

# Market Insights

## Sector Intelligence | Leveraged Finance

This report does not constitute a rating action.

# U.S. And Canada Summary Report

Nov. 8, 2022

## The October Snapshot

Negative outlooks pick up in select sectors

### Outlook distribution



Only two speculative-grade new issuers in October



### Top sectors



Business and consumer services



Health care services

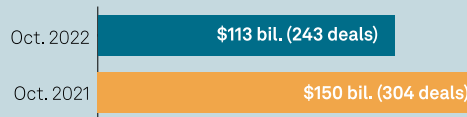


Media, entertainment, and leisure

Difficult financing conditions persist for new leverage loan issuance



The U.S. CLO market continues to see wide spreads



We expect defaults to rise for the remainder of 2022



**31** defaults Oct. 2022 vs. **36 defaults** in Oct. 2021



**2** defaults in Oct. 2022

Data above is year-to-date (YTD) except for outlook distribution and monthly default count. CW—CreditWatch. CLO—Collateralized loan obligations. The default count includes U.S. (including Bermuda and Cayman Islands) and Canada corporate ratings. Outlook distribution only includes U.S. and Canada corporate ratings (excluding Utilities sector). Source: S&P Global Ratings.

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

**PODCASTS**

The Upgrade Episode 25: The Pinch Of Higher Benchmark Rates and Risk Premiums, Oct. 21, 2022

The Upgrade Episode 24: Envision Healthcare Completes Two Major Restructurings in 100 Days, Oct. 6, 2022

The Upgrade Episode 23: Corporate Borrowers Brace For Slow-Growth Recession, Aug. 9, 2022

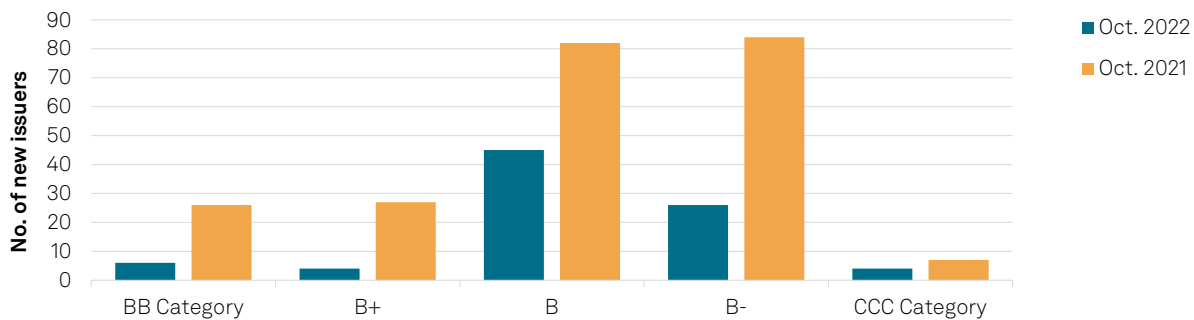
## Key Insights

1. We expect the pace of negative rating actions to increase as the U.S. falls into a shallow recession in the first half of 2023. The severity of the ratings impact will depend on how deep or prolonged the downturn may be; however, under our base case, we expect the U.S. economy to return to growth in the third quarter of 2023.<sup>1</sup>
2. We expect the U.S. trailing-12-month speculative-grade corporate default rate to reach 3.5% by June 2023, from 1.4% in June 2022<sup>2</sup>--to reach this baseline forecast, 65 speculative-grade companies would need to default. The default rate is forecast at 6.0% under our pessimistic scenario.
3. The percentage of speculative-grade issuers with a negative rating outlook has increased by 4% since April 2022 to 17% at the end of October. Persistent cash flow deficits among our lower-rated issuers will likely result in the percentage jumping over 20% over the next few months.

