

This report does not constitute a rating action.

Conflicting Signals

(Editor's note: This Month In Credit datasets cover sovereign, financial, and nonfinancial corporate issuers globally unless otherwise stated. For additional exhibits on credit trends, including rating actions, outlooks, fallen angels, rising stars, weakest links, and the U.S. distress ratio, please see the related data publication: "This Month In Credit: 2024 Data Companion." We plan to publish the next update of "This Month In Credit" in January 2025.)

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For a weekly snapshot of rating trends and credit conditions, please see "This Week In Credit," released every Monday.

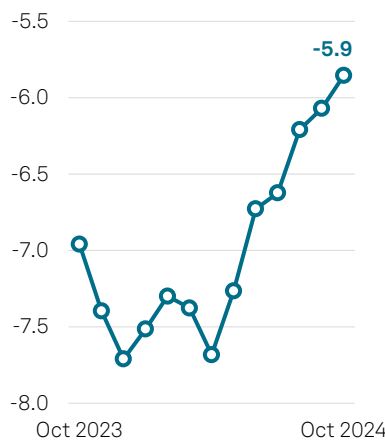
Key Takeaways

- Investment-grade downgrades rose to 11 in October, surpassing nine in all of the third quarter, driven by U.S. office REITs and actions related to the downgrade of the Israel sovereign.
- The speculative-grade outlook is improving. Negative bias for issuers 'B-' and below has fallen in nine of the last 10 months and is down nearly six percentage points compared with this time last year. Weakest links continued to fall in October, although 71% were due to defaults or rating withdrawals.
- U.S. defaults reached 11--their highest monthly count since May 2023. S&P Global Ratings Credit Research & Insights expects the U.S. and European trailing-12-month speculative-grade corporate default rates will decline slightly to 3.25% and 4.25%, respectively, by September 2025.

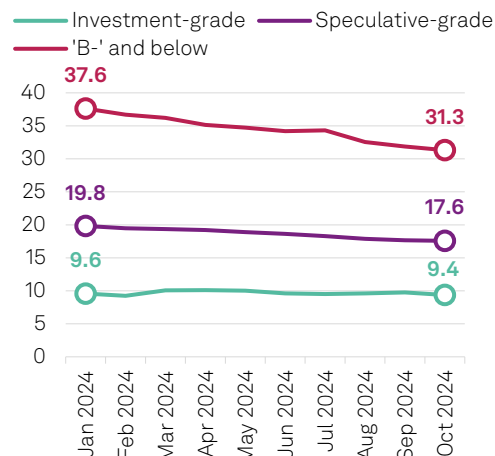
Easing Pressure

Net bias improved for the sixth consecutive month, largely owing to a reduction in negative bias.

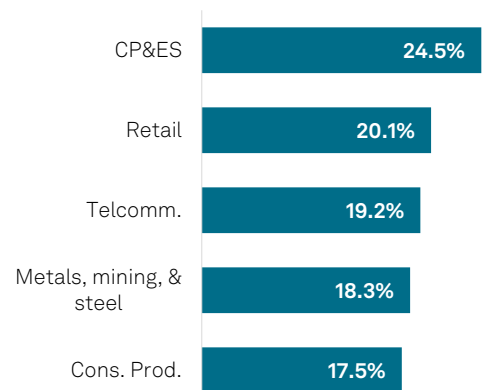
Global net bias (%)



Global negative bias (%)



Sectors with the highest negative bias (%)



Data as of Oct. 31, 2024. Charts show bias figures globally, including investment-grade and speculative-grade issuers. Net bias is the positive bias minus the negative bias (for both investment- and speculative-grade issuers). Negative bias is the percentage of issuers with negative outlooks or ratings on CreditWatch negative. CP&ES--Chemicals, packaging, and environmental services. Cons. Prod.--Consumer products. Source: S&P Global Ratings Credit Research & Insights.

Credit Notes: Sound Bites For 2025

This Month In Credit is taking a break in December, so we will leave you with four rating performance themes to watch out for in 2025.

Geopolitical risk is never far away. Geopolitical risk seems to have had limited market impact to date in 2024, with stellar equity gains and credit spreads near record lows. But as tensions rise and arguably become more widespread, there could be a breaking point--which could sharply and quickly hit credit market conditions.

One theme to watch is financing costs, as credit spreads could widen sharply while yields could remain elevated if inflation sticks around. A specific area to watch is issuers with high levels of floating-rate debt (such as in health care), where hedges might not be as prevalent or as long in duration as they have been recently, given the expectation for material rate cuts.

Easing pressure on the lower end of the ratings spectrum may not be all that it seems. Global negative bias for issuers rated 'B-' and below fell 6.3 percentage points year to date to 31.3%, a key factor behind the improving net bias trend. Similarly, weakest links have fallen every month this year and ended October at 236, their lowest level since October 2022.

While encouraging on the surface, the reduction in weakest links continues to be a result of defaults rather than upgrades. Similarly, issuers rated 'B-' and below accounted for 40% of all downgrades year to date, with downgrades outnumbering upgrades at this level for seven of the 10 months so far this year. Sectors to watch are consumer products, telecommunications, media and entertainment, and high technology, as they have accounted for the most weakest link additions since July.

