

# The Ratings View

February 26, 2025

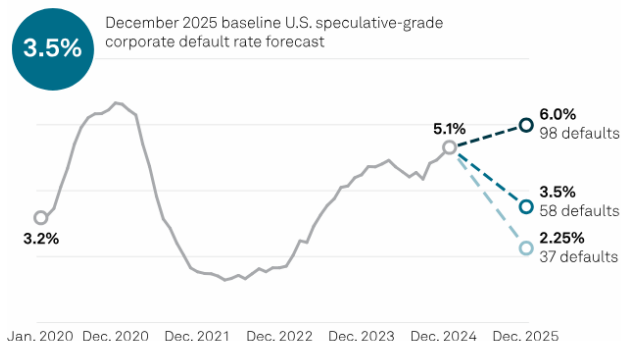
This report does not constitute a rating action.

## Key Takeaways

- We expect U.S. and European default rates to fall to 3.5% and 3.75% by December, respectively. Distressed exchanges are keeping current default rates high.
- Asia-Pacific economies could face U.S. tariff actions, while the region's sustainable bond market is poised to rebound.
- Crypto exchange Bybit suffered the largest heist in crypto history.

**We expect the U.S. trailing-12-month speculative-grade corporate default rate to fall to 3.5% by December, from 5.1% in December 2024.** This reflects the positive impact of a resilient economy, sustained earnings growth, and a more manageable near-term refinancing burden. The default rate rose to 5.1% as of December 2024 mostly because of rising distressed exchanges, which we expect will remain popular as long-term interest rates remain high. In our optimistic scenario, we forecast the default rate could fall to 2.25% as interest rates fall faster than anticipated. In our pessimistic scenario, we forecast the default rate could rise to 6% as certain subsectors suffer from potential tariff increases and other political uncertainties.

### U.S. speculative-grade default rate expected to fall to 3.5% by December 2025



As of December 2024, S&P Global Ratings rated 1,628 U.S. speculative-grade corporate issuers.  
Data as of Dec. 31, 2024. Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

**Pessimistic scenario:** Tariffs' impact on future defaults is unclear and would likely materialize later in the year, but downside risks are growing. Additional stress on service sectors could come through changes in immigration policies if they affect labor markets.

**Base scenario:** Tight spreads, lower benchmark borrowing costs for loan issuers, and more manageable near-term debt are helping to improve many issuers' ability to manage debt. For now, we expect economic growth to continue in 2025 while earnings remain strong.

**Optimistic scenario:** Interest rates could fall faster than anticipated if inflation declines, but such a decline has proved elusive thus far amid a growing likelihood of increased tariffs and extended tax cuts in the face of rising government debt.

## Contacts

### Gareth Williams

London  
Head of Corporate Credit Research  
+44-20-7176-7226  
gareth.williams@spglobal.com

### Gregg Lemos-Stein

New York  
Chief Analytical Officer,  
Corporate Ratings  
+1-212-438-1809  
gregg.lemos-stein@spglobal.com

### Joe Maguire

New York  
Lead Research Analyst  
joe.maguire@spglobal.com

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[Default, Transition, and Recovery: The U.S. Speculative-Grade Corporate Default Rate Could Fall To 3.5% By December 2025](#)

**We expect the European trailing-12-month speculative-grade corporate default rate to reach 3.75% by December--down from 4.5% in December 2024.** The default rate started to decline in the fourth quarter but remains historically elevated, largely because of the increased use of distressed exchanges and debt restructurings. High-level market trends remain supportive, but 'CCC'/C' issuers are still facing limited primary market access and sizable pending maturities. Growth risks from potential tariff moves by the U.S. have increased, but for now remain unclear and more of a downside risk rather than a baseline risk.

[Default, Transition, and Recovery: The European Speculative-Grade Default Rate Could Level Out At 3.75% By December 2025](#)

## The Ratings View

**Several Asia-Pacific economies could be on the U.S. radar for trade actions.** Our screening exercise shows that several Asia-Pacific economies could face higher U.S. tariffs under the U.S. administration's new *Fair and Reciprocal Plan* that targets bilateral trade surpluses, tariff differentials and other imbalances. The large degree of discretion embedded in the plan makes it hard to predict the outcome. But the criteria indicate Vietnam, South Korea, Taiwan, India, Japan, and Thailand may be on the radar for U.S. trade actions. If imposed, tariff hikes could hit hardest for Vietnam, Taiwan, Thailand, and South Korea, based on their economic exposures to the U.S.

[Economic Research: Asia-Pacific Economies Likely To Be Hit By U.S. Trade Tariffs](#)

**Asia-Pacific's sustainable bond market is poised to rebound.** S&P Global Ratings anticipates record-high issuance of US\$260 billion in 2025 through catalysts that include: lower interest rates; refinancing and dynamic local-currency debt capital markets; regulatory reassurance on instruments' claims; and increasing participation of sovereign and government-linked entities. Conversely, economic uncertainty, evolving trade policies, and geopolitical tensions may still weigh on issuance, as slower global demand hits growth in the region.