## YTD Speculative-Grade New Issuers

Chart 1

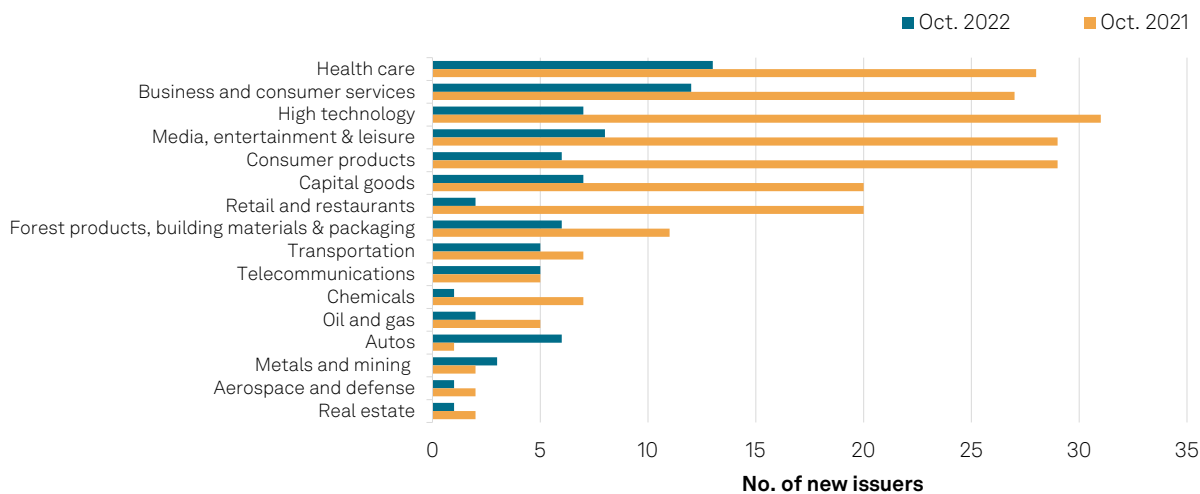
### New Issuers By Rating



Note: Data represents new issuers as of Oct. 31, 2021, and 2022. Includes U.S. and Canada corporate ratings, as well as confidential issuers. There were 20 new issuers in October 2021 and two in October 2022. Source: S&P Global Ratings.

Chart 2

### New Issuers By Industry Group



Note: Data represents new issuers as of Oct. 31, 2021, and 2022. Includes U.S. and Canada corporate ratings, as well as confidential issuers. Source: S&P Global Ratings.

