

## Defaults Jump

This report does not constitute a rating action.

May 27, 2024

### Key Takeaways

- Rating actions were broadly balanced last week, with upgrades only slightly ahead of downgrades. Chemicals, Packaging, and Environmental Services remained the sector with the worst net outlook bias, at -18.4%.
- The week's five defaults, up from one in the prior week, equaled the year-to-date weekly high, with the causes almost evenly split between distressed exchanges and missed payments.
- We added one risky credit, Calumet Specialty Products Partners L.P., a U.S. issuer from the chemical sector, which was downgraded to 'CCC+' due to elevated refinancing risk.
- It was a mixed week for credit pricing, as most benchmark rates and CDS spreads rose, while secondary-market spreads mostly eased.

### Ratings performance trends

Arrows indicate week over week trend

Positive No change Negative

Rating actions				Rating transitions			
Upgrades	Downgrades	Positive OLCW changes	Negative OLCW changes	Rising stars	Fallen angels	Risky credits	Defaults
11	8	10	11	0	0	1	5

Industries most at risk			U.S. distress ratio
<b>Net outlook bias</b> Chemicals, packaging and environmental services <b>-18.4%</b>	<b>Potential fallen angels</b> 7 Homebuilders/real estate co.	<b>Weakest links</b> 42 Consumer products	<b>6.0%</b>

Ratings at a glance					
North America		Europe		Asia-Pacific	
Net outlook bias	<b>-9.9%</b>	Net outlook bias	<b>-6.1</b>	Net outlook bias	<b>-3.6%</b>
Potential fallen angels ratio	<b>3.4%</b>	Potential fallen angels ratio	<b>2.8%</b>	Potential fallen angels ratio	<b>1.0%</b>
Weakest links ratio	<b>14.6%</b>	Weakest links ratio	<b>9.0%</b>	Weakest links ratio	<b>5.3%</b>

Data as of May 23, 2024. 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. Defaults from confidential issuers are included in the default tally. OLCW--Outlook/CreditWatch.

Source: S&P Global Ratings Credit Research & Insights.

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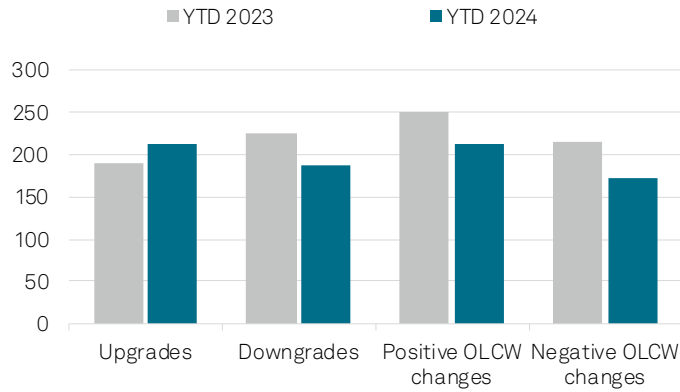
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## Year To This Week

Chart 1

### Rating actions

Year-to-date total

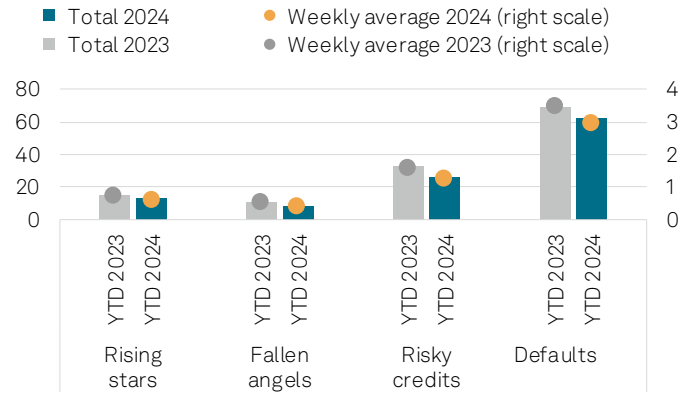


Data as of May 23, 2024 (2023 data is through May 23). YTD--Year to date. OLCW--Outlook/CreditWatch. Source: S&P Global Ratings Credit Research & Insights.