It has been a good year for investment-grade rating trends, and those are likely to continue.

Upgrades have outnumbered downgrades in every month but two. The third quarter set a record quarterly low for downgrades, with only nine. There has also been strong upward pressure on the cusp of investment-grade as rising stars outnumbered fallen angels by almost 2 to 1.

Investment-grade rating trends should carry a tailwind into 2025 as major central banks' rate cut cycle is fully underway and economies remain resilient. Despite a gradual decline, mainly due to issuer upgrades, investment-grade positive bias remains highest for oil and gas (11.3%), followed by transportation (9.4%).

Record issuance growth marked 2024, with tailwinds expected heading into 2025. Refinancing has been a key driver for issuance, particularly for speculative-grade issuers. Roughly 75% of all speculative-grade debt issuance through the end of September was for refinancing purposes. This has supported a 41% reduction in nonfinancial debt maturing in 2025, with maturities in 2026 and 2027 also easing since the beginning of the year.

However, an eye-watering \$7.6 trillion of investment-grade debt matures between 2025 and 2028, which is certainly supportive of issuance ahead. Other potential issuance tailwinds for 2025 include substantially higher investment in AI and the long-awaited return of mergers and acquisitions (M&A) and leveraged buyouts, as rates fall and buyers and sellers bridge the valuation gap.

For more
accompanying
data, [click here](#)

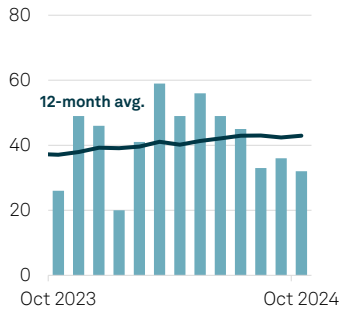
Global negative bias for issuers rated 'B-' and below fell 6.3 percentage points year to date to 31.3%.

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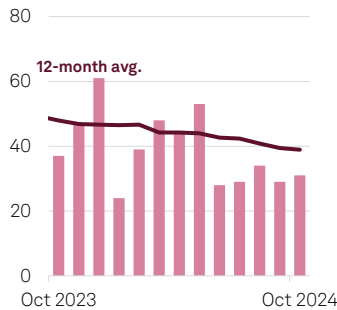
Refinancing has been a key driver for issuance, particularly for speculative-grade issuers.

Ratings Trends Snapshot--Through Oct. 31, 2024

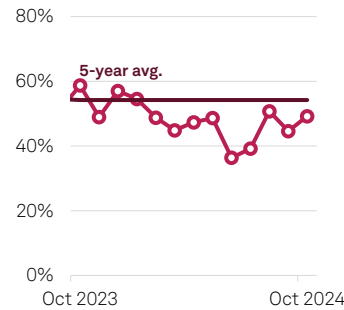
Upgrades (no.)



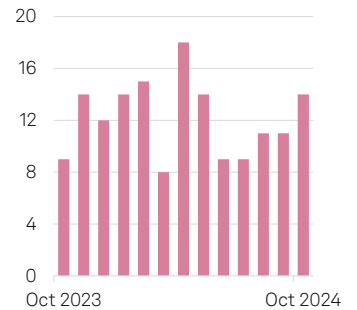
Downgrades (no.)



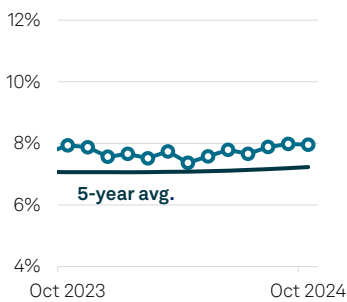
Downgrade ratio



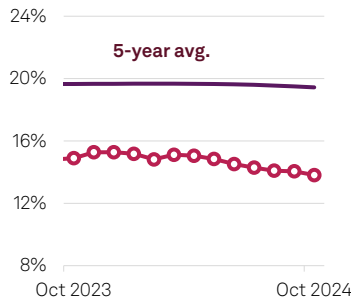
Defaults (no.)



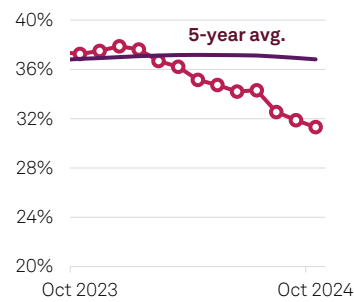
Positive bias



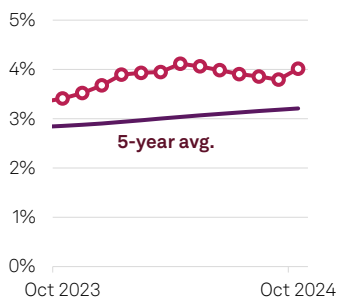
Negative bias



Negative bias 'B-' and lower



SG default rate



Data as of Oct. 31, 2024. Data represents rating actions and biases for sovereign, financial, and nonfinancial corporate issuers globally. Downgrade counts exclude defaults. Defaults and the speculative-grade default rate exclude sovereigns. SG--Speculative grade. Source: S&P Global Ratings Credit Research & Insights.