## YTD Defaults

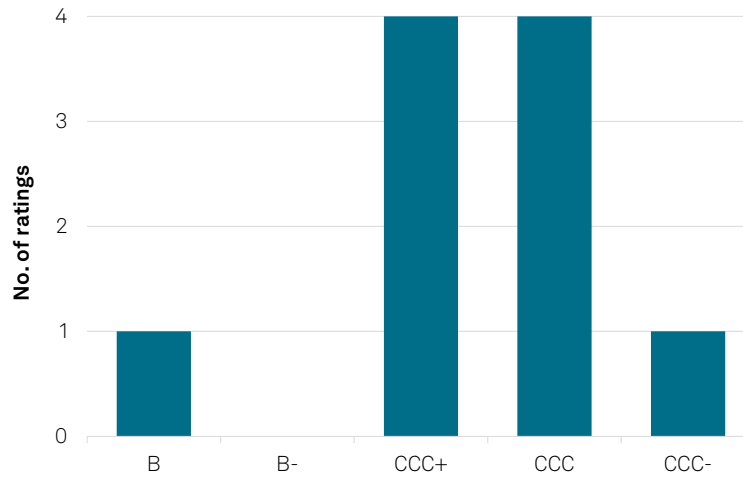
Chart 3

### Downgrade To 'SD'/D'



Chart 4

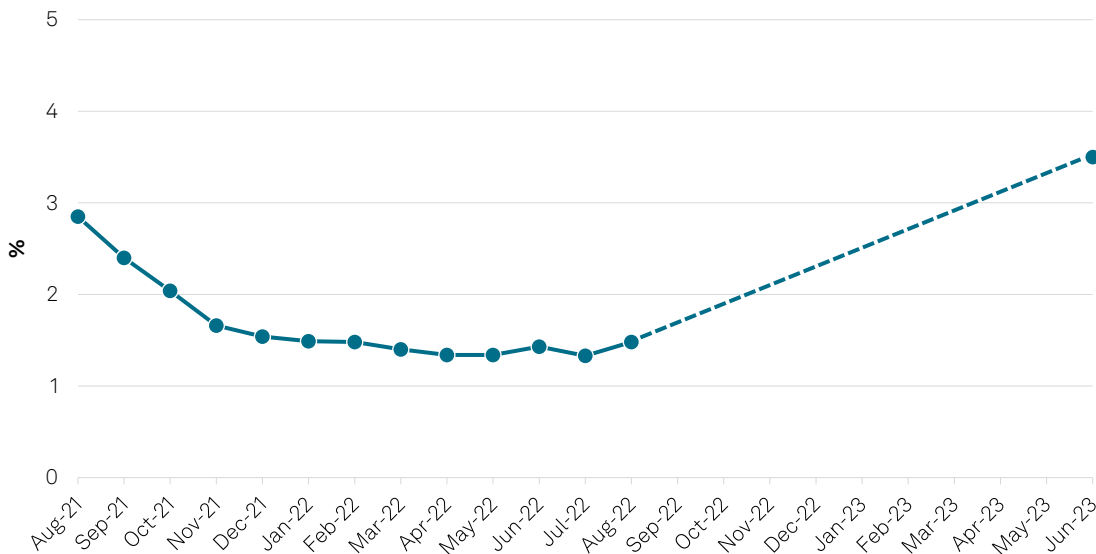
### Ratings Raised After Default ('SD')



Note: Data as of Oct. 31, 2022. Includes U.S. (including Bermuda and Cayman Islands in chart 6) 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, [2022 Defaults Inch Past Year-To-Date 2021 Tally As Credit Conditions Worsen](#), published Oct. 17, 2022. Additionally, 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 5

### U.S. Trailing-12-Month Speculative-Grade Default Rate

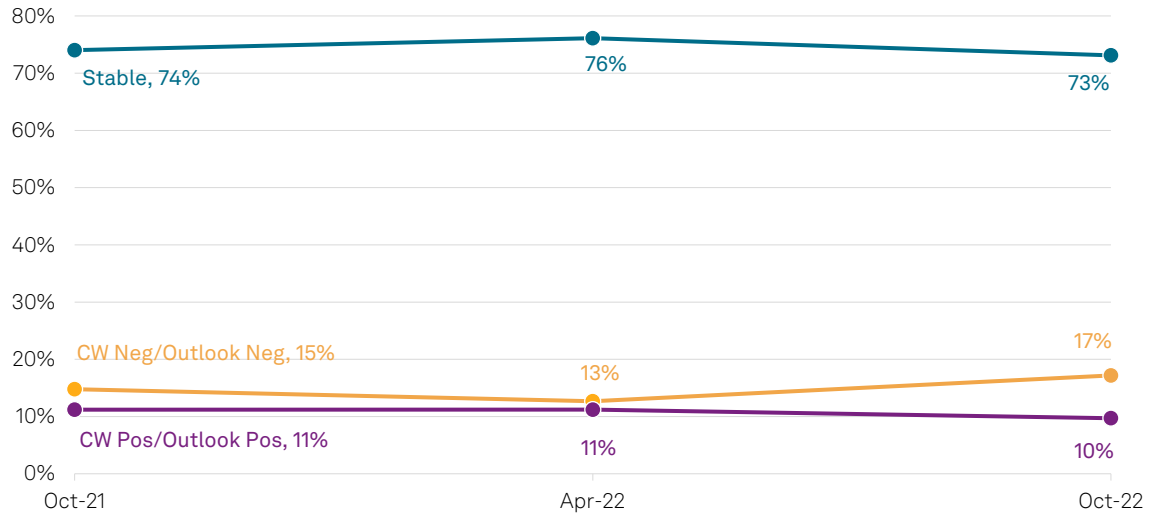


Note: Data as of Aug. 31, 2022. Sources: S&P Global Ratings Research, S&P Global Market Intelligence's CreditPro. [2022 Defaults Inch Past Year-To-Date 2021 Tally As Credit Conditions Worsen](#), published Oct. 17, 2022.