Chart 2

### Rating transitions

Year-to-date total and weekly average

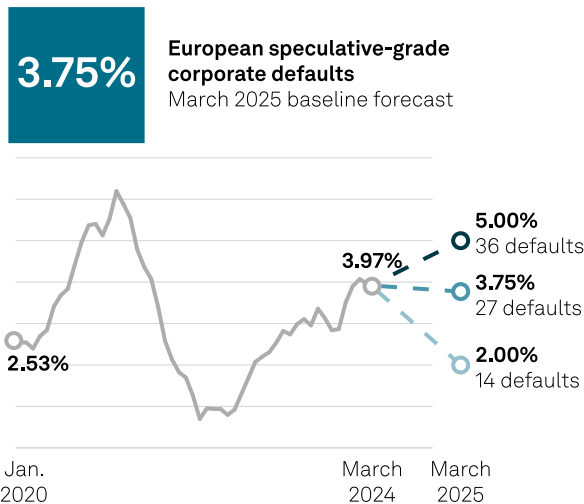


Data as of May 23, 2024 (2023 data is through May 23). YTD--Year to date. Source: S&P Global Ratings Credit Research & Insights.

## Chart Of The Week

Chart 3

### The European speculative-grade corporate default rate should level out to 3.75% by March 2025



As of March 2024, S&P Global Ratings rates 715 European speculative-grade corporate issuers

**Pessimistic scenario:** Economic growth slows below baseline forecasts and interest rates remain high. This combination could be exacerbated if market sentiment sours and distressed exchanges continue to rise in acceptance.

**Base scenario:** Expectations for 2024 economic growth are for a slow pickup from last year. The ECB is expected to cut rates from next month, but the path of rate cuts should be slow. Persistently higher market rates make it more difficult for weaker issuers to service their debt.

**Optimistic scenario:** The default rate falls if economic resilience expanded beyond our base case, and market pricing was supportive of a stronger resumption of 'CCC'/C-rated debt issuance.

This chart was first published in "[Default, Transition, and Recovery: The European Speculative-Grade Default Rate Should Level Out At 3.75% By March 2025](#)," on May 22, 2024. Data as of March 31, 2024. Source: S&P Global Ratings Credit Research & Insights, S&P Global Market Intelligence's CreditPro®.

## Related Research

[Default, Transition, and Recovery: The European Speculative-Grade Default Rate Should Level Out At 3.75% By March 2025](#), May 22, 2024

[Credit Trends: U.S. Corporate Bond Yields As Of May 22, 2024](#), May 23, 2024

[U.S. Leveraged Finance Q1 2024 Update: For Most 'B-' Rated Issuers, Solid Businesses Have Shaky Finances](#), May 23, 2024