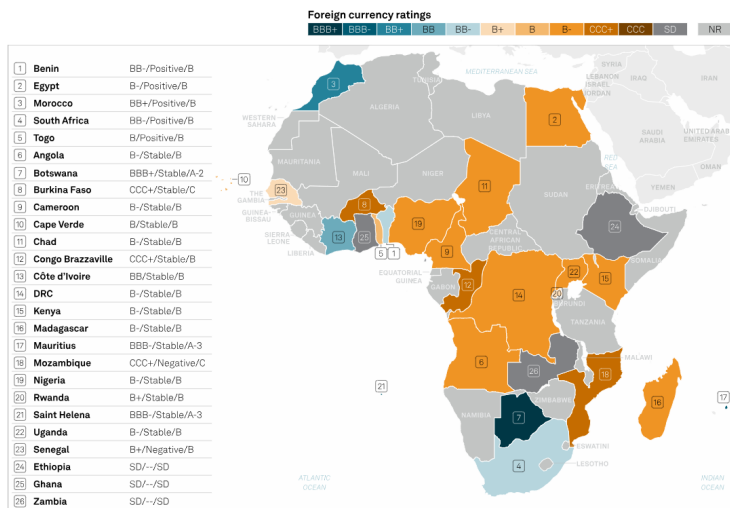
[Sustainable Bond Outlook 2025: Asia-Pacific Issuance Could Hit Record High](#)

**Crypto exchange Bybit suffered the largest heist in crypto history.** On Feb. 21, the attackers--allegedly the North Korean state-sponsored Lazarus group--stole approximately \$1.4 billion in crypto assets from the exchange's wallet. Previously, the largest crypto hacks targeted vulnerabilities in smart contract codes or cross-chain bridges (applications that transfer tokens from one blockchain to another.) This hack follows a more recent trend that targets the people and equipment operating wallets through conventional cyberattacks. The transfers sending funds to the attackers were all approved by senior Bybit staff who acted as signers

[Digital Assets Brief: Bybit Hack Underlines Importance Of Cyber Resilience](#)

**Positive sovereign rating actions in Africa in 2024 more than doubled those we took in 2023.**

Growth and reform momentum in Africa drive ratings up in 2024



Credit ratings as of Feb. 24, 2025. DRC--Democratic Republic of Congo. NR--Not rated. SD--Selective default. Source: S&P Global Ratings.

Although some economies benefited from stronger economic growth and reform momentum, the picture was mixed. Multilateral lending institutions' creditworthiness is generally strong because of the nature of their policy mandates and their robust balance sheets.

[Africa 2024 Credit Ratings Review: Positive Sovereign Momentum Trickled Down To Financial Services](#)

For our latest weekly update on the global corporate results season, please see here:

[Corporate Results Roundup Q4 2024: Growth accelerates and sentiment improves](#)

# Asset Class Highlights

## Corporates

Notable publications include:

- [Corporate Results Roundup Q4 2024: Growth accelerates and sentiment improves](#)
- [Spanish Corporate Outlook 2025: Balance sheets are robust ahead of uncertain times](#)
- [Credit FAQ: European Auto Suppliers Face Old And New Hazards](#)
- [Default, Transition, and Recovery: The European Speculative-Grade Default Rate Could Level Out At 3.75% By December 2025](#)
- [Credit Risks Associated With Wildfires Are Increasing For California Public Finance Entities](#)
- [Default, Transition, and Recovery: The U.S. Speculative-Grade Corporate Default Rate Could Fall To 3.5% By December 2025](#)
- [Japan Utilities To Rethink Financing With Changes To Bond System](#)

## Financial Institutions

Notable publications include:

- [U.S. Banks Webinar Q1 2025 Slides: Cautious Optimism In A Changing Environment](#)
- [U.S. Banks Are Better Positioned To Manage Commercial Real Estate Risks](#)
- [Outlooks On Six U.S. Regional Banks Revised To Stable On Improved Ability To Handle CRE Challenges; Ratings Affirmed](#)
  
- [Systemic Risk: Global Banking Regulation At A Crossroads](#)
- [Systemic Risk: Global Nonbank Financial Institutions Press Ahead](#)
- [Systemic Risk: Private Credit's Characteristics Can Both Exacerbate And Mitigate Challenges Amid Market Evolution](#)
- [Systemic Risk: U.S. Banks' \\$1 Trillion In Loans To Nonbanks, Like Private Credit, Creates Risks And Rewards](#)
- [Systemic Risk: Global Bank-Nonbank Nexus Could Amplify And Propagate Market Shocks](#)
  
- [Africa 2024 Credit Ratings Review: Positive Sovereign Momentum Trickled Down To Financial Services](#)
- [Bulletin: Standard Chartered Can Manage Economic Headwinds In 2025](#)
- [Bulletin: Apollo Global Management's \\$1.5 Billion Acquisition Of Bridge Investment Group Will Expand Its Real Estate Capabilities](#)