Credit Trends: Investment-Grade Downgrades Take Center Stage

- The uptick in downgrades and the decrease in upgrades yielded a downgrade ratio of 49%, up from 45% in September, though still below the five-year average of 54%.
- Investment-grade downgrades totaled 11 in October, up from just three in September. Downgrades were concentrated in financial institutions, led by the actions on Israeli banks following the downgrade of the sovereign. The U.S. homebuilders and real estate sector also saw three downgrades.
- The U.S. accounted for 55% of all downgrades, while Europe saw the largest month-over-month decrease in downgrades, down to five from 10.
- Over one-third of the month's downgrades were in consumer products (six) and financial institutions (five). Consumer products downgrades, led by U.S.-based companies, largely cited weaker-than-expected operating performance and near-term debt maturities.
- By debt amount, the largest downgrade was **Toronto-Dominion Bank (TD)**, due to anti-money laundering deficiencies. It had \$107.6 billion in rated debt outstanding as of Oct. 31.

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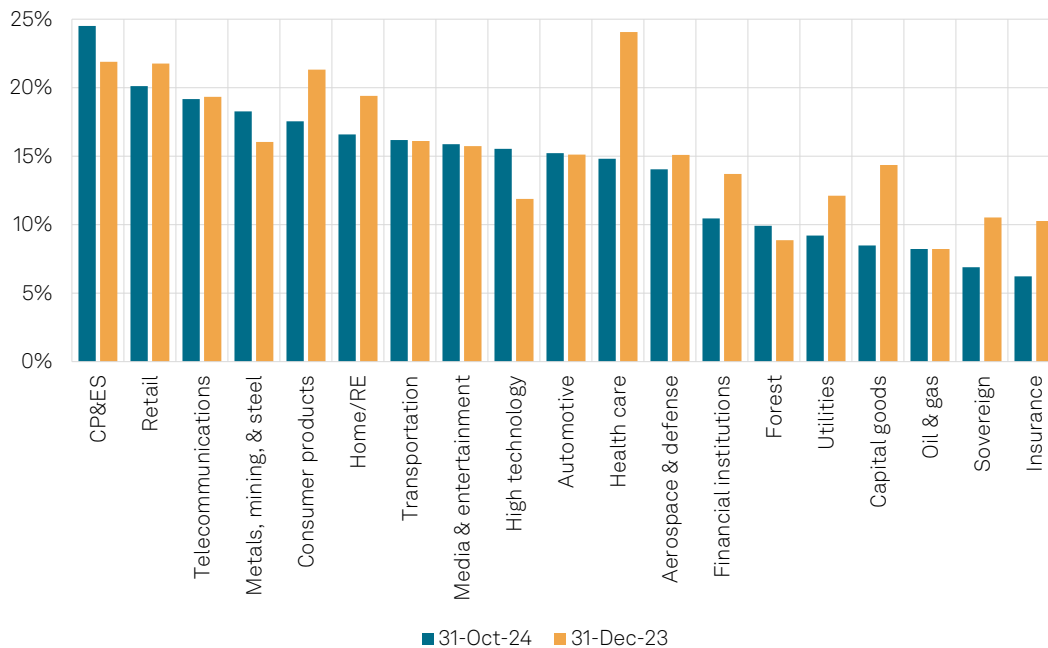
- October upgrades were concentrated in the financial institutions sector (five) and sovereigns (four). Four of the five financial institution upgrades came from Europe--all for issuer-specific reasons. Sovereigns upgraded during the month were **Nicaragua, Côte d'Ivoire, Mongolia, and Serbia**.
- Nearly all regions saw a decline in negative bias during October. Latin America saw the greatest, declining by over five percentage points to 17.0%, its lowest level since January 2023. The decline can be attributed to outlook revisions on 12 Chilean financial institutions to stable due to operating resilience.
- On a sector basis, telecommunications saw the greatest reduction in negative bias, declining 2.3 percentage points to 19.2%. This was driven by two issuers that selectively defaulted and, as a result, no longer have negative outlooks--**Lumen Technologies Inc.** and **WideOpenWest Finance LLC**--and two issuers with outlook revisions to positive or stable. Chemicals, packaging, and environmental services remains the leading sector in terms of negative bias with 24.5%, followed by the retail sector with 20.1%.
- Oil and gas saw the greatest decline in positive bias, falling 1.4 percentage points to 12.7%, mainly owing to M&A-related activity. **Chesapeake Energy Corp.** was upgraded and revised to stable following its acquisition of **Southwestern Energy Co.** (rating subsequently withdrawn). **SK Innovation Co. Ltd (SKI)** was upgraded to 'BBB-' on its merger with **SK E&S**, though SKI has a negative outlook, reflecting our view that its debt leverage may not improve sufficiently in 2025. Aerospace and defense is now the corporate sector with the highest positive bias at 14.0%.

October upgrades were concentrated in the financial institutions sector (five) and sovereigns (four).