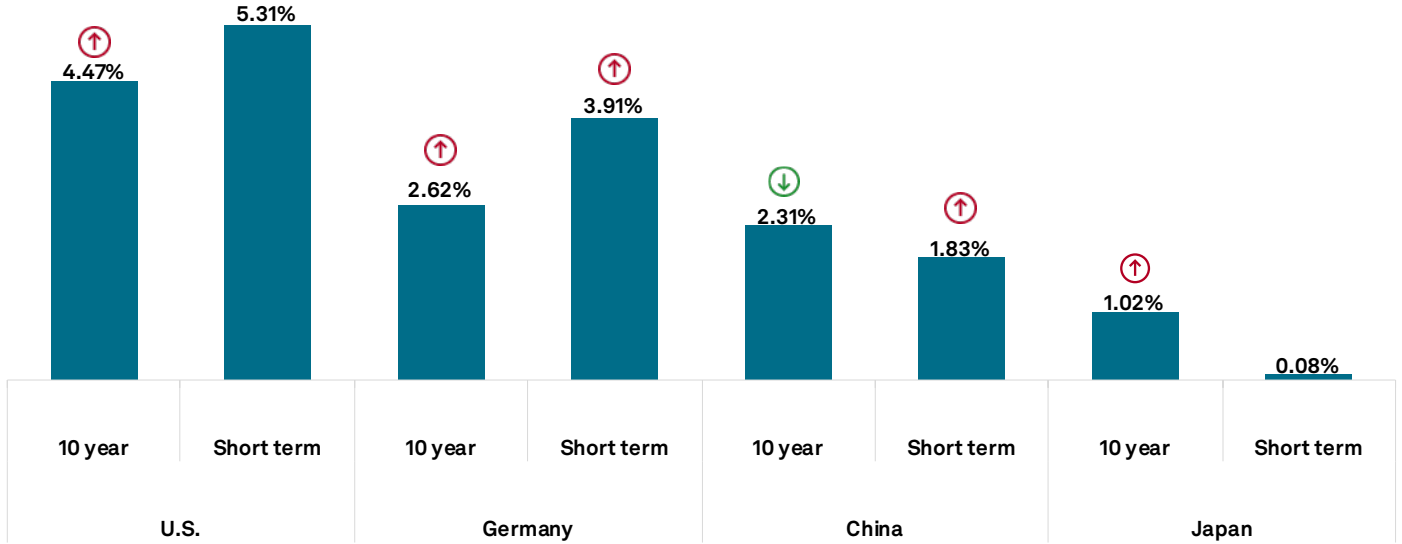
## Upcoming Webinars

[Driving Forward: Asia-Pacific Auto Sector Trends](#), May 29, 2024

## Credit Market Conditions

Chart 4

### Benchmark yields



Data as of May 23, 2024. Source: S&P Global Ratings Credit Research & Insights, Refinitiv, ICE Data Indices, Federal Reserve Bank of St. Louis. Economics & Country Risk from IHS Markit. Short-term rates: U.S., SOFR; Germany, euro short-term rate; China, DR007; and Japan, uncollateralized overnight call rate.

Chart 5

### Secondary market credit spreads

■ Spread (basis points) ■ Five-year average

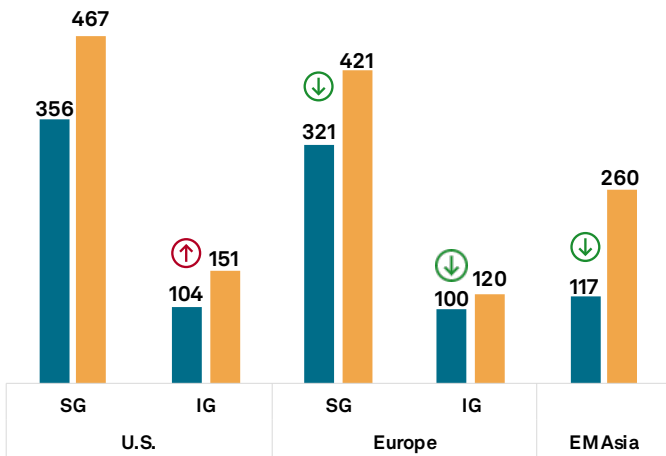
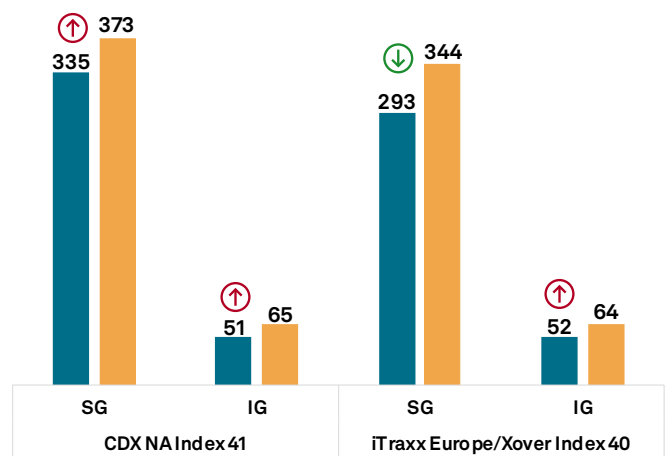


Chart 6

### CDS pricing

■ CDS spreads ■ Five-year average



Data as of May 23, 2024. The arrows indicate weekly trends. 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.