## Sovereign

- [Kazakhstan Affirmed At 'BBB-/A-3'; Outlook Stable](#)
- [Mozambique Local Currency Rating Down To 'CCC-' On Upcoming Debt Swap; FC Rating Affirmed; Outlooks Revised To Negative](#)

## Research Contributors

### Financial Institutions

**Matthew Albrecht**

matthew.albrecht@spglobal.com

**Mehdi El mrabet**

mehdi.el-mrabet@spglobal.com

### Structured Finance

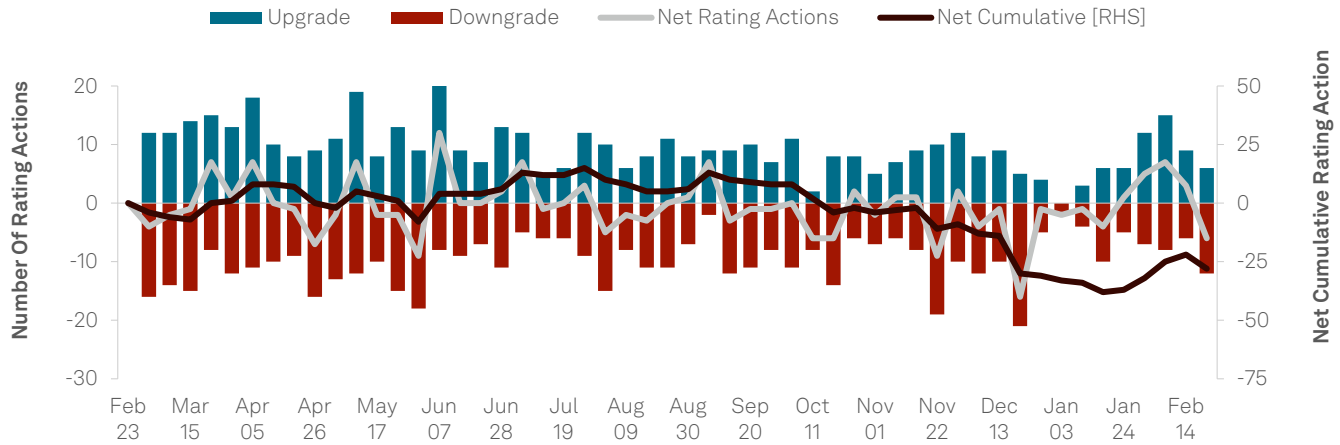
**Winston Chang**

winston.chang@spglobal.com

## The Ratings View

Chart 1

### Global Rating Actions (Rolling 52-Weeks)



Source: S&P Global Ratings. Net rating actions means downgrades minus upgrades. Net cumulative means total net rating actions. Data as of Feb. 21, 2025. Global rating actions include actions on both financial and non-financial corporates and sovereign issuers.

Table 1

### Recent Rating Actions

Date	Action	Issuer	Industry	Country	To	From	Debt vol (mil. \$)
17-Feb	Downgrade	<a href="#">Republic of Argentina</a>	Sovereign	Argentina	SD	CCC	152,244
19-Feb	Downgrade	<a href="#">Public Service Co. of Colorado (Xcel Energy Inc.)</a>	Utilities	U.S.	BBB+	A-	8,750
19-Feb	Upgrade	<a href="#">Boston Scientific Corp.</a>	Health care	U.S.	A-	BBB+	7,743
20-Feb	Downgrade	<a href="#">Capri Holdings Ltd.</a>	Retail/restaurants	British Virgin Islands	BB	BBB-	3,784
21-Feb	Upgrade	<a href="#">Western Digital Corp.</a>	High technology	U.S.	BB+	BB	3,300
18-Feb	Downgrade	<a href="#">Ascend Performance Materials Operations LLC</a>	Chemicals, packaging & environmental services	U.S.	CCC+	B	1,100
19-Feb	Downgrade	<a href="#">Leslie's Poolmart Inc.</a>	Retail/restaurants	U.S.	B	B+	810
19-Feb	Upgrade	<a href="#">EnergySolutions Inc.</a>	Chemicals, packaging & environmental services	U.S.	B+	B	790
21-Feb	Downgrade	<a href="#">Confluence Technologies Inc.</a>	Media & entertainment	U.S.	SD	CCC+	765
21-Feb	Downgrade	<a href="#">Claros Mortgage Trust Inc.</a>	NBFI	U.S.	CCC+	B-	763

Source: S&P Global Ratings Credit Research & Insights. Data as of Feb. 21, 2025. U.S. means United States, U.K. means United Kingdom and U.A.E. means United Arab Emirates. NBFI - NonBank Financial Institutions (ex. Insurance)

For further credit market insights, please see our **This Week In Credit** newsletter.



## The Ratings View

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