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Chart 1

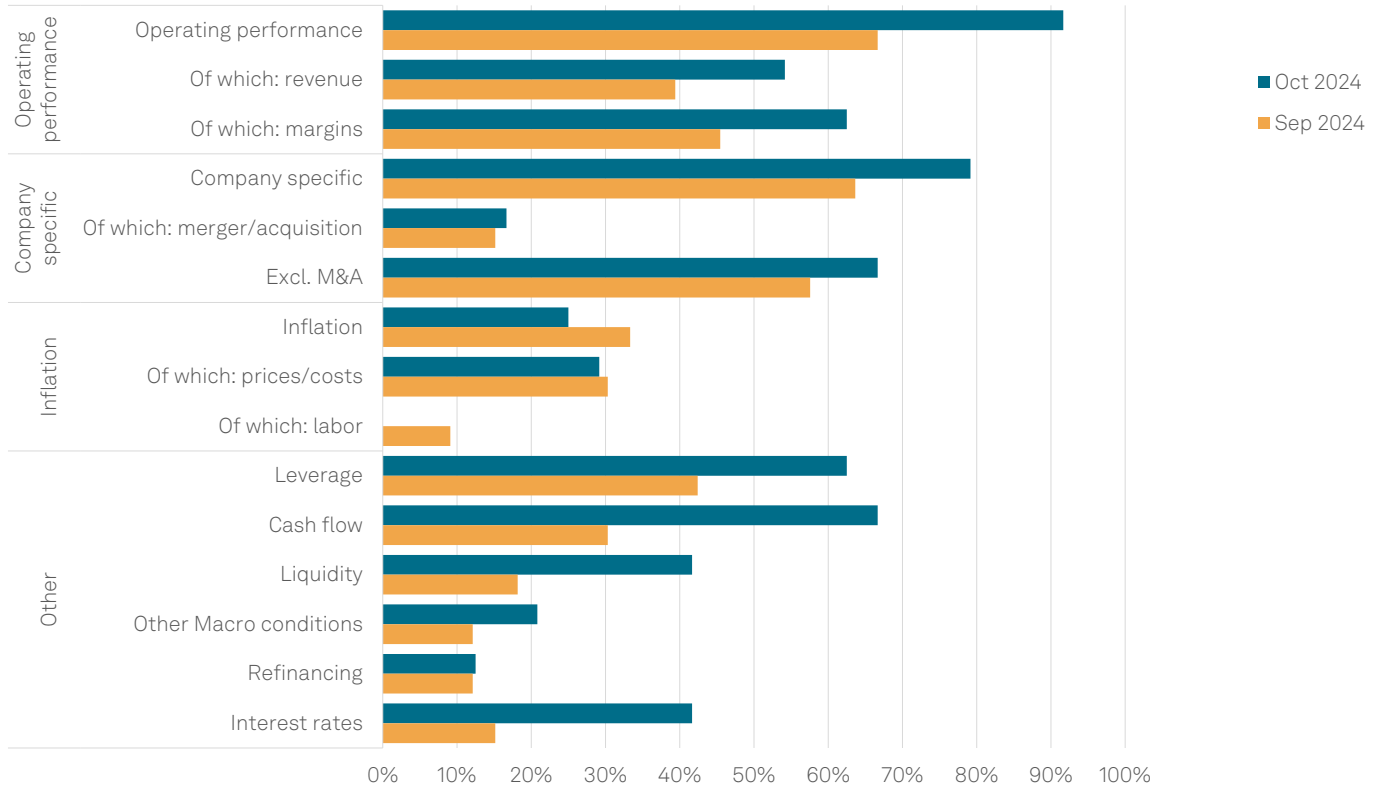
Half of the sectors experienced year-to-date declines in negative bias through October, though chemicals, telecom, and retail remain elevated



Data as of Oct. 31, 2024. CP&ES--Chemicals, packaging, and environmental services. Excludes diversified. Source: S&P Global Ratings Credit Research & Insights.

Chart 2

Cash flow pressures and interest rate concerns saw the highest increases in new potential downgrades in October



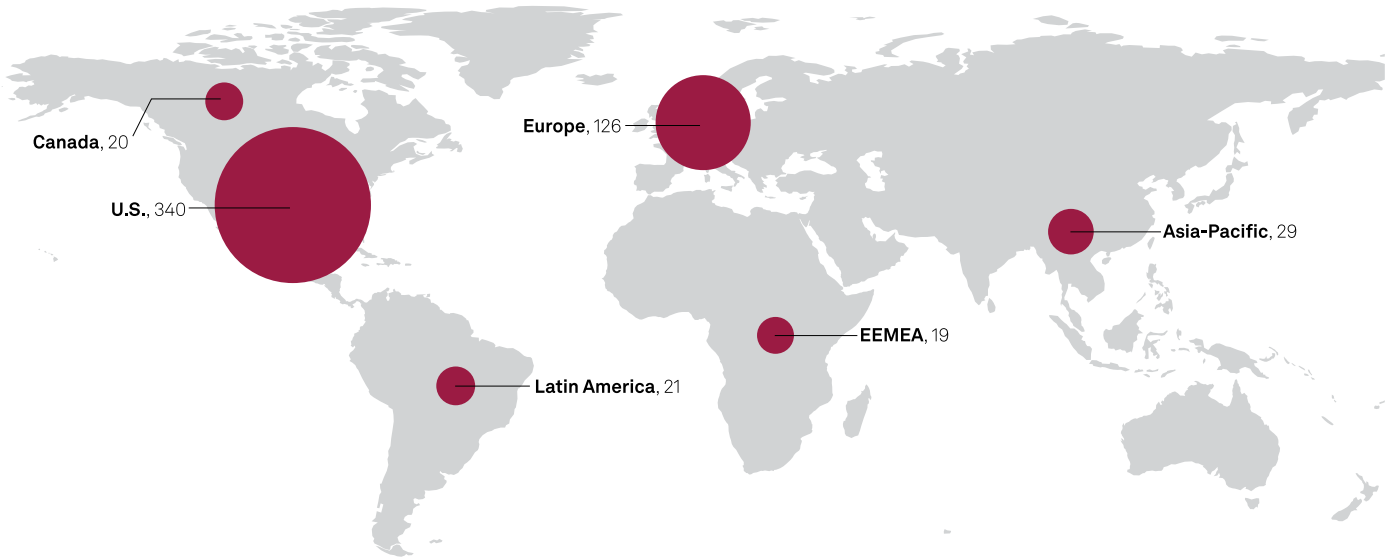
Data as of Oct. 31, 2024. Data represents rating actions and biases for sovereign, financial, and nonfinancial corporate issuers globally. Note that more than one factor can influence a rating action. Source: S&P Global Ratings Credit Research & Insights.