## This Week In Credit: Defaults Jump

Table 1

### Top 10 upgrades and downgrades by debt

Date	Action	Issuer	Industry	Country	To*	From*	Debt volume (mil. \$)
May 22, 2024	Upgrade	SoftBank Group Corp.	Financial institutions	Japan	BB+/Stable	BB/Positive	20,216
May 20, 2024	Downgrade	Global Medical Response Inc. (Air Medical Holdings LLC)	Health care	U.S.	SD/NM	CC/Negative	4,474
May 17, 2024	Downgrade	PENN Entertainment Inc.	Media and entertainment	U.S.	B/Stable	B+/Negative	3,479
May 21, 2024	Upgrade	SPX FLOW Inc.	Capital goods	U.S.	B/Stable	B-/Stable	3,233
May 20, 2024	Downgrade	Calumet Specialty Products Partners LP	Utilities	U.S.	CCC+/Negative	B-/Negative	2,800
May 23, 2024	Upgrade	ISS A/S	Consumer products	Denmark	BBB/Stable	BBB-/Positive	2,281
May 23, 2024	Upgrade	Turk Telekom (Ojer Telekomunikasyon A.S.)	Telecommunications	Turkey	BB-/Positive	B+/Watch Pos	1,500
May 23, 2024	Downgrade	Astra Acquisition Corp.	High technology	U.S.	SD/NM	CCC/Negative	1,300
May 23, 2024	Downgrade	Guardian US Holdco LLC	Telecommunications	U.S.	B-/Stable	B/Stable	1,041
May 17, 2024	Upgrade	Ecovyst Catalyst Technologies LLC	Chemicals, packaging, and environmental services	U.S.	BB-/Stable	B+/Stable	900

Data as of May 23, 2024. Note: Rating actions include financial and nonfinancial corporates and sovereign issuer credit ratings. Excludes no-debt corporate rating actions and confidential rating actions. \*Long-term issuer credit rating/outlook or CreditWatch status. Downgrades include defaults. Source: S&P Global Ratings Credit Research & Insights. SD--Selective default. D--Default.

Table 2

### Last week's defaults

Date	Parent company	Country/market	Subsector	To	From	Reason
May 17, 2024	Petrofac Ltd.	Jersey	Oil and gas	SD	CCC-	Missed payments
May 20, 2024	Global Medical Response Inc. (Air Medical Holdings LLC)	U.S.	Health care	SD	CC	Distressed exchange
May 21, 2024	Compact Bidco B.V.	Netherlands	Forest products and building materials	SD	CCC-	Missed payments
May 22, 2024	Confidential	Confidential	Retail/restaurants	D	CCC	Confidential
May 23, 2024	Astra Acquisition Corp.	U.S.	High technology	SD	CCC	Distressed exchange

Data as of May 23, 2024. Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®. Excludes local currency defaults. Preliminary data. SD--Selective default. D--Default.

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## Glossary And Abbreviations

### Ratings Performance Trends

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

**Investment-grade (IG)**--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 rated 'CCC+' and below with a negative outlook or CreditWatch placement.

**Speculative-grade (SG)**--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

**CDS**--Credit default swaps.

**CPI**--Consumer price index.

**DR007**--Seven-day repurchase rate for depository institutions.

**EM**--Emerging markets.

**SOFR**--Secured overnight financing rate.

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

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