

This Week In Credit

Market Rally Rests On A Narrow Path

S&P Global
Ratings

This report does not constitute a rating action.

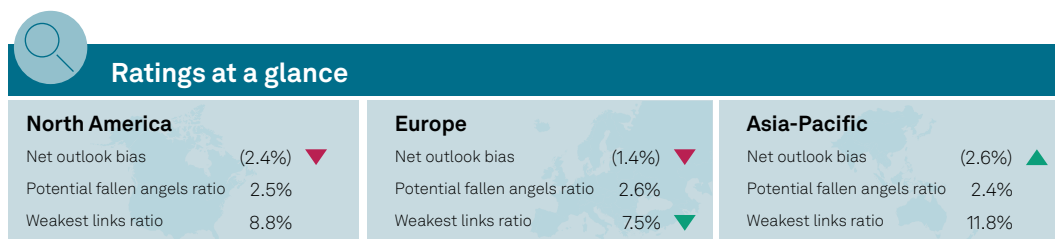
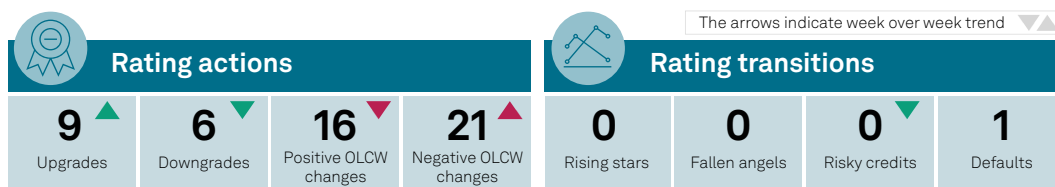
The Top Line | August 1, 2022

Rate decisions from the BoE and RBA plus the release of economic data, most notably U.S. payrolls, should focus minds this week. It's unclear whether the recent positive market tone, buoyed partly by hopes of a quicker end to U.S. rate tightening and an arguably more upbeat earnings season so far, can be sustained. Inflation remains a clear and present danger, while recession fears loom larger.

Key Takeaways

- The ability or inability of issuers to pass through higher costs was a key differentiating factor influencing both upgrades and downgrades last week. Future rating action indicators turned negative.
- Canadian mining company Mountain Province Diamonds Inc. was the sole default after it completed a distressed exchange.
- Secondary-market credit spreads seem to have stabilized following recent highs, but this has not translated into a material pickup in primary markets. Reduced liquidity in August could also trigger increased volatility.

Ratings Performance Trends



Data as of July 28, 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. Source: S&P Global Ratings Research.

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Credit Market
Research
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Chart Of The Week

Chart 1

Post-COVID Credit Recovery Running Out Of Steam

Potential downgrades outpace upgrades for first time since July 2020

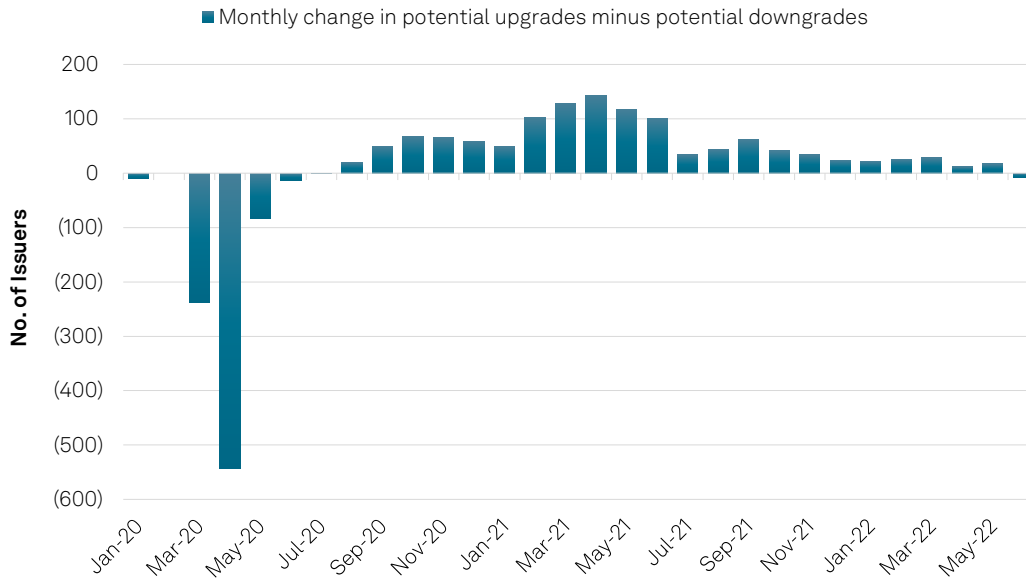
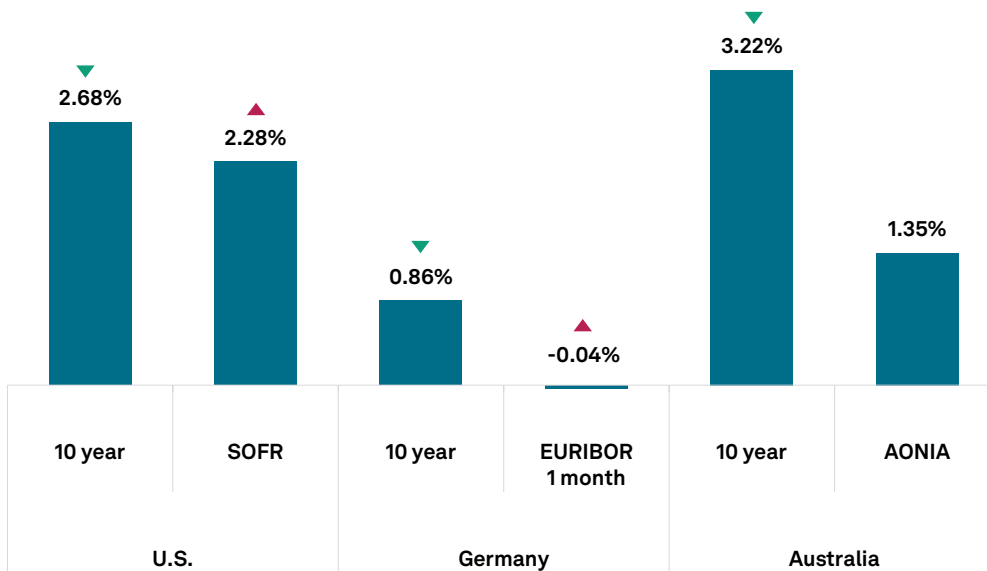