- Weaknesses in operating performance remained the most common reason for new potential downgrades in October, at 92%. This reading is up 25 percentage points from the month before.
- Labor-related issues saw the highest month-over-month decrease in October, down 9 percentage points. This was followed closely by inflation concerns, down 8 percentage points in October.
- Cash flow strains had the largest month-over-month increase in new potential downgrades reasons in October, up to 67% from 30% in September. This was followed closely by the impact of elevated interest rates, up 27 percentage points from September.

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Chart 3

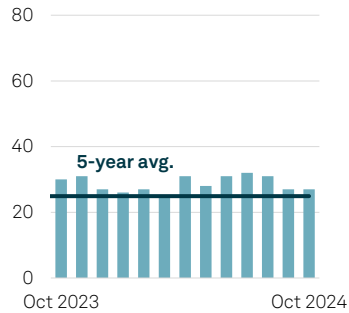
Potential downgrades by region (no.)



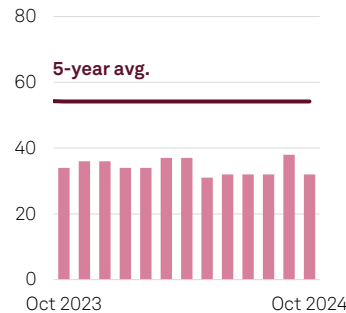
Data as of Oct. 31, 2024. EEMEA--Eastern Europe, the Middle East, and Africa. Source: S&P Global Ratings Credit Research & Insights.

Specific Credit Indicators--Through Oct. 31, 2024

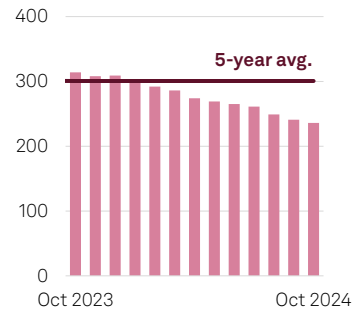
Potential rising stars (no.)



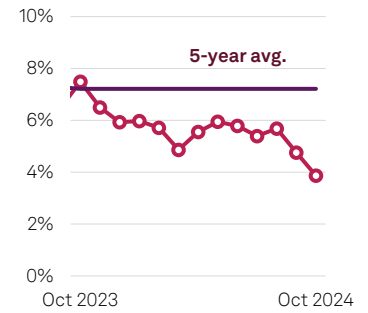
Potential fallen angels (no.)



Weakest links (no.)



Distress ratio



Data as of Oct. 31, 2024. Data represents sovereign, financial, and nonfinancial corporate issuers globally, except for S&P Global Ratings' U.S. distress ratio, which is defined as the number of U.S. speculative-grade issues with option-adjusted spreads of more than 1,000 basis points above U.S. Treasury bonds. Source: S&P Global Ratings Credit Research & Insights.

Fallen angels: There were three new fallen angels in October, the highest monthly total since April, when the count reached four. October's fallen angels were split evenly across three sectors, and the year-to-date total is now 15. **Piedmont Office Realty Trust Inc.**, a U.S.-based office REIT, was downgraded due to modestly weaker credit metrics, including debt-to-EBITDA and fixed-charge coverage ratios.

Telefonica Moviles Chile S.A. was downgraded on sustained weaker performance as persistently high competition in the Chilean telecom market, strategic business changes, and macroeconomic headwinds eroded revenue growth and EBITDA generation. Lastly, French water company **Holding d'Infrastructures des Metiers de l'Environnement** was downgraded on weak cash flow generation in its operating subsidiary.

There were no new potential fallen angels in October, and the total is now 32.

Rising stars: New rising stars totaled five in October, the biggest monthly increase since March, bringing the year-to-date total to 29. Three were U.S.-based oil and gas issuers. **Southwestern Energy Co.** and **Chesapeake Energy Corp.** were upgraded following the closing of a merger, and **Apache Corp.** was upgraded on improving credit measures due to a reduction in total debt.

