This Month In Credit

March 2025

This report does not constitute a rating action.

Positive Momentum Amid Market Volatility

*(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: 2025 Data Companion**.")*

Key Takeaways

- Rating activity continued its positive trend despite market volatility. Upgrades (39) outnumbered downgrades (28) for the second consecutive month.
- Weakest links dropped by 10 in February--reaching the lowest level since October 2022. The number of defaults as the reason for removals from the weakest links list remains limited, accounting for less than 30% in February.
- Despite February recording the first fallen angels of the year, rising stars continued to outnumber fallen angels. However, potential rising stars declined, for the second month in a row, to 19.
- The default count eased in February to seven, driven by a decline in the U.S. Meanwhile, monthly defaults in Europe outnumbered the U.S. for the first time since September 2022.

Primary Contacts

Erik Wisentaner
London
+44-207-176-0570
erik.wisentaner
@spglobal.com

Brenden Kugle
Englewood
+1-303-721-4619
brenden.kugle
@spglobal.com

Ekaterina Tolstova
Frankfurt
+49-173-659-1385
ekaterina.tolstova
@spglobal.com

Nicole Serino
New York
+1-212-438-1396
nicole.serino
@spglobal.com

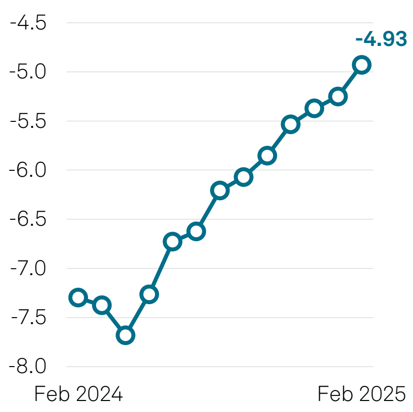
Patrick Drury Byrne
Dublin
+00353-568-0605
patrick.drurybyrne
@spglobal.com

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

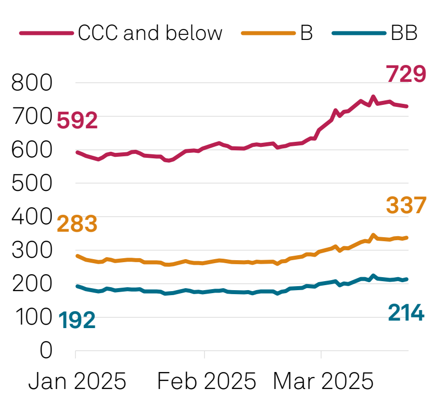
On A Roll

Rating performance continued to improve, but market uncertainties could test momentum.

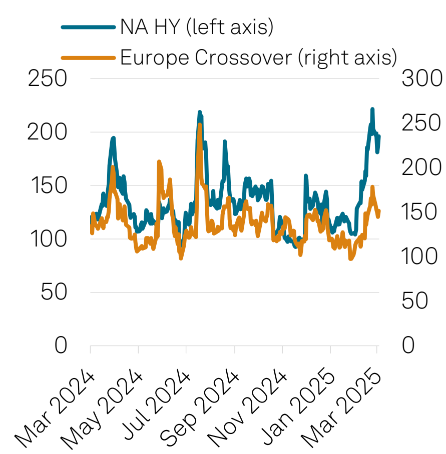
Global net bias (%)



Spreads by SG rating category (bps)



Credit VIX: North America and Europe



Data as of Feb. 28, 2025. Net bias is the positive bias minus the negative bias (for both investment- and speculative-grade issuers). Five-year spreads data as of March 21, 2025. Credit VIX is as of March 21, 2025. NA HY: CDX/Cboe NA High Yield 1-Month Volatility Index (BP Volatility); Europe Crossover: ITraxx/Cboe Europe Crossover 1-Month Volatility Index (BP Volatility).
Sources: S&P Global Ratings Credit Research & Insights and S&P Dow Jones Indices.

Credit Notes: Uncertainty Clouds Resilient Rating Trends

For more accompanying data, click here

Markets are undoubtedly volatile right now. The CDX/CBOE North America High Yield 1-Month Volatility Index rose to its highest level since August 2024, while U.S. 'CCC' and below spreads widened by over 25% since the start of the year to their widest level since August 2024. But spreads are widening from extremely narrow levels, and volatility is not necessarily a negative as the macroeconomic outlook remains so uncertain. Also, credit rating trends have so far been resilient.

Net bias (percentage of issuers with a positive bias minus those with a negative bias) climbed to -4.9%, its best level in almost two and a half years. The improvement continues to stem from declining negative bias, as positive bias has remained stable. Negative bias fell by a further 40 basis points (bps) in February to 13.0%--its lowest since September 2022 and far below its five-year average of 19.1%. The decline is, in part, attributable to lower-rated issuers; negative bias for issuers rated 'B-' and below fell steeply to 30.5%--nearly six percentage points below its five-year average.

