Global Credit Markets Update Q2 2025

Uncertainty Will Test Ratings Resilience

April 30, 2025

S&P Global Ratings

This report does not constitute a rating action

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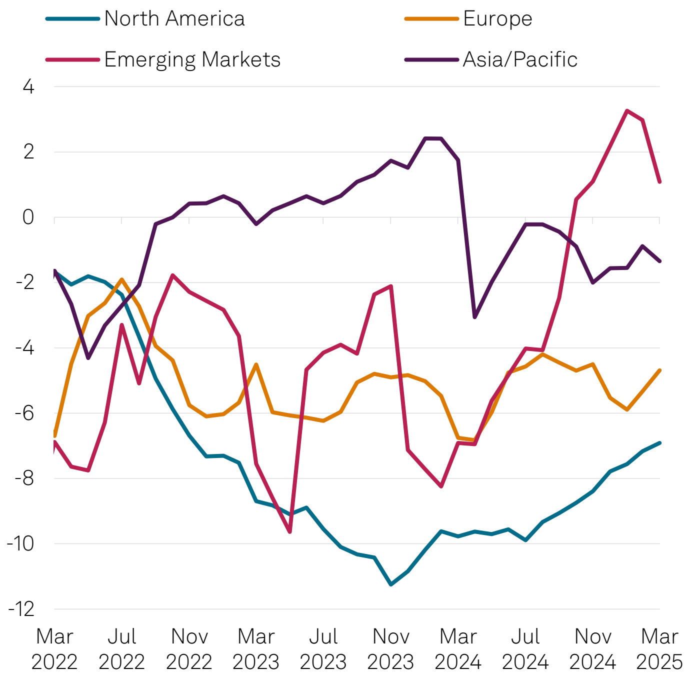
S&P Global Ratings

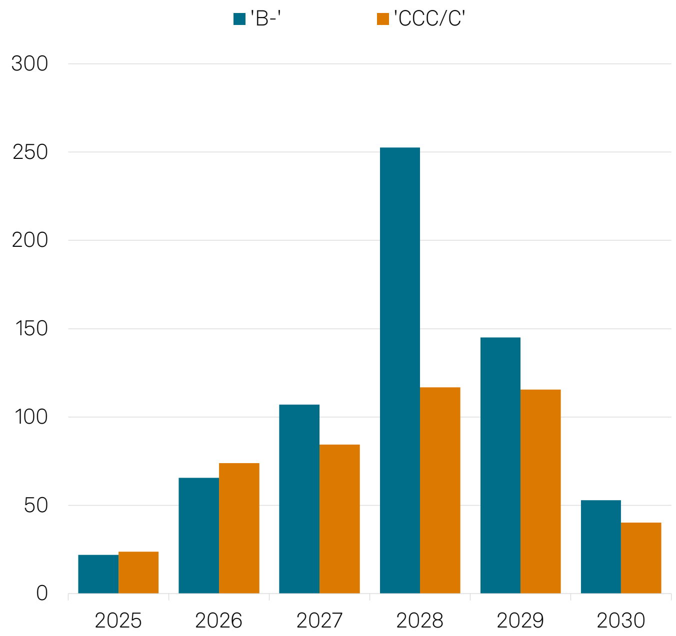
Outlook for Q2 2025

Trade tensions and market volatility are likely to test resilient ratings performance

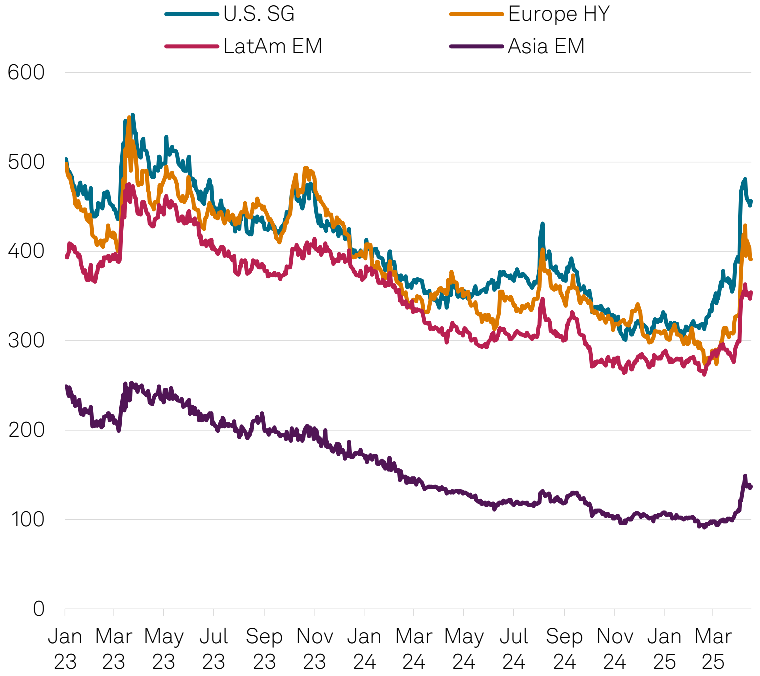
Net bias trends are improving (%)



Near-term debt maturities rated ‘CCC/C’ exceed those rated ‘B-’ (bil. $)



SG spreads are rising but from historic lows



Left chart: Data as of March 31, 2025. Excludes sovereigns. Net bias--positive bias minus negative bias. Negative bias is the share of issuers with ratings that either have negative outlooks or are on CreditWatch with negative implications. Positive bias is the share of issuers with ratings that either have positive outlooks or are on CreditWatch with positive implications. EM--Emerging markets. Middle chart: Data as of April 1, 2025. Includes nonfinancial corporate issuers' bonds, loans, and revolving credit facilities that are rated ‘B-’ and lower by S&P Global Ratings. Right chart: As of April 21, 2025. SG--Speculative grade. HY--High yield. bps--Basis points. LatAm--Latin America. Sources: FRED for Asia EM, LatAm EM, and Europe HY data, S&P Global Ratings Credit Research & Insights.