The last two were the upgrades of **Serbia** and **PPF Telecom Group B.V.**, a telecommunications issuer based in Czech Republic.

There were four new potential rising stars across four sectors. Two of the issuers were based in the U.S. The total now stands at 27.

Weakest links: The number of weakest links (issuers rated 'B-' or lower with negative outlooks or ratings on CreditWatch negative) has been declining since the beginning of the year. It ended October at 236, five fewer on a net basis than at the end of September and well below its five-year average of 301.

Of the 16 issuers that were removed from the list last month, 71% of them were due to defaults (nine) and rating withdrawals (three). The remaining 29% of issuers were removed due to four outlook revisions and one upgrade.

This month's additions to the weakest links list were spread across several sectors, led by consumer products; chemicals, packaging, and environment services; real estate; and

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telecommunication, with two each. Consumer products leads the year-to-date weakest link tally, with most of them coming from the U.S.

High interest rates and persistent inflation have depleted consumer savings and lowered discretionary income, particularly for lower-income borrowers. In addition, rates are now falling and access to funding is more plentiful, but elevated borrowing costs have made it more difficult for some weaker issuers in these sectors to service their debt.

Distress ratio: The U.S. distress ratio dropped to 3.87% in October from 4.76% the previous month, continuing its descent since May and reaching its lowest level since April 2022. It now stands more than 3 percentage points below its five-year average of 7.21%. Secondary market spreads remain extremely tight on continued confidence in a soft landing for the U.S. economy with more rate cuts ahead. Although, strong economic and inflation data remains a risk to the timing and extent of rate cuts.

Most sectors saw a drop in their distress ratios from September. The largest decline was in telecommunications (by 3.4%), capital goods (2.6%), and media and entertainment (by 1.8%). The telecommunications sector continues to show the highest distress ratio of 18.9%.

Defaults: The number of monthly defaults reached 14 in October, up from 11 in September. With 11 defaults in the U.S., the region recorded the highest monthly count since May 2023. The global corporate default tally was 123 at the end of October, compared with 127 in October 2023 and the five-year average of 117.

With three defaults in October and 20 defaults year to date, the media and entertainment sector leads monthly and year-to-date default counts. Across sectors, most defaults resulted from unsustainable capital structures, squeezed liquidity, forecasted growth in capital expenditures, and elevated to high leverage ratios. Additionally, persistent elevated borrowing costs mean that many lower-rated companies struggle to refinance their debt.

Distressed exchanges remain the primary contributor to monthly and year-to-date default numbers. Year to date, issuers defaulting due to distressed exchanges are 54% of total defaults--the highest number since 2009.

S&P Global Ratings Credit Research & Insights expects the U.S. and European trailing-12-month speculative-grade corporate default rates will decline slightly to 3.25% and 4.25%, respectively, by September 2025, from 4.4% and 4.7% in September 2024. Overall credit trends remain supportive for both regions though borrowing costs will remain elevated.

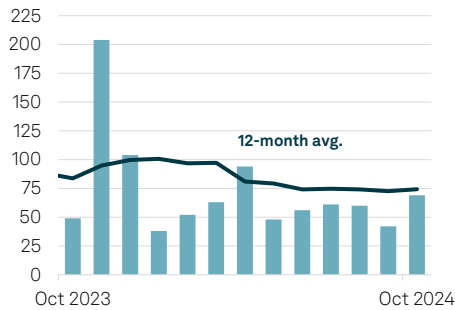
For more data and charts on fallen angels, potential fallen angels, rising stars, potential rising stars, weakest links, and the U.S. distress ratio, please see the related publication: "[This Month In Credit: 2024 Data Companion](#)."

The U.S. distress ratio was 3.87% in October, down from 4.76% the previous month and its lowest level since April 2022.

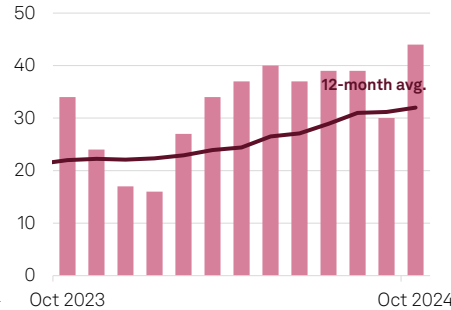
With 11 defaults in the U.S., the region reached the highest monthly count since May 2023.

U.S. Public Finance Ratings Trends Snapshot-- Through Oct. 31, 2024

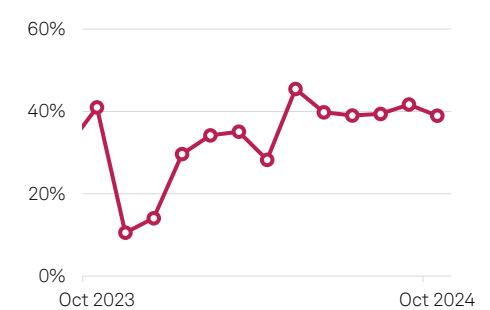
Upgrades (no.)