Weakest links declined by 10 in February, its third-largest drop in the last 14 months, and declined in each of the last 14 months except one. (Weakest links are issuers rated 'B-' or lower with negative outlooks or ratings on CreditWatch negative) Since January last year, weakest links have fallen by a net 84 issuers to 225. Notably, the decline has been mainly among U.S. issuers.

Weakest links have declined in each of the last 14 months except one.

The U.S. accounted for 69.3% of total weakest links at the end of February 2025, compared with 73.8% at the start of January 2024. But it was responsible for nearly 86% of the global decline during that period. In comparison, weakest links in Europe (the second-largest region by weakest link issuer count) fell by a net one issuer since the start of January 2024.

In line with our expectations, defaults also appear to be easing. Monthly global corporate defaults fell to seven in February from 10 in January. The pace of U.S. defaults slowed the most, falling to three. In contrast, European defaults increased to four.

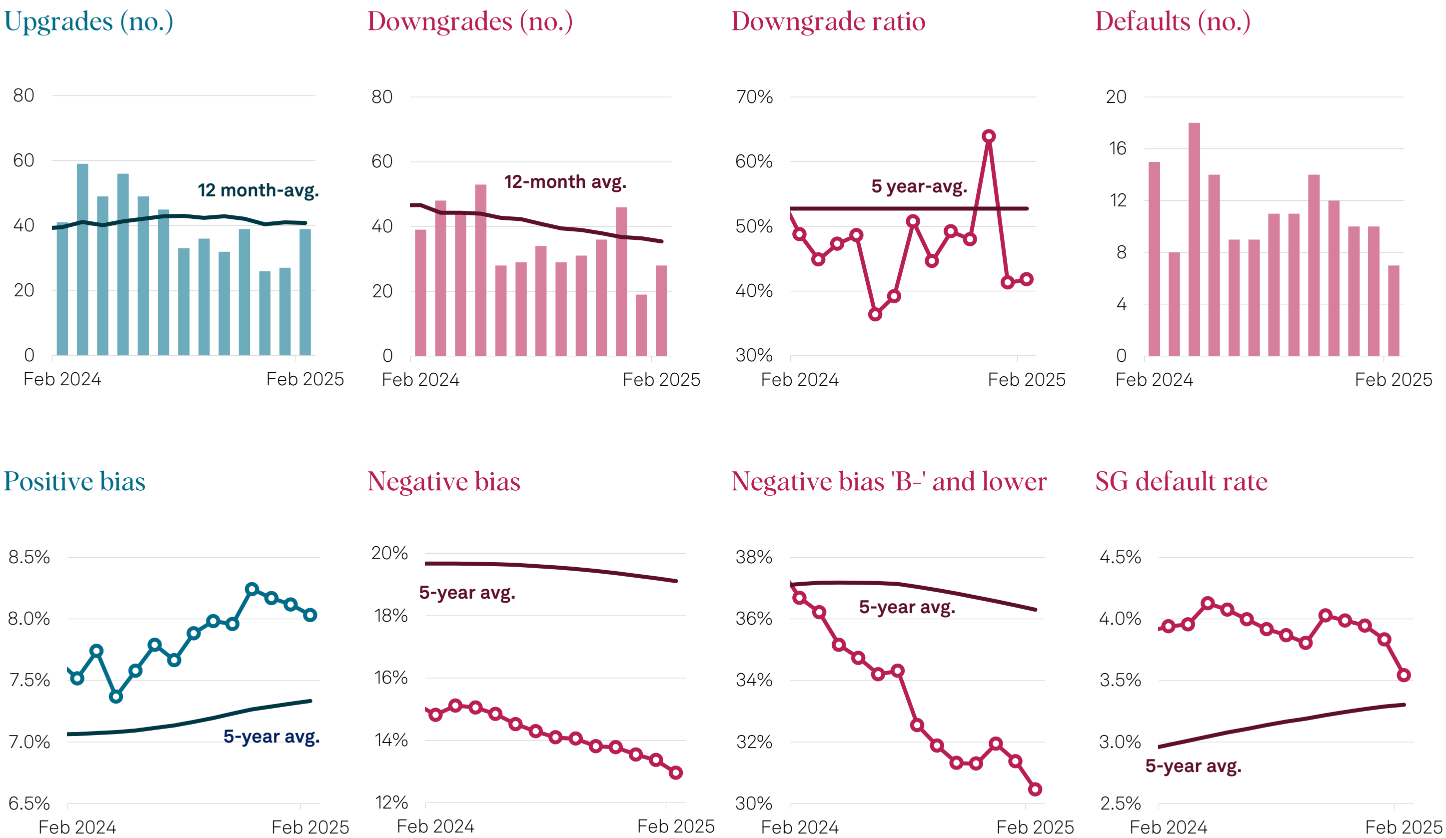
The first two fallen angels of the year were recorded in February, but these were once again outpaced by three rising stars. There were no new potential rising stars (issuers rated 'BB+' with positive outlooks or on CreditWatch positive) in February--the second month in a row--and the pool fell to 19, its lowest level since June 2021. The continued decline in potential rising stars suggests rising star momentum may slow later this year.

