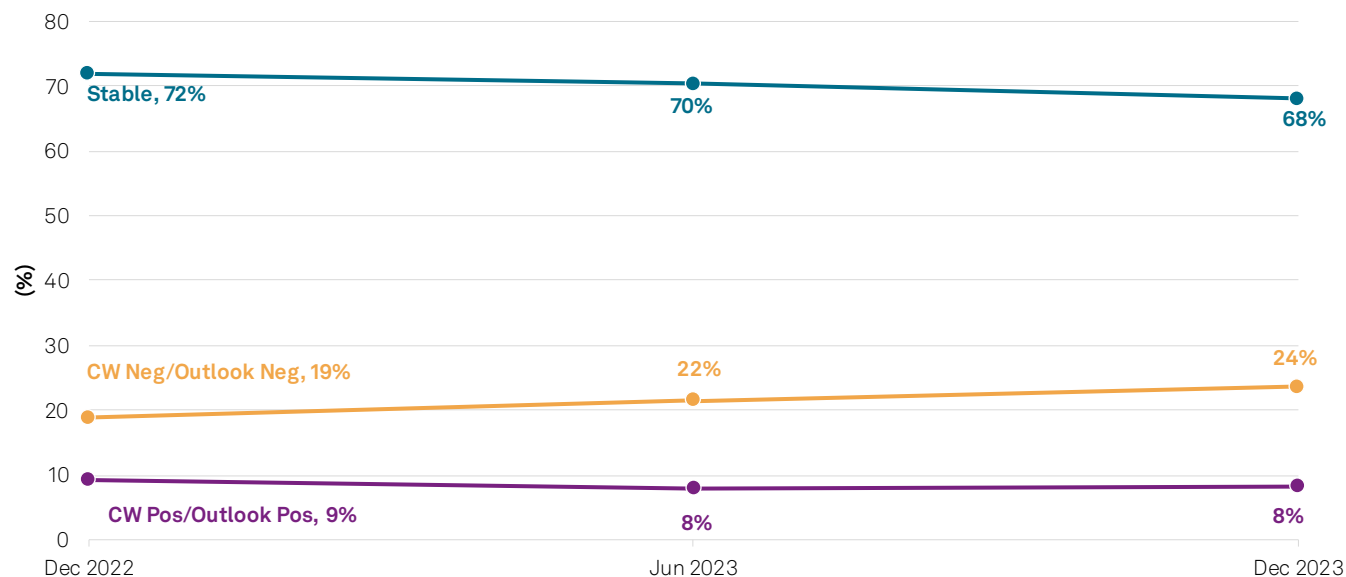


Note: \*Trailing-12-month speculative-grade default rates from Nov. 30, 2022-Nov. 30, 2023, are preliminary and subject to change. The long-term average dates back to Dec. 1981. Source: S&P Global Ratings, [November Defaults Rise Well Above Long-Term Averages](#), published Dec. 12, 2023.