Global Credit Conditions Special Update | Ongoing reshuffling

Q2 2025 Global Credit Conditions
Special Update: Ongoing Reshuffling

Top risks	Risk level	Risk trend
Tariffs escalate in number and severity, hurting economies and supply chains	Very high	Unchanged
Increased volatility amid historically elevated rates could see much tighter financing conditions	High	Unchanged
Geopolitical tensions threaten supply chains, market sentiment, and budgets	High	Unchanged
A sharper global economic slowdown would lead to greater credit stress	Elevated	Worsening
Global real estate markets are facing multiple challenges	Elevated	Unchanged
Structural risks		
Cyber attacks and the potential for rapid technological change threaten global business and government infrastructure	Elevated	Worsening
Climate risks intensify; energy transition focus shifts	Elevated	Worsening

Source: S&P Global Ratings.
Risk levels may be classified as moderate, elevated, high, or very high. They are evaluated by considering both the likelihood and systemic impact of such an event occurring over the next one to two years. Typically, these risks are not factored into our base-case rating assumptions, unless the risk level is very high.
Risk trend reflects our current view on whether the risk level could increase or decrease over the next 12 months.
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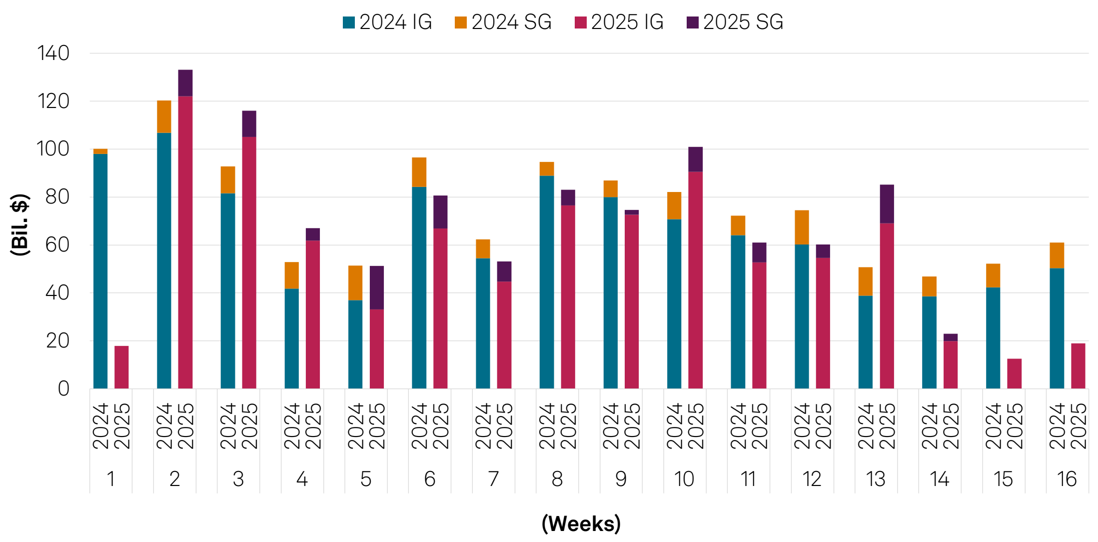
- Market volatility and increasing investor risk aversion pose the most imminent risks to credit in this environment. Borrowers are having to pay up for financing and, worse, some lower-rated borrowers could be shut out of the capital markets.
- President Trump's 90-day pause on most tariffs has not eliminated the uncertainty regarding the possible outcomes. Unresolved trade tensions as the partial pause approaches its end could have a visible impact on credit quality.
- For more information please see: "Global Credit Conditions Special Update: Ongoing Reshuffling," published April 11, 2025.

Issuance and refinancing risk

Refinancing risk | Despite a strong first quarter, uncertainties mount

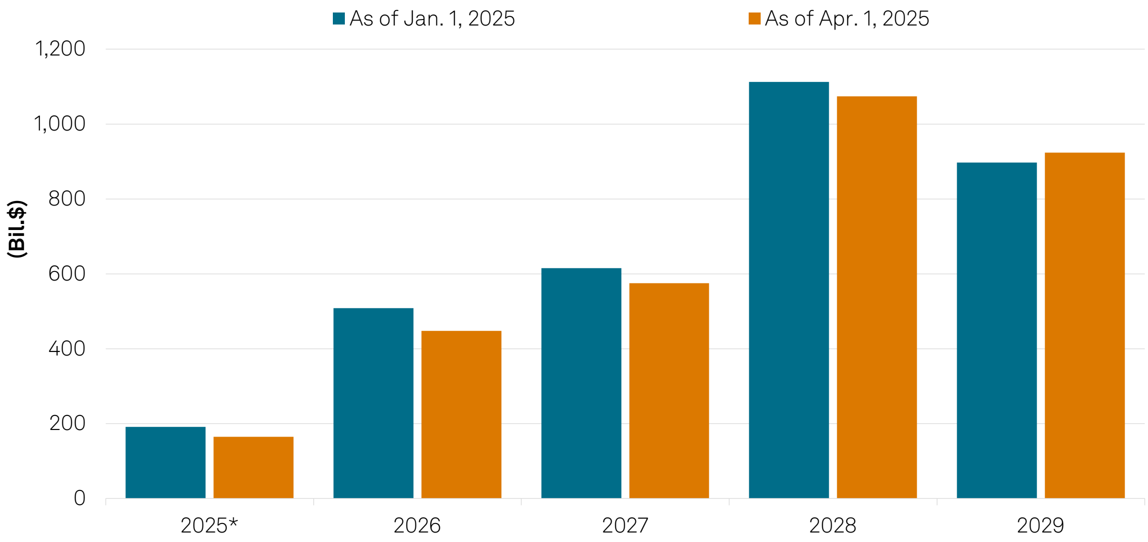
- Issuance volumes had a strong start in the first quarter of 2025, with some issuers of lower-rated debt extending their near-term maturities. Speculative-grade corporate maturities through to 2028 have declined 6.8% since Jan. 1, 2025.
- Nevertheless, annual speculative-grade maturities increase rapidly and peak at more than $1 trillion in 2028. This debt is more vulnerable to uncertainties and weaknesses in financial markets.