There were no new potential rising stars in February, and the pool of potential rising stars fell to 19.

Despite the resilience, sector divergences remain top of mind. Notably, negative bias for autos inched up for the second month this year, to 22.2%. The change was led by the revision of the outlook on Ford Motor Co. to negative, with potentially higher costs from U.S. import tariffs cited as one of the risks. (Ford Motor is a new potential fallen angel this month and the largest by rated debt amount.) Meanwhile, capital goods saw the largest increase, by 2.2 percentage points to 9.7%.

Bouts of market volatility are likely to continue, and with the heightened uncertainty about tariffs and the wider macroeconomic outlook, a downturn cannot be ruled out. But for now, rating performance is exhibiting resilience and even some improvement.

Ratings Trends Snapshot--Through Feb. 28, 2025



Data as of Feb. 28, 2025. 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: Upgrades Outnumbered Downgrades

- Upgrades rose to 39 in February, primarily because of the oil and gas; health care; metals, mining, and steel; and sovereign sectors.
- Latin America saw the largest month-over-month increase in upgrades, rising to 10 in February from just one in January as a number of Argentinian industrial and utility issuers were upgraded, following an upward revision to the sovereign's transfer and convertibility assessment.
- Meanwhile, downgrades also increased and reached 28; media and entertainment accounted for seven, representing one-quarter of February's downgrade total. The remaining downgrades were spread across 11 sectors.
- 82% of downgrades in February were speculative-grade issuers, with six issuers added to the 'CCC' rating category. **Notably, there were eight upgrades out of the 'CCC' category. There were no net monthly upgrades from this rating category throughout 2024.**
- By rated debt amount, the largest downgrade was French telecommunications provider **Altice France Holding S.A.** on a proposed debt restructuring that S&P Global Ratings views

There were eight upgrades out of the 'CCC' category, following no net monthly upgrades from this category in 2024.

as a distressed exchange and tantamount to a default. The company had $29.2 billion in rated debt outstanding as of Feb. 28.

- By rated debt amount, last month's largest upgrade was northeastern U.S. utility company **Exelon Corp.** (to 'A-' from 'BBB+') as a result of the credit supportive rate case orders in several states, which will increase revenue by nearly $1.6 billion. The company had $38.1 billion in outstanding rated debt at the end of February.

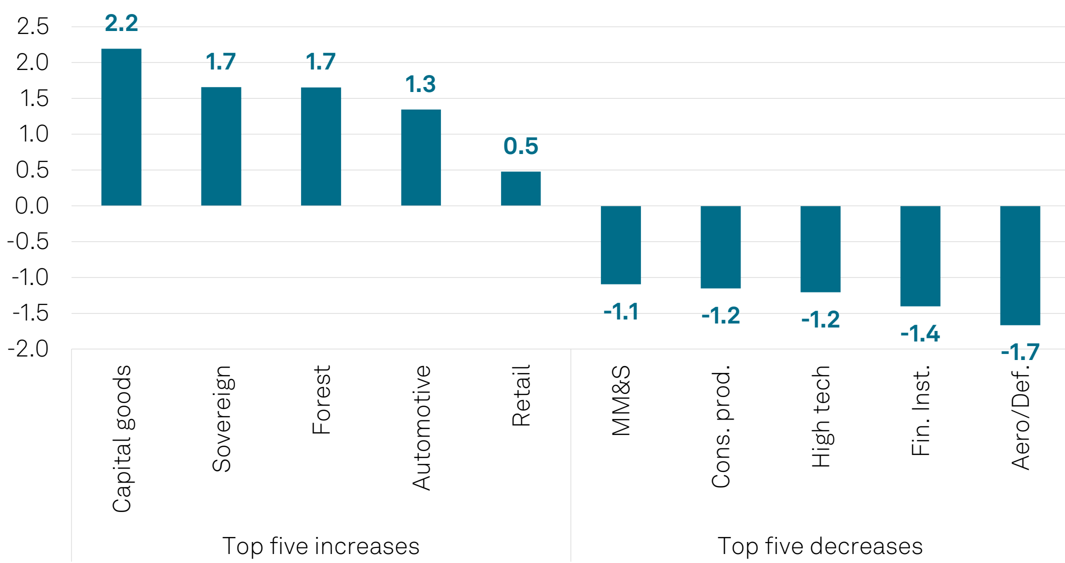
Net bias continued to improve, mainly owing to a decline in negative bias for the 11th consecutive month (to 13.0%) as positive bias remained largely stable:

- Two regions bucked the trend. Both Latin America and Eastern Europe, the Middle East, and Africa saw negative bias increase for the second month in a row, to 14.5% and 12.7%, respectively.
- By sector, chemicals, packaging, and environmental services has the highest negative bias at 23.8%, followed by autos at 22.2% (up for the second month in a row).
- Capital goods saw the largest month-over-month increase in negative bias to 9.7%, driven by a net five U.S.-based issuers with outlooks revised to negative.