## Speculative-Grade Rating Outlook Mix

Chart 6

October 2021/2022 Speculative-Grade CreditWatch/Outlook Distribution

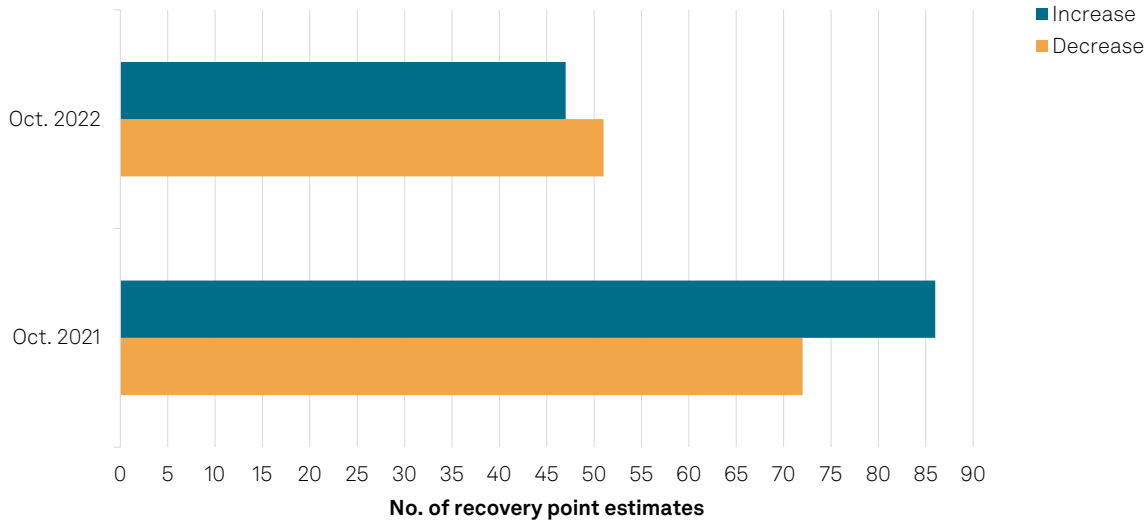


Note: Data as of Oct. 31, 2021, and 2022. CreditWatch/outlook distribution includes all U.S. and Canada corporate ratings. Does not include investment-grade issuers. Source: S&P Global Ratings.

# Recovery Ratings

Chart 7

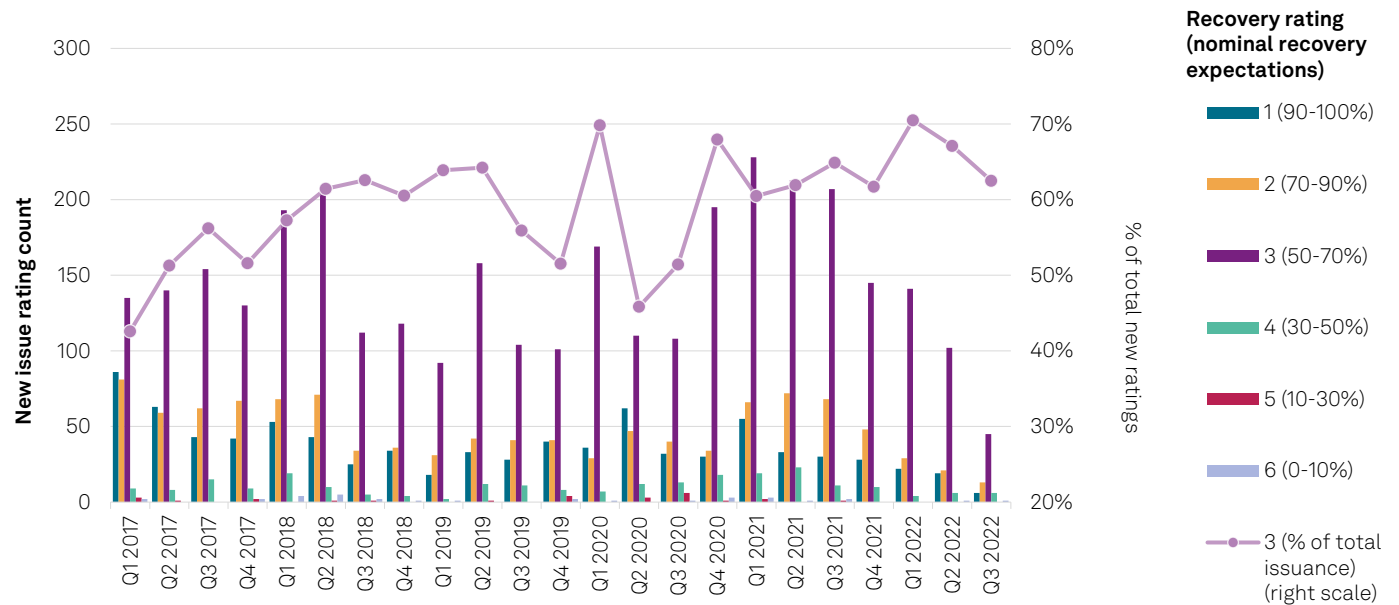
Net Changes In Recovery Point Estimates (Issuer Count)