Bond issuance was robust until early April 2025



Data as of April 18, 2025. Includes financial and nonfinancial corporate bonds rated by S&P Global Ratings. Sources: Refinitiv, S&P Global Ratings Credit Research & Insights.

Borrowers reduced speculative-grade maturities through 2028

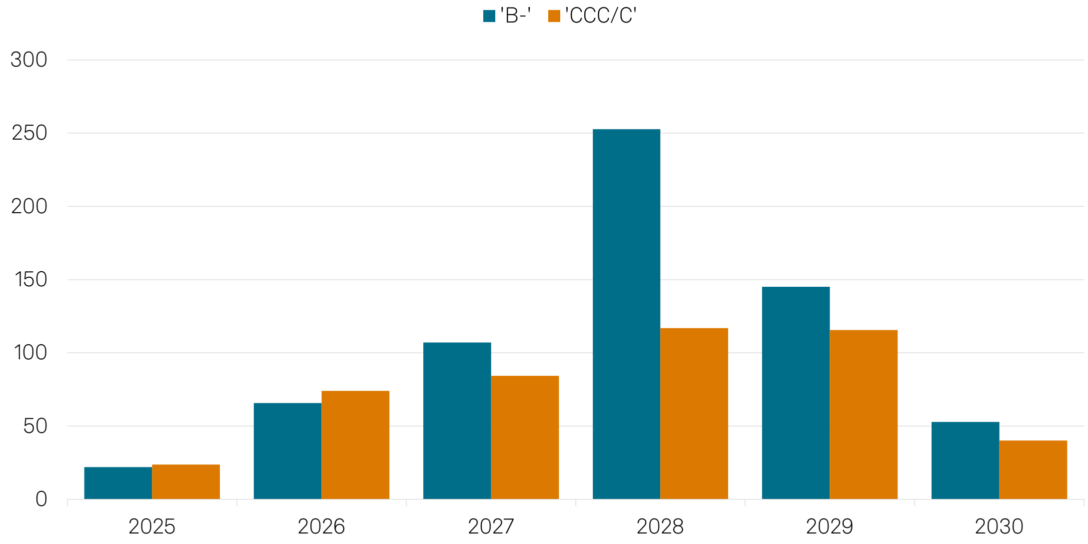


Data as of April 1, 2025. Note: Includes bonds, loans, and revolving credit facilities that are rated 'BB+' or lower by S&P Global Ratings from nonfinancial and financial corporate issuers globally. Source: S&P Global Ratings Credit Research & Insights. *2025 includes maturities from April 1 to December 31.

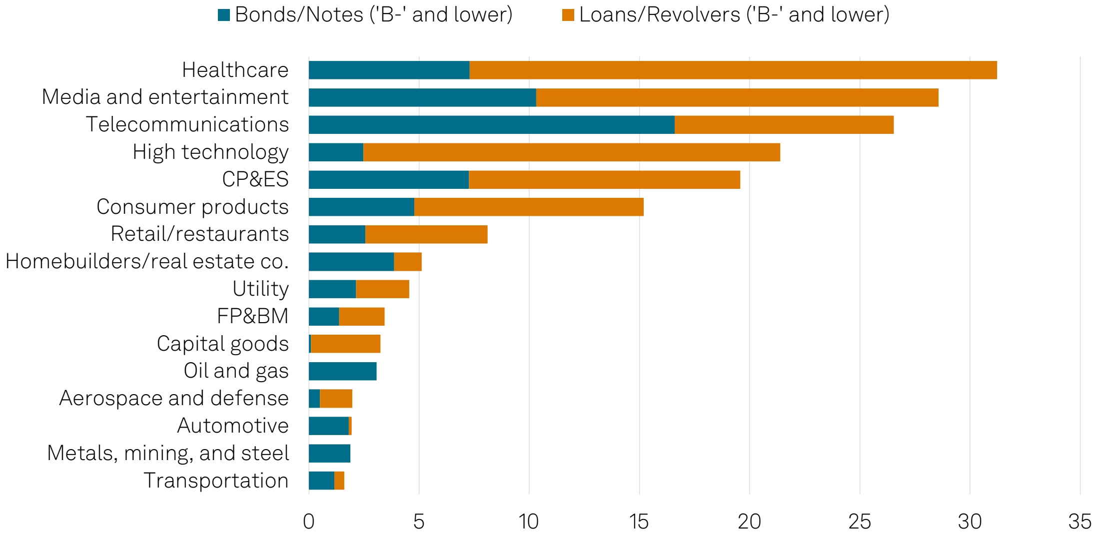
Refinancing risk | Acute pressure on lower ratings

- Debt maturities rated 'CCC/C' exceed those rated 'B-' for the remainder of 2025 and 2026, despite a smaller rated universe. This points to refinancing pressures.
- Close to 50% of debt rated 'B-' and below and maturing from April 1, 2025, to Dec. 31, 2026, is concentrated in three sectors: health care, media and entertainment, and telecommunications. Of that debt, floating-rate instruments (loans and revolvers) make up 60%.

