S&P Global
Ratings

The Ratings View

April 2, 2025

This report does not constitute a rating action.

Key Takeaways

- Tariff and trade tensions are unsettling global credit conditions.
- China's auto sector could see a sweeping consolidation.
- Some U.S. states and statewide pension plans are considering allowing crypto as a reserve asset.

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Global credit conditions are at risk from tariff-related volatility. Tariffs imposed or mooted by the U.S. and countermeasures by other countries are creating uncertainty about prospects for growth, inflation, and interest rates. This has weakened investor sentiment, consumer confidence, and will likely weigh on economic growth this year. At the same time, global alliances and multinational institutions are being upended. The fundamental geopolitical changes at play could lead to material shifts in capital flows between regions, sectors, and asset classes. Credit has remained relatively resilient to these concerns so far. Global rating actions this year are largely balanced between upgrades and downgrades, and defaults have moderated, reflecting tailwinds from resilient economic growth and favorable financing conditions. Financial markets have reacted negatively to the unfolding global trade situation, but the scale of response has been modest so far, suggesting optimism that the impact of tariff tensions will be contained. Should this prove wrong, further asset price declines may accelerate, tightening access to funding for issuers.

Global Credit Conditions Q2 2025: Puzzling Reshuffling

The Chinese auto sector is at the start of a sweeping consolidation. Beijing's push to create a giant state-owned automotive firm could jumpstart a long-awaited consolidation of China's oversupplied auto industry. The resulting entity, which will rank as one of the world's largest carmakers, will leverage expanded resources to improve its competitiveness in electric vehicles. Before the industry completes its restructuring, which we expect to play out over 2027-2030, competition will remain fierce, weighing on carmakers' volumes, margins and cash flows.

China's Car Sector: A Shakeout Looms

U.S. states and statewide pension plans are increasingly considering cryptocurrencies (crypto), particularly bitcoin, as a reserve investment. So far, 17 states either allow or have introduced legislation to allow crypto as a reserve asset and 16 are proceeding toward including crypto investments in their statewide pension trusts. The recent creation of crypto exchange-traded funds (ETFs) and the rapidly evolving regulatory landscape may have increased interest in crypto as an investment by helping address some associated risks.

Cryptocurrency Is Growing Within U.S. State Reserves And Statewide Pension Plans

Asset Class Highlights

Corporates

Notable publications include:

- Credit FAQ: Assessing The Credit Quality Of Large U.S. Media Companies (2025 Edition)
- China's Car Sector: A Shakeout Looms
- India: Firms Protected By Growth, Funding, Credit Strength
- Global Credit Conditions Q2 2025: Puzzling Reshuffling
- Default, Transition, and Recovery: 2024 Annual Global Corporate Default And Rating Transition Study
- Asia-Pacific Sector Roundup Q2 2025: Trade Complications Could Disturb Still Waters

Financial Institutions

- Three Spanish Banks Upgraded, The Rest Affirmed On Stronger Industry Dynamics
- Research Update: Euroclear Bank S.A./N.V. And Clearstream Banking Entities Assigned RCRs On Increasing Resolvability
- Research Update: Raiffeisen Bank International Outlook Revised To Stable From Negative On Lower Nonfinancial Risks; Ratings Affirmed
- Bulletin: Agricultural Bank of China Can Wait For Capital Injection
- Bulletin: Bank of China (Hong Kong) Can Handle Rising Property Stress
- Bulletin: ICBC's Diversification Will Support Its Resilience
- Bulletin: Citic Group Can Weather Cyclicality
- Bulletin: China Development Bank Financial Leasing Will Maintain Link With Parent's Strategic Direction
- Private Equity Draws On Continuation Funds To Tackle Liquidity Drought
- Banking Industry Country Risk Assessment Update: March 2025
- Rating Component Scores For U.S., Canadian, And Bermudian Banks (March 2025)
- Taiwan Banks Could Withstand A Potential Property Downturn
- Credit FAQ: China's Two Sessions: No Surprises In Push To Unlock Growth
- Hong Kong Banks Have Defenses Against Commercial Real Estate Strains

Sovereign

- Czech Republic 'AA-/A-1+' Foreign Currency And 'AA/A-1+' Local Currency Ratings Affirmed; Outlook Stable
- Kyrgyzstan Assigned 'B+' Sovereign Ratings; Outlook Stable
- Japan 'A+/A-1' Ratings Affirmed; Outlook Stable

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- **U.S. CLO:** On March 28, 2025, we also published a commentary titled "SF Credit Brief: CLO Insights 2025 U.S. BSL Index: U.S. CLO 2.0 Tranche Defaults And Recoveries; 'CCC' Buckets Edge Upward While Average Loan Price Declines".