Chart first appeared in "[Rating Indicators Signal A Turn In Rating Momentum](#)," published on July 28, 2022. Source: S&P Global Ratings Research.

Credit Market Conditions

Chart 2

Benchmark Yields



Leveraged Loan Indexes average bid price over the week

S&P/LSTA LLI (U.S.)

94 ▲ 0.32%

S&P ELLI (Europe)

91 ▲ 1.22%

Related Research

[Rating Indicators Signal A Turn In Rating Momentum](#), July 28, 2022

[Bond Issuance Set To Contract 16% After Weak First-Half 2022, With Tough Path Ahead](#), July 28, 2022

[Risky Credits: U.S. And Canadian Companies Show Resilience To Market Pressures](#), July 26, 2022

[2021 Annual U.S. Public Finance Default And Rating Transition Study](#), July 25, 2022

[U.S. Corporate Bond Yields As Of July 27, 2022](#), July 29, 2022 (published weekly)

Upcoming Webinars

[Mortgage Boycott: Impact On Chinese Developers And Banks](#), Aug. 2, 2022

[Cloudless Skies for the Oil & Gas Space?](#) Aug. 2, 2022

[From A Spark To A Flame: Asia Tech Embraces Electric Cars](#), Aug. 3, 2022

Chart 3

Secondary Market Credit Spreads

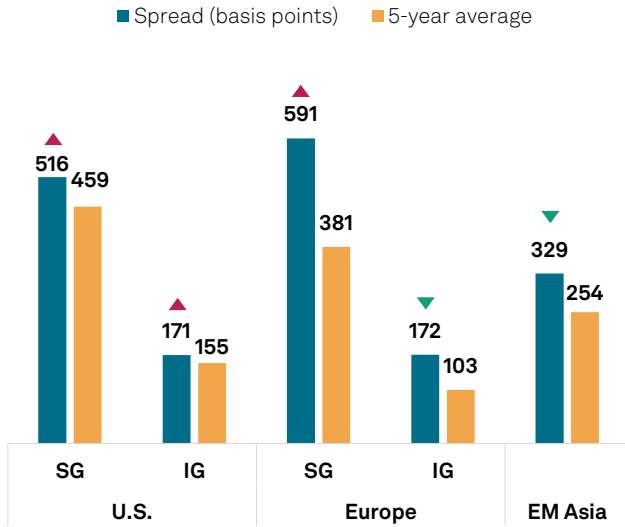
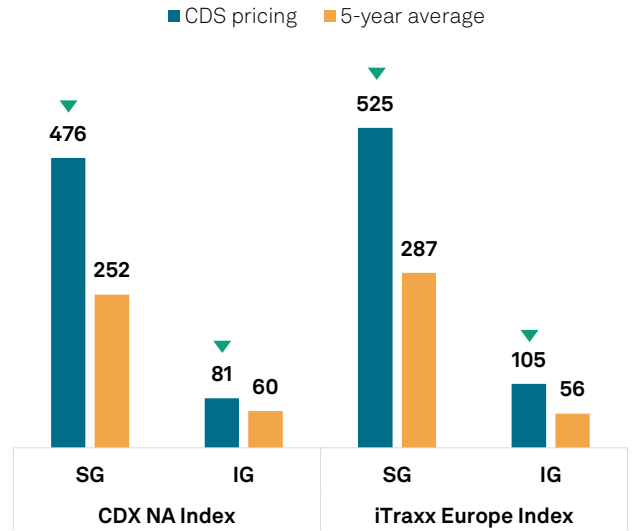