Annual maturities rated 'B-' and below peak in 2028 (bil. US$)



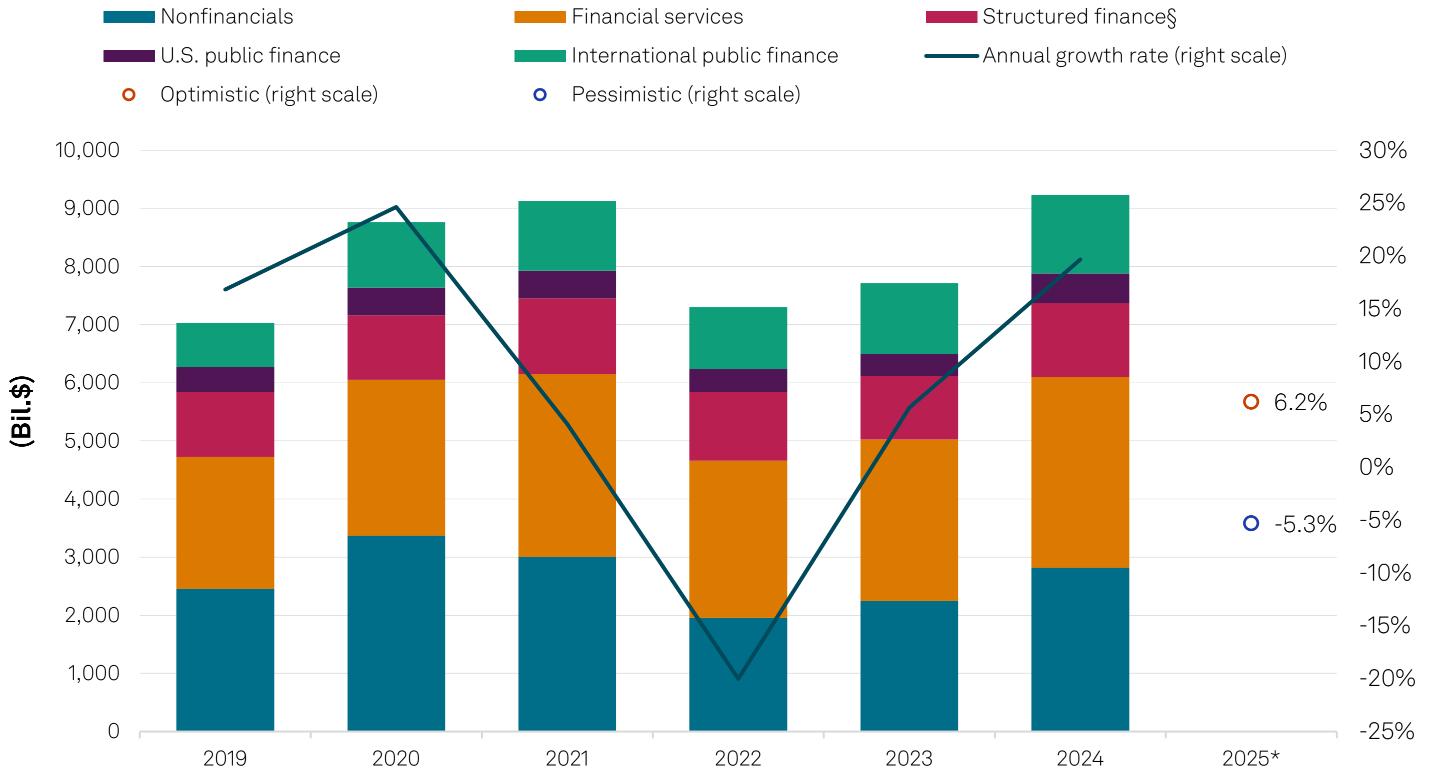
Near-term maturing debt rated 'B-' and below is predominantly floating-rate (bil. US$)



Data as of April 1, 2025. Both charts include nonfinancial corporate issuers' bonds, loans, and revolving credit facilities that are rated 'B-' and lower by S&P Global Ratings. Chart on the right shows global nonfinancial corporate debt maturing between April 1, 2025, and Dec. 31, 2026. It excludes debt instruments that do not have a global scale rating. Foreign currencies are converted to U.S. dollars at the exchange rate on April 1, 2025. FP&BM--Forest products and building materials. CP&ES--Chemicals, packaging, and environmental services. Source: S&P Global Ratings Credit Research & Insights.

Global financing conditions | High unpredictability necessitates a range of issuance projections

Historical global issuance and forecast



*Full-year forecast. §Structured finance excludes transactions that the originator retained in full, domestically rated Chinese issuance, and collateralized loan obligation resets and refinancings. Sources: Dealogic, Refinitiv, S&P Global Ratings Credit Research & Insights.

- Escalating trade tensions and limited clarity on final tariff outcomes are heightening market volatility.
- The current fixed-income market conditions are historically unusual in that they're highly contingent on a few high-impact events, rather than on a downturn with more typical or widespread causes.
- Given these characteristics and the high degree of unpredictability for the remainder of the year, we present a range of projections for 2025 bond issuance.