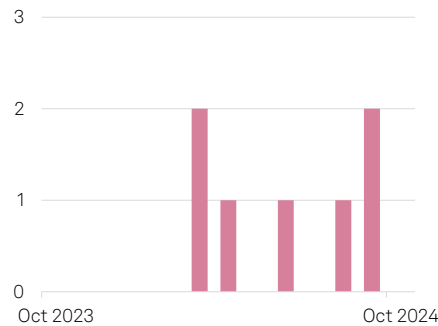
Downgrades (no.)



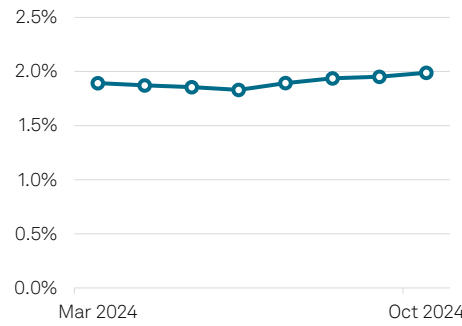
Downgrade ratio



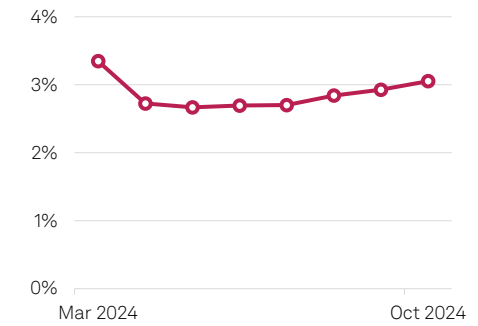
Defaults (no.)



Positive bias



Negative bias























Data as of Oct. 31, 2024. The U.S. public finance data included in this report is based on S&P Global Ratings default study data sets and may differ slightly from other sources of U.S. public finance data. Data represents rating actions and biases for U.S. public finance issuers. Downgrade counts exclude defaults. Source: S&P Global Ratings Credit Research & Insights.

U.S. public finance rating trends:

- Overall, upgrades outpaced downgrades, primarily because of rating activity in the local governments sector. In part, this is due to criteria implementation and resolution of credit ratings placed under criteria observation in September.
- Downgrades outpaced upgrades in the charter schools, education, health care, power, and utilities sectors. Furthermore, year to date, unfavorable outlook revisions exceed favorable outlook revisions.
- Year to date fallen angels have reached 22, against 14 rising stars. By comparison, at this time last year, there were 10 fallen angels and 25 rising stars. There were no defaults in October, down from two health care defaults the previous month.
- Negative bias increased for the fifth consecutive month in October, to 3.1% from 2.9% in September, though it remains exceptionally low. Positive bias also increased marginally, to 2.0% from 1.9% the month prior.

Table 1





















Potential downgrades distribution by sector and region (no.)

Sectors	Global	U.S.	Europe	Asia-Pacific	Latin America	EEMEA	Canada
 Aerospace and defense	9	8	1				
 Automotive	14	4	8	1	1		
 Capital goods	14	10	2	2			
 Consumer products	75	54	13	1	3	4	
 CP&ES	52	28	16	4	2	2	
 Diversified	2				2		
 Financial institutions	50	17	17	6	4	4	2
 Forest PBM	11	8	3				
 Health care	40	37	2				1
 High technology	41	30	10	1			
 Home/real estate	33	12	16	5			
 Insurance	7	4	1	2			
 Media/entertainment	56	42	12				2
 Metals, mining, and steel	16	4	4	2	1	1	4
 Oil and gas	13	6	2		1	1	3
 Retail/restaurants	35	29	4	1			1
 Sovereign	8				5	3	
 Telecommunications	28	16	8		1	1	2
 Transportation	17	9	4	1	1	2	
 Utilities	34	22	3	3		1	5

Data as of Oct. 31, 2024. The darker red indicates more potential downgrades per region.
 PBM--Products and building materials. CP&ES--Chemicals, packaging, and environmental services.
 Source: S&P Global Ratings Credit Research & Insights.

Table 2

Potential upgrades distribution by sector and region (no.)

Sectors	Global	U.S.	Europe	Asia-Pacific	Latin America	EEMEA	Canada
 Aerospace and defense	8	4	4				
 Automotive	7	3	3			1	
 Capital goods	14	9	3				2
 Consumer products	30	17	7	1	1	2	2
 CP&ES	12	5	5			2	
 Diversified	1				1		
 Financial institutions	44	16	19	5		4	
 Forest PBM	8	7	1				
 Health care	14	8	4			1	1
 High technology	16	12	3	1			
 Home/real estate	9	6	3				
 Insurance	13	8	2	2			1
 Media/entertainment	29	20	9				
 Metals, mining, and steel	8	6	1				1
 Oil and gas	20	9	4	1	3		3
 Retail/restaurants	13	6	6				1
 Sovereign	17		5	2	5	5	
 Telecommunications	12	3	5		1	3	
 Transportation	9	1	4	2	1	1	
 Utilities	18	11	4	1		1	1

Data as of Oct. 31, 2024. The darker blue indicates more potential upgrades per region.
 PBM--Products and building materials. CP&ES--Chemicals, packaging, and environmental services.
 Source: S&P Global Ratings Credit Research & Insights.