Chart 1

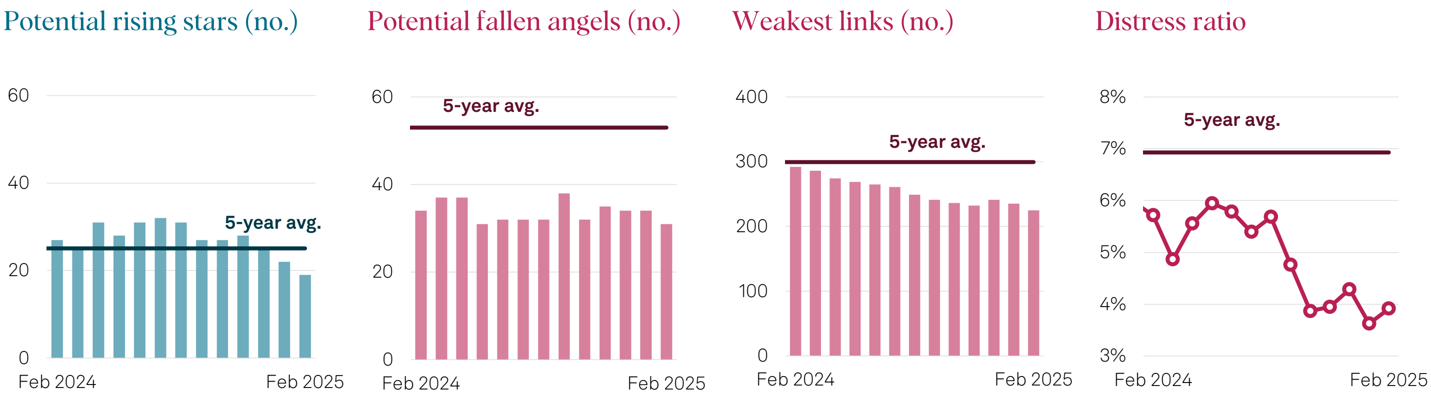
Global negative bias changes month-over-month by sector

Top five monthly increases and decreases in February (%)



Data as of Feb. 28, 2025. Includes sovereign, financial, and nonfinancial corporates. Cons. prod.--Consumer products. Fin. Inst.--Financial Institutions. Forest--Forest products and building materials. MM&S--Metals, mining, and steel. Source: S&P Global Ratings Credit Research & Insights.

Specific Credit Indicators--Through Feb. 28, 2025



Data as of Feb. 28, 2025. 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: Two issuers became fallen angels in February. The first was luxury accessory retailer **Capri Holdings Ltd.**, which was downgraded following weak operating performance over the past two years and the expectation that leverage will remain elevated through fiscal 2025. The second fallen angel was pharmaceutical company **Viatris Inc.**, which was downgraded on elevated leverage following lower EBITDA margins due to higher restructuring and litigation charges.

Meanwhile, there were three new potential fallen angels last month, all U.S.-based issuers. S&P Global Ratings revised its outlook on **Ford Motor Co.** to negative, reflecting reduced headroom under the current rating against further underperformance through 2026. The outlook on **Hyatt Hotels Corp.** was revised to negative following the definitive agreement to acquire Playa Hotels & Resorts N.V. for approximately $2.6 billion and the subsequent impact on leverage. In addition, the outlook on consumer products issuer **Whirlpool Corp.** was revised to negative on weaker-than-expected credit measures.

Rising stars: There were three rising stars in February 2025. S&P Global Ratings upgraded **Royal Caribbean Cruises Ltd.** on expected credit measure improvement, supported by reported good forward bookings for 2025 at higher prices. **Bank of Cyprus Public Co. Ltd.** was upgraded on the improved funding profile of Cyprus' bank sector. In addition, we believe the economic environment in Cyprus will remain supportive and banks’ efforts to improve efficiency will partially offset the hit from falling interest rates. Lastly, **PT Cikarang Listrindo** was upgraded on easing refinancing risk as a result of the company’s proactive management, strong financial performance, and steady cash flow.

There were no new potential rising stars for the second month in a row. The total now stands at 19, 24% below its five-year average.

The number of potential rising stars is currently 24% below its five-year average.

Weakest links: As of February, the number of weakest links was 225, a decrease of 10 from January and significantly below the five-year average of 299. This marks a continued decline in weakest links to the lowest level since October 2022.

Both the U.S. and Europe experienced reductions in weakest links. The U.S. now accounts for 69.3% and Europe 20.9% of the total, while the numbers for other regions remain steady. The share of weakest links as a percentage of speculative-grade issuers fell to 10.2%, versus the five-year average of 12.6%. The greatest decline was in the U.S.--where weakest links as a percentage of speculative-grade fell to 11.8% in February from 12.5% a month earlier.

Last month, 14 issuers were removed from the list, with 57% (eight) of them due to outlook revisions or rating changes, which continues the trend set in December last year. The number of defaults as a reason for removal was limited to just four issuers, alongside two rating withdrawals.