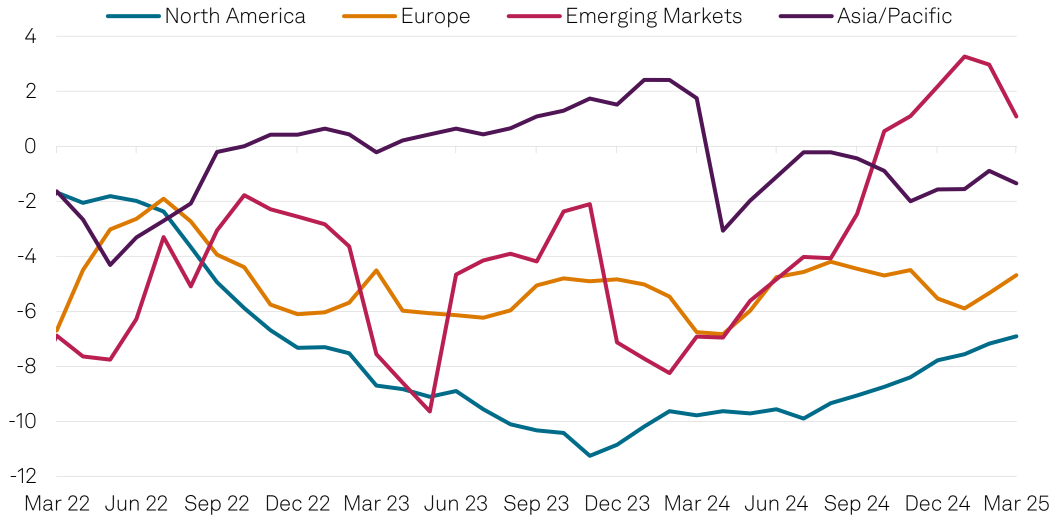
Credit rating trends

Regional trends | Trade tensions may compound regional divergences

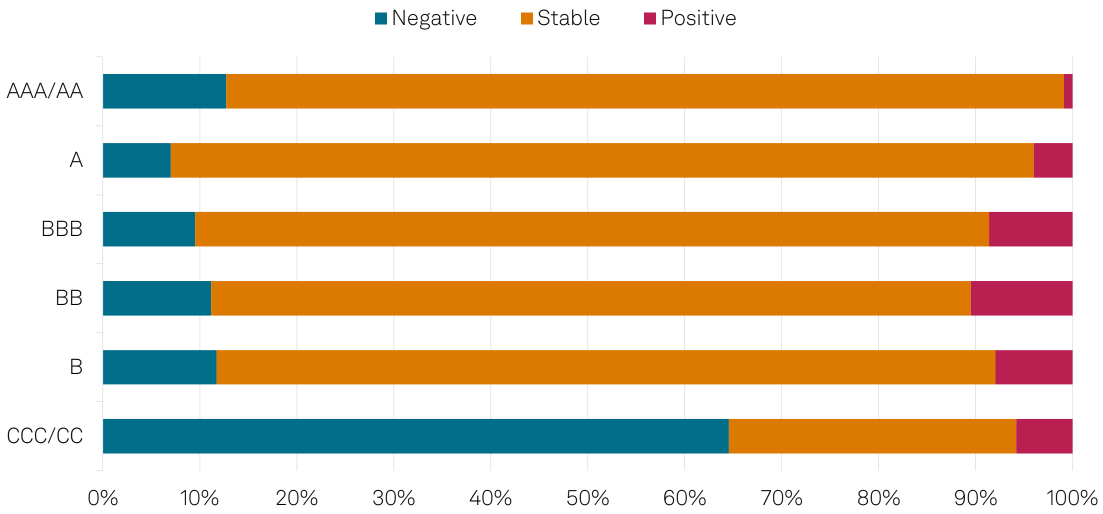
- First-quarter net bias trends were generally positive. North America and Europe saw modest improvements. Emerging markets was the only region to see a deterioration in net bias from the fourth quarter of 2024, with a decline of 1.1 percentage points (ppts).
- The investment-grade bias is mostly stable, while the negative outlook bias is concentrated among 'CCC' ratings and below, implying further pressure at the lowest rating level.

Regional net bias trends were generally positive in Q1

Net bias by region (%)



Negative bias remains concentrated at 'CCC' ratings and below

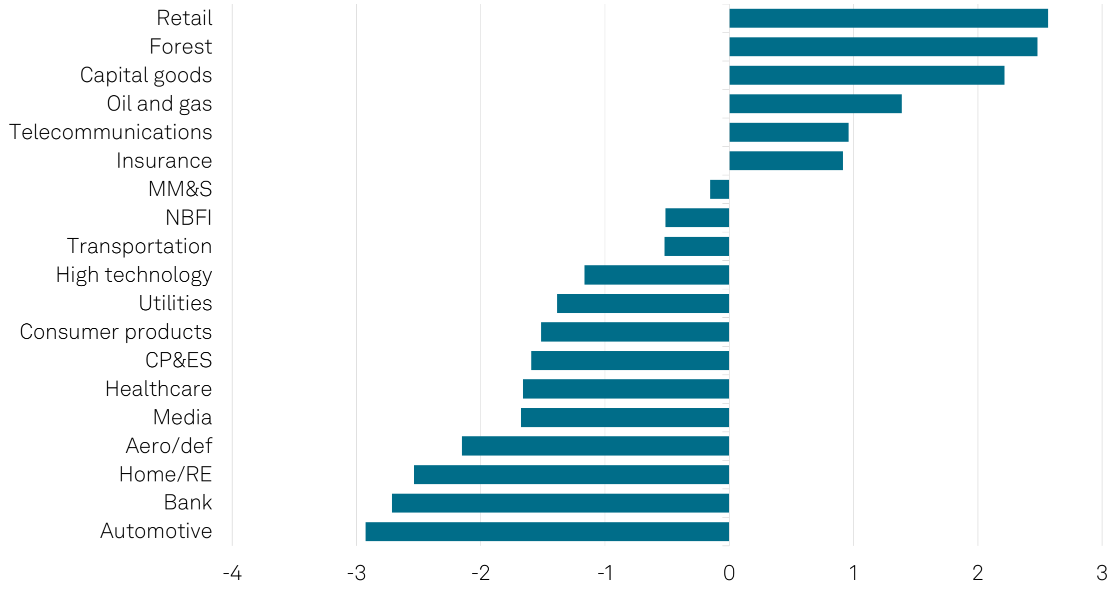


Data as of March 31, 2025. Excludes sovereigns. Net bias--Positive bias minus negative bias. Negative bias is the share of issuers with ratings that either have negative outlooks or are on CreditWatch with negative implications. Positive bias is the share of issuers with ratings that either have positive outlooks or are on CreditWatch with positive implications. EM--Emerging markets. Source: S&P Global Ratings Credit Research & Insights.