## Speculative-Grade Rating Outlook Mix

Chart 8

December 2022/2023 speculative-grade **CreditWatch/Outlook** distribution

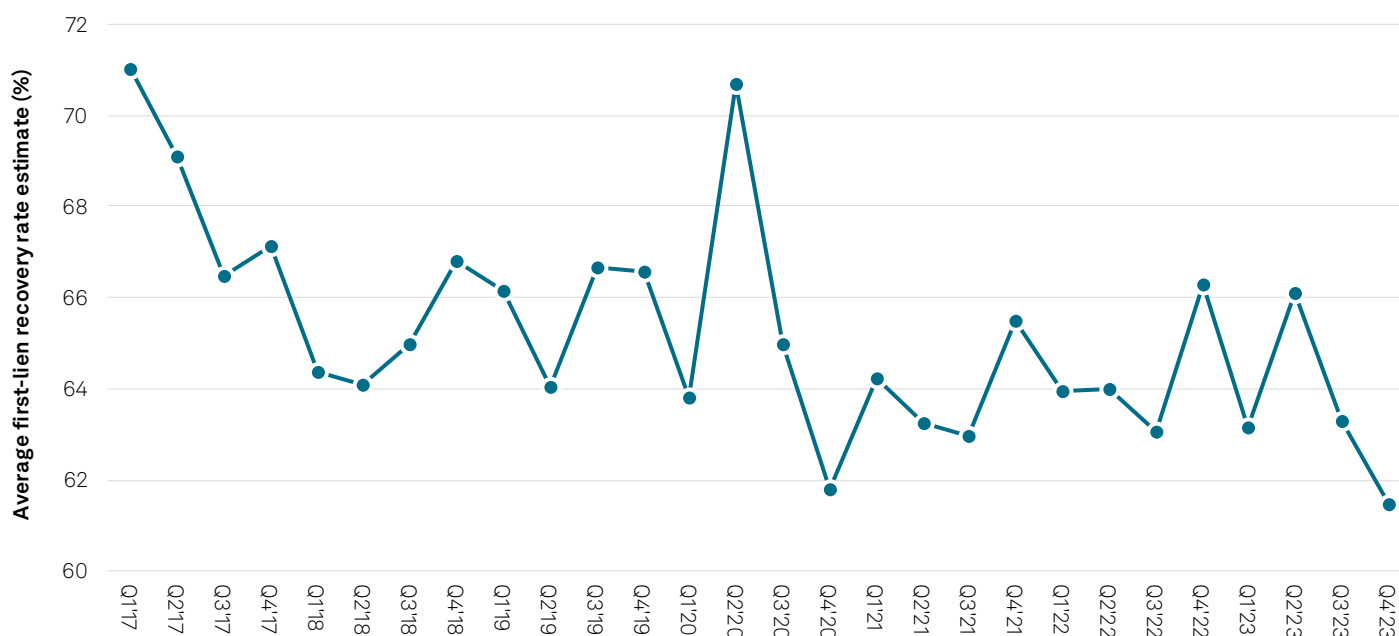


Note: Data from Dec. 31, 2022 to Dec. 31, 2023. CreditWatch/outlook distribution includes all U.S. and Canada corporate ratings. Does not include investment-grade issuers. Source: S&P Global Ratings.

## Recovery Ratings

Chart 9

Recovery ratings distribution of **first-lien new issues** (U.S. And Canada)



Source: S&P Global Ratings.

## CLOs

Table 1

### Top 10 obligors held in U.S. BSL CLOs (third-quarter 2023)

Rank	Obligor	Rating & CW/Outlook	GIC code
1	Liberty Global PLC	BB-/Stable	Diversified telecommunication services
2	Altice Europe N.V.	NR	Media
3	Asurion Group Inc.	B+/Stable	Information technology services
4	Altice USA Inc.	B/Negative	Media
5	Medline Borrower L.P.	B+/Stable	Health care providers and services
6	Lumen Technologies Inc.	CCC+/Watch Neg	Diversified telecommunication services
7	Ineos Ltd.	NR	Chemicals
8	Peraton Corp.	B/Stable	Information technology services
9	UKG Inc.	B-/Negative	Software
10	TransDigm Inc.	B+/Stable	Aerospace and defense

Note: Ratings and CreditWatch/outlooks as of Dec. 7, 2023. NR--Not rated.

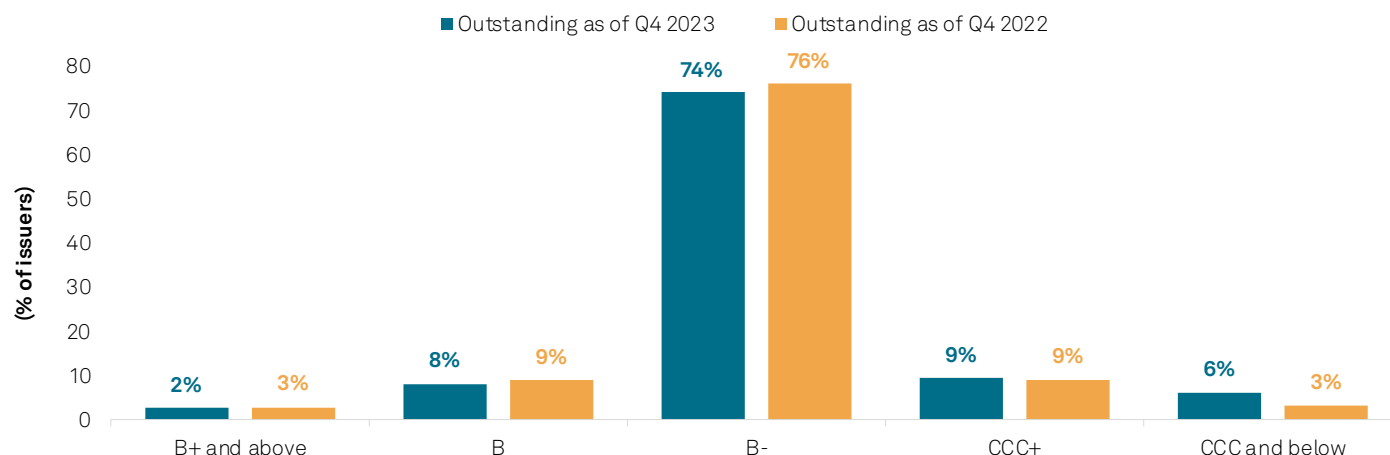
Source: S&P Global Ratings. [U.S. BSL CLO Top Obligor And Industries Report: Third-Quarter 2023](#), Oct. 11, 2023.