February's four additions to the weakest links list were across three sectors--two issuers from the retail sector; one from chemicals, packaging, and environmental services; and one from media and entertainment--and equally distributed between Europe and the U.S.

Weakest links have reached their lowest level since October 2022.

Chart 2

Decline in weakest links interrupted just once in the last 14 months

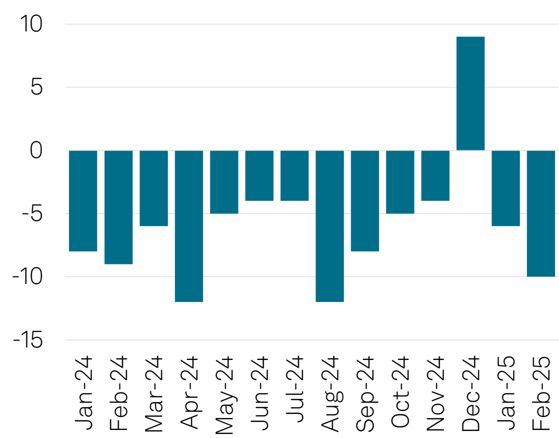
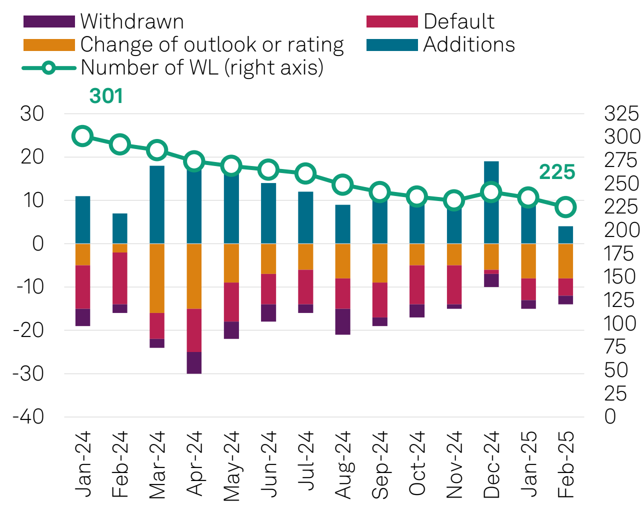


Chart 3

Default as reason for fall in weakest links remains limited (no.)



Data as of Feb. 28, 2025. Notes: Weakest links include financial and nonfinancial corporate issuers rated 'B-' or lower with negative outlooks or on CreditWatch negative. Source: S&P Global Ratings Credit Research & Insights.

Distress ratio: The U.S. distress ratio increased to 3.91% in February from 3.62% in January, reflecting significant macroeconomic and market uncertainty. However, this figure remains 3.02 percentage points below the five-year average of 6.93%.

Most sectors experienced a rise in their distress ratios from January, with the largest percentage point (ppt) increases in metals, mining, and steel (2.3 ppt); media and entertainment (1.6 ppt); and chemicals and packaging (1 ppt). The largest decline was in the capital goods sector (by 1.3 ppt). There was no change for the telecommunications sector, which continues to have the highest distress ratio among all sectors, at 15.5%. A significant number of speculative-grade issuers in this sector are grappling with high leverage and borrowing costs, which are straining cash flow and debt sustainability.

Defaults: Defaults totaled seven in February, down from 10 in January and below the five-year average of 20. Although the U.S. leads the year-to-date tally with 10 defaults, the pace slowed to three in February from seven in January.

The decline is in line with our base forecast that the U.S. speculative-grade corporate default rate will fall to 3.5% by December 2025 from 5.1% at the end of January 2025, supported by a resilient economy, sustained earnings growth, and a more manageable near-term refinancing burden. In our optimistic scenario, the default rate could fall to 2.25% as interest rates fall faster than anticipated. In our pessimistic scenario, the default rate could rise to 6% as certain subsectors suffer from potential tariff increases and other political uncertainties.

In contrast, the European default tally doubled in February to four. Defaults total six so far in 2025. February also marked the first month since September 2022 that European monthly defaults outpaced U.S. ones. The European default rate declined in the first two months of 2025, but historically, it remains elevated, largely due to the increased use of distressed exchanges and debt restructurings.

European monthly defaults have outpaced U.S. ones for the first month since September 2022.

Our base forecast is the European trailing-12-month speculative-grade corporate default rate will drop to 3.75% by December 2025 from 4.1% at the end of January 2025. Our optimistic and pessimistic forecasts are 2.5% and 6.25%, respectively, given current limited visibility and increased uncertainty.