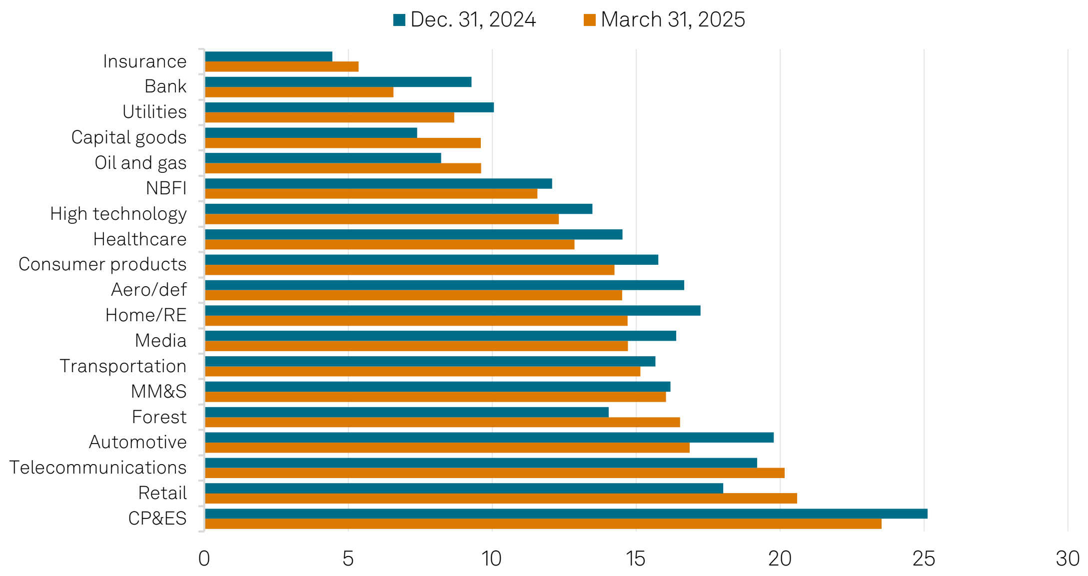
Negative bias trends | Retail saw the greatest increase in negative bias

- The largest increase in negative bias in the first quarter was in the retail sector, with a 2.6 ppt rise from the previous quarter. This was followed by forest products and building materials (2.5 ppts), which deteriorated for the second quarter in a row.
- The automotive sector had the highest drop in negative outlooks in the first quarter due to several downgrades of European issuers and subsequent outlook revisions to stable.

Negative bias decreased across most sectors in Q1 (%)



Chemicals continues to have the highest negative bias (%)

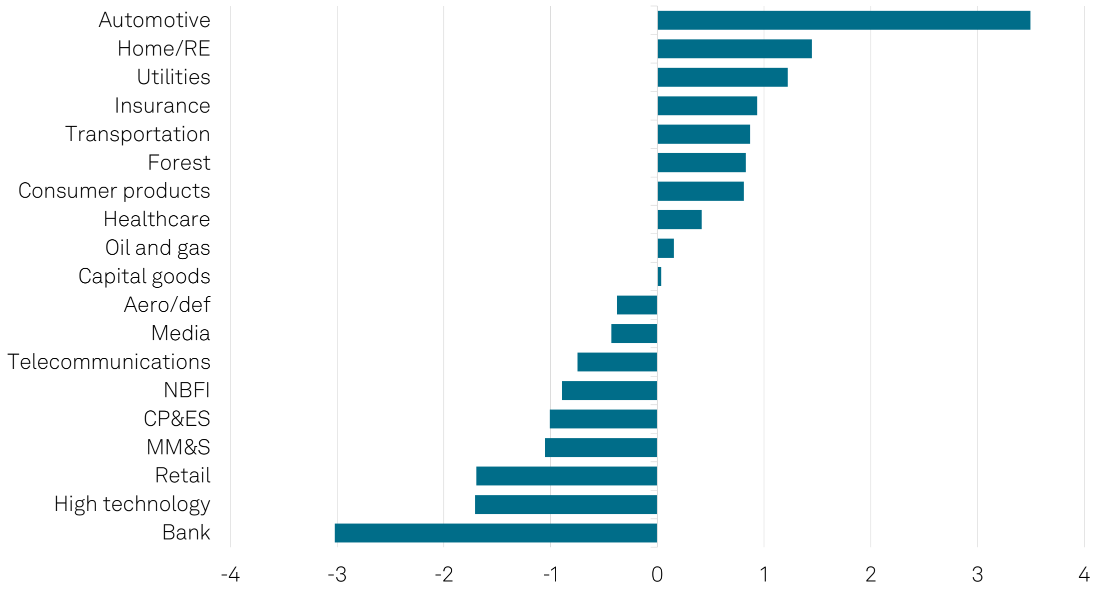


Data as of March 31, 2025. Includes financial and nonfinancial corporates. Negative bias is the share of issuers with ratings that have either negative outlooks or are on CreditWatch negative. Note: The chart on the left shows quarter-over-quarter percentage-point changes in negative bias. Excludes diversified. Aero/def--Aerospace and defense. CP&ES--Chemicals, packaging, and environmental services. Forest--Forest products and building materials. Home/RE--Homebuilders/real estate companies. Media--Media and entertainment (includes leisure and lodging). MM&S--Metals, mining, and steel. NBFI--Nonbank financial institutions. Retail--Retail/restaurants. Source: S&P Global Ratings Credit Research & Insights.