Note: YTD data as of Oct. 31, 2021, and 2022. Data only includes recovery point estimate changes equal to or greater than 15% for both senior secured and unsecured notes (e.g., the recovery point estimate changes to '3' [50%] from '4' [35%]). Source: S&P Global Ratings.

Chart 8

Recovery Ratings Distribution Of First-Lien New Issues (U.S. And Canada)



Source: S&P Global Ratings.

## CLOs

Table 1

## Top 10 Obligators Held In U.S. BSL CLOs (Third-Quarter 2022)

Rank	Obligor	Rating & CW/Outlook	GIC Code
1	Liberty Global PLC	BB-/Stable	Diversified telecommunication services
2	Altice Europe N.V.	NR	Diversified telecommunication services
3	Asurion Group Inc.	B+/Stable	Information technology services
4	Altice USA Inc.	BB-/Negative	Media
5	Lumen Technologies Inc.	BB-/Negative	Diversified telecommunication services
6	TransDigm Inc.	B+/Stable	Aerospace and defense
7	Endeavor Group Holdings Inc.	B/Stable	Entertainment
8	American Airlines Group Inc.	B-/Stable	Airlines
9	Athenahealth Group Inc.	B-/Stable	Health care technology
10	Peraton Corp.	B+/Stable	Aerospace and defense

Note: Ratings and CreditWatch/outlooks as of Nov. 7, 2022. NR--Not rated.

Source: S&P Global Ratings. [U.S. BSL CLO Top Obligators And Industries Report: Third-Quarter 2022](#), Oct. 10, 2022.

## Sources

<sup>1</sup> [Economic Outlook U.S. Q4 2022: Teeter Totter](#), Sept. 26, 2022

<sup>2</sup> [The U.S. Speculative-Grade Corporate Default Rate Could Reach 3.5% By June 2023](#), Aug. 18, 2022

## Related Research

- [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
- [Recovery Prospects In The U.S. Technology Sector](#), June 28, 2022
- [Searching For Stress Fractures: Evaluating The Impact Of Interest Rate And EBITDA Stresses On U.S. Speculative-Grade Corporates](#), May 25, 2022
- [U.S. Leveraged Finance Q1 2022 Update: Free Operating Cash Flow Is Put To The Test As Headwinds Blow Harder](#), May 3, 2022
- [Credit FAQ: Themes From Recent Leveraged Finance Investor Conversations](#), May 2, 2022
- [U.S. CLO & Leveraged Finance Experience An Early Spring Chill In Q2. A Slide Deck Summary](#), April 28, 2022
- [Global Leveraged Finance Handbook Provides Unique Insights Into Challenging Questions](#), April 5, 2022
- [Leveraged Finance: Beyond The Term Sheet: Analysis Of LIBOR Transition Language Within Executed Credit Agreements](#), Feb. 11, 2022
- [A Credit-Cycle Turn Could Expose Vulnerabilities In The Middle Market](#), Feb. 9, 2022
- [EBITDA Addbacks Continue To Stack](#), Feb. 8, 2022
- [Recovering From COVID-19: Why The Timing Of Bankruptcy And Emergence Matters For Debt Recovery](#), Feb. 7, 2022
- [U.S. Corporate Credit Outlook 2022: New Year, New Risks \(Beyond, Of Course, Inflation\)](#), Jan. 31, 2022
- [North American Speculative-Grade Corporates Have A Whole Lotta Liquidity \(And Upgrades\)](#), Dec. 14, 2021
- [A Closer Look At How Uptier Priming Loan Exchanges Leave Excluded Lenders Behind](#), June 15, 2021

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

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