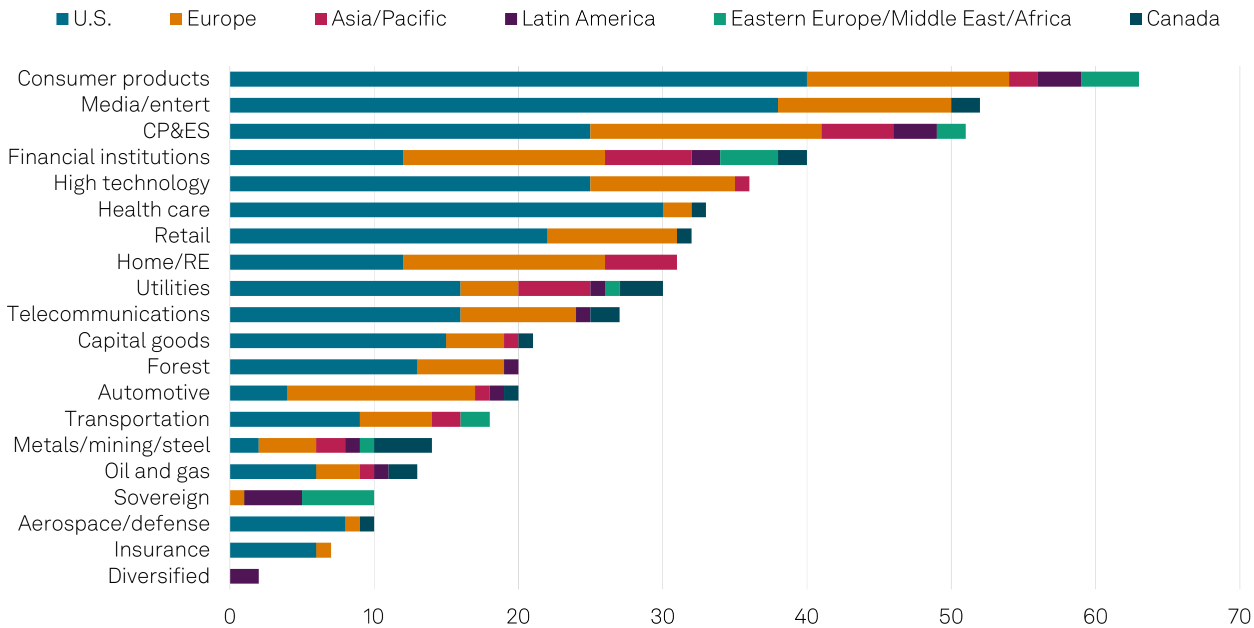
Defaults were spread across multiple sectors in February, with consumer products and media and entertainment each recording two. The consumer products and media and entertainment sectors also lead the year-to date default tally and accounted for close to 47% of defaults in the first two months of 2025. A number of speculative-grade issuers addressed their debt maturities as interest rates fell. Nevertheless, default risk persists because of higher borrowing costs and geopolitical uncertainty. Lower global demand, weaker economic growth, and high inflation also weigh on issuers in these sectors.

Distressed exchanges remained the primary reason for defaults in February, constituting six out of seven defaults, continuing the trend of the past two years. This marks a notable increase in defaults due to distressed exchanges to 85.7% in February from 60.0% in January 2025.

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: 2025 Data Companion."

Chart 4

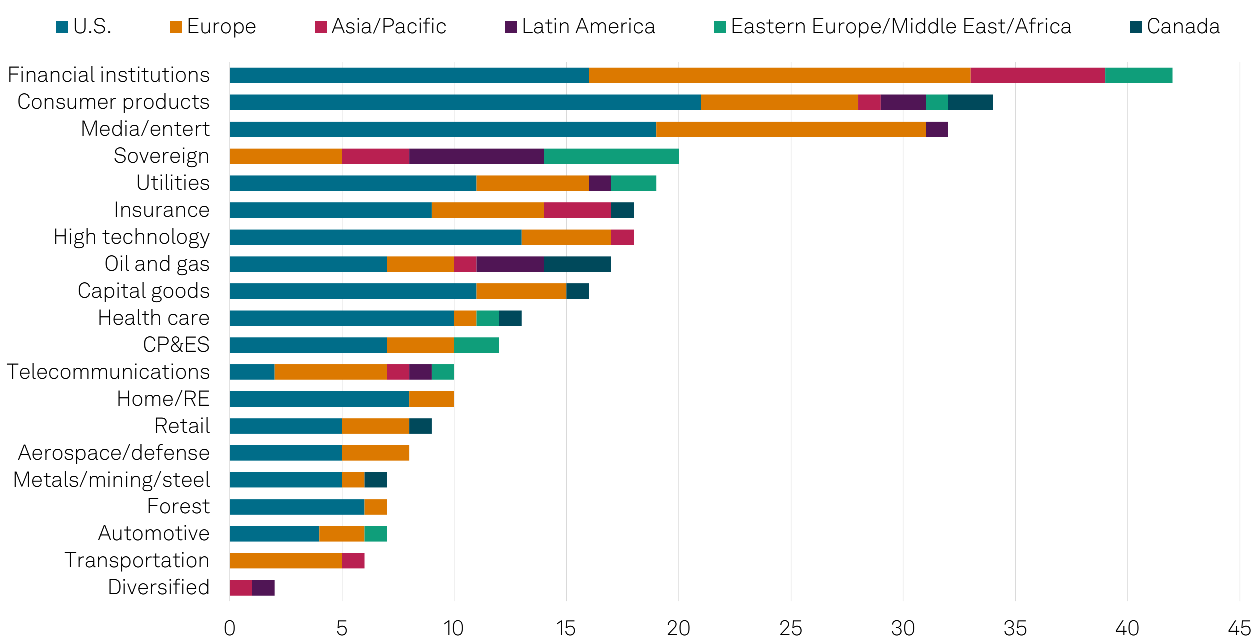
Potential downgrades by sector (no.)