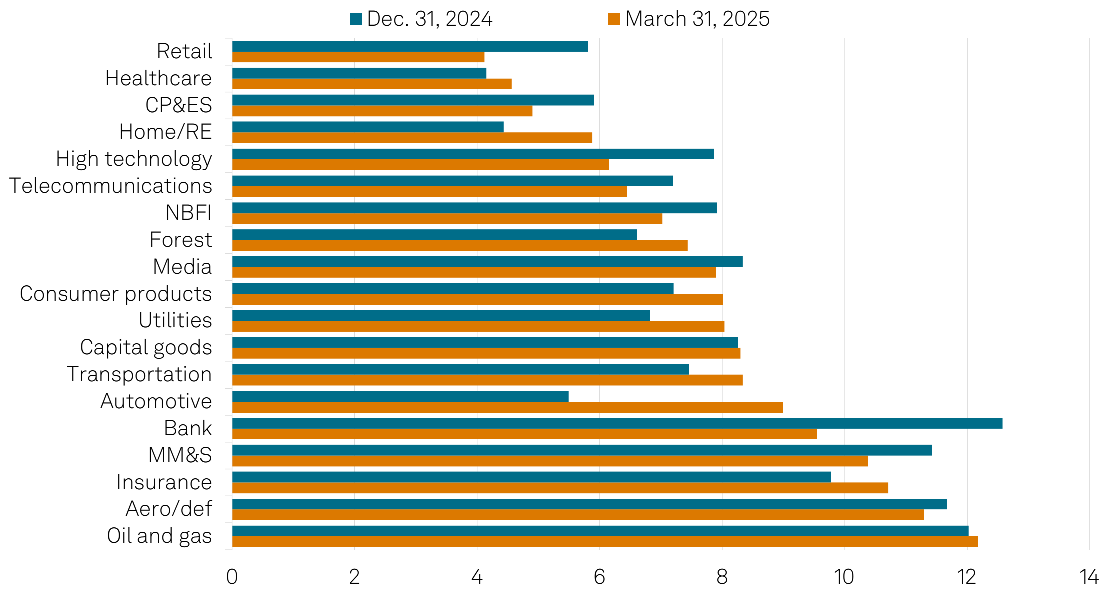
Positive bias trends | Oil and gas ended Q1 with the highest positive bias

- Oil and gas leads as the sector with the highest positive bias, with 12% of issuers having a positive outlook or on CreditWatch positive.
- The largest deterioration was in banks--decreasing to 9.6% from 12.6%--after having the highest positive bias by sector in the fourth quarter. The drop in banks' positive bias was due to a decline in U.S.-based banks with positive outlooks or on CreditWatch positive compared to the prior quarter.

Autos had the largest increase in positive bias in Q1 (%)



Oil and gas has the highest total positive bias at the end of Q1 (%)

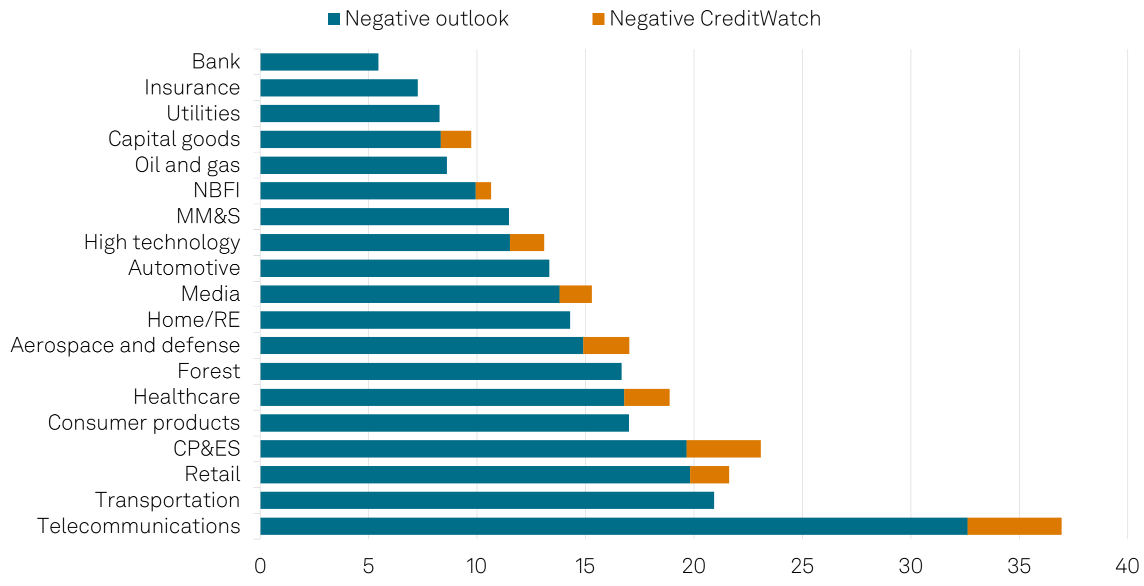


Data as of March 31, 2025. Includes financial and nonfinancial corporates. Positive bias is the share of issuers with ratings that have either positive outlooks or are on CreditWatch positive. Note: The chart on the left shows quarter-over-quarter percentage-point changes in positive bias. Aero/def--Aerospace and defense. CP&ES--Chemicals, packaging, and environmental services. Forest--Forest products and building materials. Home/RE--Homebuilders/real estate companies. Media--Media and entertainment (includes leisure and lodging). MM&S--Metals, mining, and steel. NBFI--Nonbank financial institutions. Retail--Retail/restaurants. Source: S&P Global Ratings Credit Research & Insights.

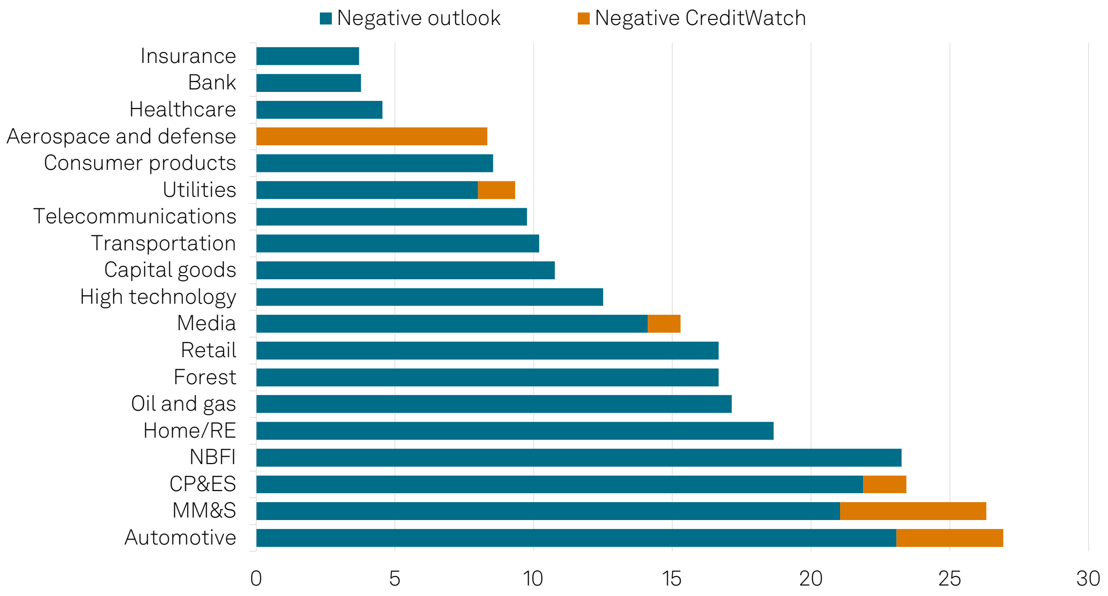
Potential downgrades | Telcos and autos lead in North America and Europe