Chart 4

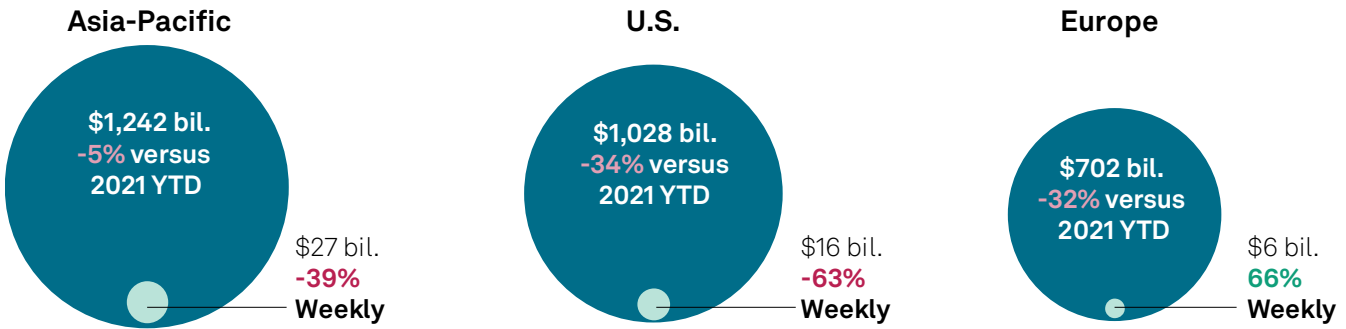
CDS Pricing



The arrows indicate weekly trends. All data as of July 28, 2022. Leveraged loan data source: Leveraged Commentary and Data; S&P/LSTA Leveraged Loan Index; S&P European Leveraged Loan Index. Sources: S&P Global Ratings Research, Ice Data Indices LLC, ICE BofA Euro High Yield Index Option-Adjusted Spread, retrieved from the Federal Reserve Bank of St. Louis, IHS Markit.

Chart 5

Corporate Debt Issuance



Data as of July 28, 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. Source: S&P Global Ratings Research.

Table 1

Top 10 Upgrades And Downgrades By Debt

Date	Action	Issuer	Industry	Country	To*	From*	Debt volume (mil. \$)
July 25, 2022	Upgrade	Atlantia SpA	Transportation	Italy	BB+/Stable	BB/Positive	5,932
July 26, 2022	Upgrade	Intermediate Capital Group PLC	Bank	U.K.	BBB/Stable	BBB-/Positive	1,215
July 26, 2022	Downgrade	Securitas AB	Consumer Products	Sweden	BBB-/Stable	BBB/Watch Neg	1,023
July 28, 2022	Upgrade	Vantage Specialty Chemicals Inc.	Chemicals, Packaging & Environmental Services	U.S.	B-/Stable	CCC+/Stable	758
July 22, 2022	Upgrade	Kommunal Landspensjonskasse	Insurance	Norway	A/Stable	A-/Stable	722
July 28, 2022	Downgrade	Mountain Province Diamonds Inc.	Metals, Mining & Steel	Canada	SD	CCC-	660
July 22, 2022	Upgrade	Hrvatska Elektroprivreda d.d.	Utilities	Croatia	BBB/Stable	BBB-/Stable	550
July 26, 2022	Downgrade	Glatfelter Corp.	Forest Products & Building Materials	U.S.	B+/Negative	BB/Stable	500
July 26, 2022	Upgrade	Paradigm Midstream LLC	Utilities	U.S.	B/Stable	B-/Positive	400
July 26, 2022	Downgrade	Stitch Acquisition Corp.	Consumer Products	U.S.	B-/Negative	B/Stable	370

Data as of July 28, 2022. Note: Rating actions include financial and nonfinancial corporates and sovereign issuer credit ratings. *Long-term issuer credit rating/Outlook or CreditWatch status. Source: S&P Global Ratings.

Table 2

This Week's Defaults

Date	Parent company	Country/market	Subsector	To	From	Reason
July 28, 2022	Mountain Province Diamonds Inc.	Canada	Metals, Mining & Steel	SD	CCC-	Distressed exchange

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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."

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