Table 3

Top 10 downgrades in October

Issuer	Sector	Date	To	From	Country	Amount (bil. \$)
Toronto-Dominion Bank (The)	Financial institutions	10/15/2024	A+	AA-	Canada	107.6
State of Israel	Sovereign	10/1/2024	A	A+	Israel	42.6
DISH Network Corp. (EchoStar Corp.)	Telecommunications	10/1/2024	CC	CCC-	U.S.	21.5
Kering S.A.	Consumer products	10/29/2024	BBB+	A-	France	11.8
Kilroy Realty Corp.	Homebuilders/real estate companies	10/14/2024	BBB-	BBB	U.S.	3.4
CMG Media Corp. (CMG Holdings, Inc.)	Media and entertainment	10/17/2024	CC	CCC+	U.S.	3.2
Consolidated Energy Ltd.	Chemicals, packaging, and environmental services	10/25/2024	B	BB-	Trinidad and Tobago	3.1
Creative Planning Holdco, LLC	Financial institutions	10/15/2024	BB-	BB	U.S.	2.9
VeriFone Systems Inc. (Vertex HoldCo Inc.)	High technology	10/24/2024	CCC+	B-	U.S.	2.2
Highwoods Properties Inc.	Homebuilders/real estate companies	10/14/2024	BBB-	BBB	U.S.	2.2

Data as of Oct. 31, 2024. Excludes defaults. Table shows 10 largest issuer downgrades, excluding defaults, by debt amount (rated only) in September 2024. Source: S&P Global Ratings Credit Research & Insights.

Table 4

Top 10 upgrades in October

Issuer	Sector	Date	To	From	Country	Amount (bil. \$)
Vistra Corp.	Utilities	10/1/2024	BB+	BB	U.S.	17.3
Republic of Cote d'Ivoire	Sovereign	10/18/2024	BB	BB-	Cote d'Ivoire	13.8
Dynasty Acquisition Co., Inc.	Aerospace and defense	10/22/2024	BB-	B	U.S.	13.5
Republic of Serbia	Sovereign	10/4/2024	BBB-	BB+	Serbia	10.2
Banco BPM SpA	Financial institutions	10/24/2024	BBB	BBB-	Italy	10.1
Apache Corp. (APA Corp.)	Oil and gas	10/15/2024	BBB-	BB+	U.S.	9.4
Virgin Money UK PLC	Financial institutions	10/1/2024	BBB	BBB-	U.K.	6.7
Enlink Midstream, LLC	Utilities	10/18/2024	BBB	BBB-	U.S.	6.2
Southwestern Energy Co.	Oil and gas	10/1/2024	BBB-	BB+	U.S.	4.2
Ceska Sporitelna, a.s. (Erste Group Bank AG)	Financial institutions	10/29/2024	A+	A	Czech Republic	3.5

Data as of Oct. 31, 2024. Table shows 10 largest issuer upgrades by debt amount (rated only) in September 2024. Source: S&P Global Ratings Credit Research & Insights.

Related Research

- [Default, Transition, and Recovery: Spotlight On U.S. Defaults In October](#), Nov. 19, 2024
- [European Speculative-Grade Default Rate Should Fall To 4.25% By September 2025](#), Nov. 18, 2024
- [U.S. Speculative-Grade Corporate Default Rate To Fall Further To 3.25% By September 2025](#), Nov. 15, 2024
- [After Trump's Win, What's Next For The U.S. Economy?](#), Nov. 7, 2024
- [U.S. Elections 2024: How Could A Second Trump Term Affect U.S. Credit?](#), Nov. 7, 2024
- [Global Credit Markets Update Q4 2024: Good Vibrations](#), Oct. 31, 2024
- [ESG In Credit Ratings Deep Dive: Governance Factors Underpin A Rising Share Of Actions In U.S. Public Finance](#), Nov. 4, 2024
- [Global Credit Markets Update Q4 2024: Good Vibrations](#), Oct. 31, 2024
- [Risky Credits: U.S. And Canadian Risky Credits Drop For Third Straight Quarter Amid Sector Divergences](#), Oct. 31, 2024
- [Risky Credits: Defaults Have Driven A Decline In European Risky Credits](#), Oct. 31, 2024
- [Risky Credits: Emerging Markets: Issuance Activity And Deleveraging Plans](#), Oct. 31, 2024

Glossary And Abbreviations

Downgrade ratio--The number of downgrades divided by the number of downgrades plus upgrades.

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

Investment grade--Issuers rated 'BBB-' or above.

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

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 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 fallen angels--Issuers rated 'BBB-' with either negative outlooks 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.

Risky credits--Issuers in the 'CCC' rating category.

Speculative grade--Issuers rated 'BB+' or below.

S&P Global Ratings' U.S. distress ratio--The proportion of speculative-grade issues with option-adjusted spreads of more than 1,000 basis points relative to U.S. Treasury bonds divided by the total number of speculative-grade issues.

Speculative grade--Issuers rated 'BB+' or below.

Weakest links--Issuers rated 'B-' and below with either negative outlooks or on CreditWatch negative.

Weakest links ratio--The number of weakest links divided by the total speculative-grade ratings population.

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