CLO Insights 2025 U.S. BSL Index*

'B-' category rated issuers	'CCC' category rated issuers	Nonperforming issuers	Avg. cushion at the junior O/C test	Weighted average price of portfolio	SPWARF	% of target par	'B-' on negative outlook
23.96%	6.20%	0.86%	3.90%	96.17	2681	99.27%	2.39%

Change during prior month

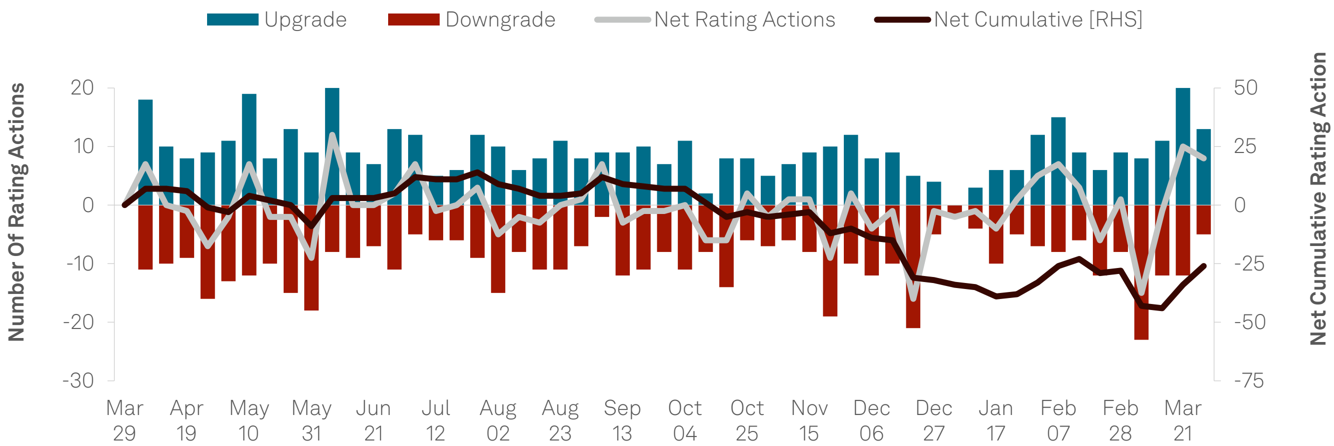
Risk increasing　Risk decreasing　Not applicable

*Through March 20, 2025, update. SPWARF--S&P Global Ratings' weighted average rating factor.
N/A--Not applicable.

- **Japanese Structured Finance**: Here are "Key Takeaways" from a recent commentary:
  - In 2024, there were no rating actions (upgrades, downgrades, or defaults) among Japanese structured finance securities rated by S&P Global Ratings Japan or S&P Global SF Japan.
  - For S&P Global Ratings Japan, the residential mortgage-backed securities (RMBS) sector accounted for 99.2% of the ratings outstanding at the start of 2024, while single-name synthetics accounted for the remaining 0.8%.
  - For S&P Global SF Japan, RMBS accounted for 87.3% of the ratings outstanding at the start of 2024, while the asset-backed securities sector accounted for 7.3% and single-name synthetics accounted for 5.3%.
  - On March 27, 2025, we published a commentary titled "2024 Annual Japanese Structured Finance Default And Rating Transition Study".
- **Middle Market CLOs:** Here are "Key Takeaways" from a recent commentary:
  - Middle market CLOs have been a fast-growing part of the U.S. CLO market, with issuance of new transactions breaking records in three of the past four years.
  - There are some key differences between broadly syndicated loan CLOs and middle market CLOs, including issuer motivation, collateral characteristics and transaction structures, among others.
  - This article outlines these differences, as well as themes we hear during our discussions with investors, issuers and other market participants, and what we see in middle-market CLO indenture provisions.
  - On March 27, 2025, we published a commentary titled "Good Things Come In Small Packages: A Short Primer On Middle Market CLOs".

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 March 28, 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. $)
25-Mar	Upgrade	General Electric Co.	Aerospace & defense	U.S.	A-	BBB+	90,485
25-Mar	Upgrade	Carnival Corp.	Media & entertainment	Panama	BB+	BB	25,050
27-Mar	Upgrade	Banco de Sabadell S.A.	Bank	Spain	A-	BBB+	15,759
27-Mar	Downgrade	Brookfield Property Partners L.P. (Brookfield Corp.)	Homebuilders/real estate co.	Bermuda	BB-	BB	12,181
28-Mar	Upgrade	Welltower Inc.	Homebuilders/real estate co.	U.S.	A-	BBB+	11,713
26-Mar	Upgrade	Baker Hughes Co.	Oil & gas	U.S.	A	A-	10,550
25-Mar	Upgrade	Wolters Kluwer N.V.	Media & entertainment	Netherlands	A-	BBB+	6,976
28-Mar	Upgrade	US Foods Inc.	Retail/restaurants	U.S.	BB+	BB	4,235
27-Mar	Upgrade	Quanta Services Inc.	Capital goods	U.S.	BBB	BBB-	3,650
24-Mar	Upgrade	Nexi SpA	Bank	Italy	BBB-	BB+	2,269

Source: S&P Global Ratings Credit Research & Insights. Data as of March 28, 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**.**