Data as of Feb. 28, 2025. CP&ES--Chemicals, packaging and environmental services. Forest--Forest products and building materials. Home/RE--Homebuilders/real estate. Retail--Retail and restaurants.
Source S&P Global Ratings Credit Research & Insights.

Chart 5

Potential upgrades by sector (no.)



Data as of Feb. 28, 2025. CP&ES--Chemicals, packaging and environmental services. Forest--Forest products and building materials. Home/RE--Homebuilders/real estate. Retail--Retail and restaurants.
Source S&P Global Ratings Credit Research & Insights.

Table 1

Top 10 downgrades in February 2025

Issuer	Sector	Date	To	From	Country	Amount (bil. $)
Altice France Holding S.A. (Altice Europe N.V.)	Telecommunications	2/28/2025	CC	CCC-	Luxembourg	29.2
Viatris Inc.	Health care	2/28/2025	BB+	BBB-	U.S.	19.2
Mars Inc.	Consumer products	2/27/2025	A	A+	U.S.	10.0
Altice International S.a.r.l. (Altice Europe N.V.)	Telecommunications	2/7/2025	CCC+	B-	Luxembourg	9.3
Public Service Co. of Colorado (Xcel Energy Inc.)	Utility	2/19/2025	BBB+	A-	U.S.	8.8
Estee Lauder Cos. Inc. (The)	Consumer products	2/10/2025	A-	A	U.S.	7.5
New Fortress Energy Inc	Utilities	2/6/2025	B	B+	U.S.	5.7
Republic of Senegal	Sovereign	2/28/2025	B	B+	Senegal	5.0
Capri Holdings Ltd.	Retail/restaurants	2/20/2025	BB	BBB-	British Virgin Islands	3.8
Newfold Digital Holdings Group Inc.	High technology	2/13/2025	CCC+	B-	U.S.	3.6

Data as of Feb. 28, 2025. Excludes defaults. Table shows 10 largest issuer downgrades, excluding defaults, by debt amount (rated only) in February 2025. Source: S&P Global Ratings Credit Research & Insights.