## Middle Market CLOs | Credit Estimates

For more information, read the [Credit FAQ on Credit Estimates](#).

Chart 10

### Overall credit estimate distribution by issuer count\*



\*Covers all outstanding S&P Global Ratings U.S. credit estimates, including estimates for obligors not currently held within a CLO transaction. CLO--Collateralized loan obligation. Source: S&P Global Ratings.

## Sources

<sup>1</sup> [Instant Insights: Key Takeaways From Our Research](#), Dec. 13, 2023

<sup>2</sup> [Higher Rates For Even Longer Could Push The U.S. Speculative-Grade Corporate Default Rate To 5% By September 2024](#), Nov. 16, 2023

## Related Research

- [Testing Private Debt's Resilience Through The Credit Estimate Lens](#), Nov. 2, 2023
- [Creative Structuring Helps Trinseo PLC. Comes With Lowered Recovery Prospects And Higher Costs](#), Sept. 19, 2023
- [U.S. Leveraged Finance Q2 2023 Update: Disparities Emerge By Sector, Rating, Company Size, And Debt Cushion](#), Aug. 3, 2023
- [Rocky Road Ahead For Recurring-Revenue Loans](#), June 21, 2023
- [Refinancing Needs And Rate Uncertainty Drive Issuers To The High-Yield Bond Market](#), June 1, 2023
- [Recovery Report Tracker--U.S. And Canada \(As Of April 27, 2023\)](#), April 27, 2023
- [Risks To Leveraged Loans And CLOs Amid An Increasingly Cloudy Macroeconomic Environment](#), March 29, 2023
- [New Study Finds U.S. Speculative-Grade Issuers Most Vulnerable To Higher-For-Longer Interest Rate Environment](#), March 27, 2023
- [Fifth Annual Study Of EBITDA Addbacks Finds Management Continues To Regularly Miss Projections](#), Feb. 16, 2023
- [U.S. Leveraged Finance Q4 2022 Update: Inflation Pressures Hit Margins, Rate Rises To Hit Cash Flow](#), Feb. 7, 2023
- [Credit Trends: Risky Credits: North America's 'CCC+' And Below Rated Debt Reaches \\$230 Billion](#), Nov. 23, 2022
- [U.S. Leveraged Finance Q3 Update: 'CCC' Buckets Pick Up In CLOs As Cash Flow Generation Falls](#), Oct. 27, 2022
- [Credit FAQ: Envision Healthcare Corp.'s Two Major Restructurings In 100 Days](#), Sept. 2, 2022
- [Leveraged Finance: Leveraged Loan Market Could Feel The Pinch Of Higher Benchmark Rates And Risk Premiums For A While](#), Aug. 10, 2022
- [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

## Leveraged Finance Key Resources

- [Higher Rates For Even Longer Could Push The U.S. Speculative-Grade Corporate Default Rate To 5% By September 2024](#), Nov. 16, 2023
- [U.S. Leveraged Finance Q3 2023 Update](#), Nov. 9, 2023
- [U.S. BSL CLO And Leveraged Finance Update Q4 2023](#), Nov. 3, 2023
- [Credit Trends: Risky Credits: North American Telecoms In The Spotlight](#), Nov. 1, 2023
- [Middle-Market CLO And Private Credit Q4 2023](#), Oct. 20, 2023
- [Global Leveraged Finance Handbook, 2022-2023](#), July 17, 2023
- [2022 Annual U.S. Corporate Default And Rating Transition Study](#), June 13, 2023
- [Fifth Annual Study Of EBITDA Addbacks](#), Feb. 16, 2023

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

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