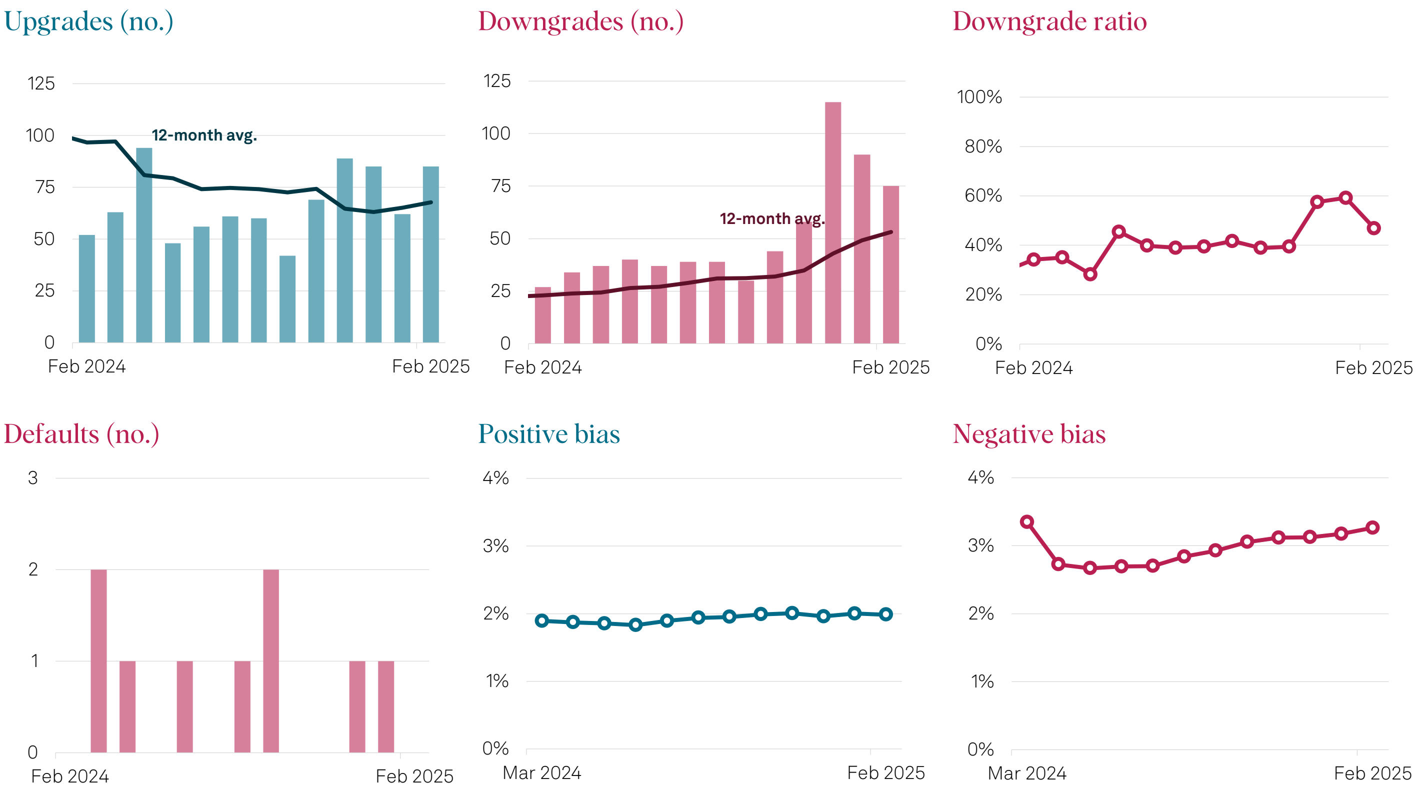
Table 2

Top 10 upgrades in February 2025

Issuer	Sector	Date	To	From	Country	Amount (bil. $)
Exelon Corp.	Utilities	2/7/2025	A-	BBB+	U.S.	38.1
Royal Caribbean Cruises Ltd.	Media and entertainment	2/4/2025	BBB-	BB+	U.S.	9.2
HDI Haftpflichtverband der Deutschen Industrie V.a.G.	Insurance	2/5/2025	AA-	A+	Germany	9.1
CommScope Holding Co., Inc.	High technology	2/12/2025	CCC+	CCC	U.S.	8.6
Boston Scientific Corp.	Health care	2/19/2025	A-	BBB+	U.S.	7.7
Amphenol Corp.	High technology	2/10/2025	A-	BBB+	U.S.	5.9
Klepierre S.A.	Homebuilders/real estate companies	2/24/2025	A-	BBB+	France	5.7
SVP Holdings LLC	Health care	2/11/2025	B	B-	U.S.	4.9
Vedanta Resources Ltd.	Metals, mining, and steel	2/3/2025	B+	B	U.K.	4.6
Regency Centers Corp.	Homebuilders/real estate companies	2/25/2025	A-	BBB+	U.S.	3.6

Data as of Feb. 28, 2025. Table shows 10 largest issuer upgrades by debt amount (rated only) in February 2025. Source: S&P Global Ratings Credit Research & Insights.

U.S. Public Finance Ratings Trends Snapshot--Through Feb. 28, 2025



Data as of Feb. 28, 2025. 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:

- U.S. public finance upgrades outpaced downgrades in February, bucking the trend from the previous two months when downgrades were elevated. This brought the downgrade ratio to 47%, down from 59% in January.
- Fallen angels rose to five in February, from four in January, and there were no rising stars. So far this year, five issuers have been upgraded to 'AAA' from 'AA+'. Two of those were in February--Wichita, Kansas and the Orange County Local Transportation Authority. There was one downgrade from 'AAA' in February (two total year to date), with Danvers, Mass. downgraded following the application of new criteria.
- Unfavorable outlook revisions have exceeded favorable outlook revisions year to date.
- There was one U.S. public finance default in January and none in February. Great Lakes Senior Living Communities series 2019A bonds defaulted in January following the nonpayment of full and timely debt service on the Jan. 1, 2025, payment date. While series A's interest was paid, the principal was not.
- Negative bias has leveled off, to 3.26% from 3.29% at the end of 2024. Meanwhile, positive bias was below 2% for the second month in a row.

Related Research

- Credit Conditions Europe Q2 2025: Europe Plots A New Course, March 26, 2025
- Economic Outlook U.S. Q2 2025: Losing Steam Amid Shifting Policies, March 25, 2025
- Tariffs Cloud Corporate Earnings, March 20, 2025
- Credit Cycle Indicator Q2 2025: Macro Headwinds Could Hinder Credit Recovery, March 20, 2025
- Default, Transition, and Recovery: Europe Leads February Defaults, March 13, 2025
- The U.S. Leveraged Loan Default Rate Is Set To Rise To 1.6% Through December 2025, March 10, 2025
- Economic Research: Growth Prospects Strained After The U.S. Takes The Tariff Plunge, March 5, 2025
- Risky Credits: European Cohort Increases Amid Refinancing Concerns, Feb. 28, 2025
- What Looming Tariffs Could Mean For U.S. Corporates, Feb. 27, 2025

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.

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.

Research Contributors

Zev Gurwitz
New York

Amol Nakashe
Mumbai

Suresh Kasa
Mumbai