- Telecommunications remains the sector with the highest proportion of potential downgrades in North America, largely due to the proportion of speculative-grade issuers in the sector, as high leverage and elevated interest rates pressurize cash flow and debt.
- The automotive sector faces the most potential downgrades in Europe, despite a drop to 26.9% from 44.4% last quarter. We believe that trade tensions with the U.S. may adversely affect the European auto sector due to its exposure to the global supply chain.

North America: Telcos lead the negative outlooks (%)

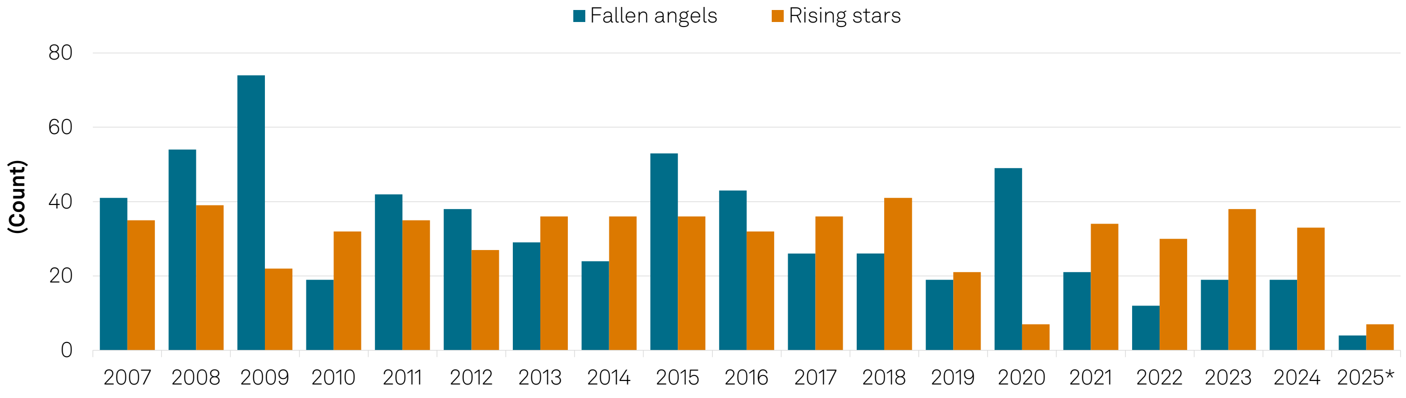


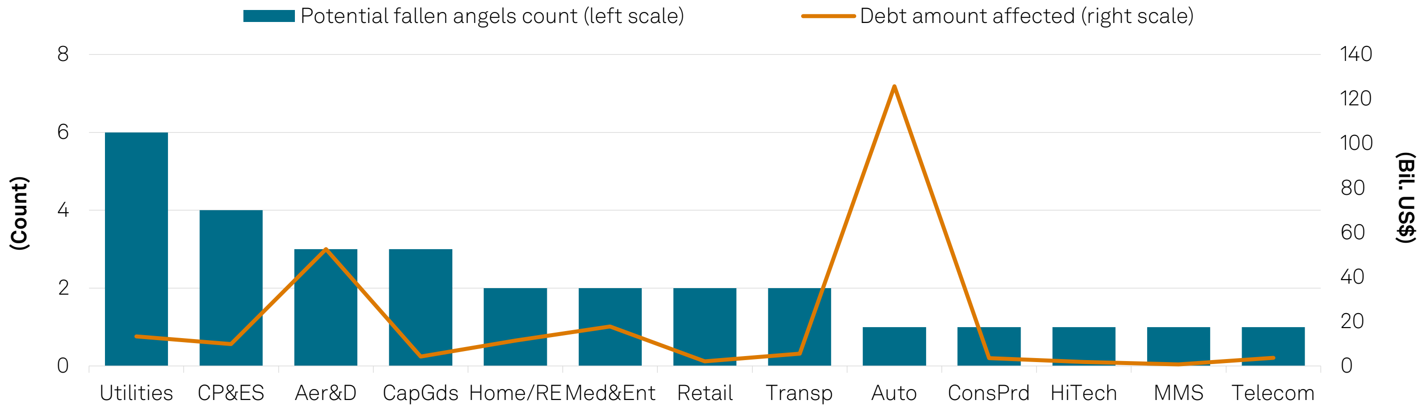
Europe: Autos lead the negative outlooks (%)



Data as of March 31, 2025. Data used in calculation only includes parent companies. Potential downgrades--Issuers with a negative outlook or on CreditWatch negative. CP&ES--Chemicals, packaging, and environmental services. NBFI--Nonbank financial institutions. MM&S--Metals, mining, and steel. Retail--Retail/restaurants. Forest--Forest products and building materials. Home/RE--Homebuilders/real estate companies. Media--Media and entertainment (includes leisure and lodging). Source: S&P Global Ratings Credit Research & Insights.

Rising stars and fallen angels | Ford Motor Co. becomes potential fallen angel



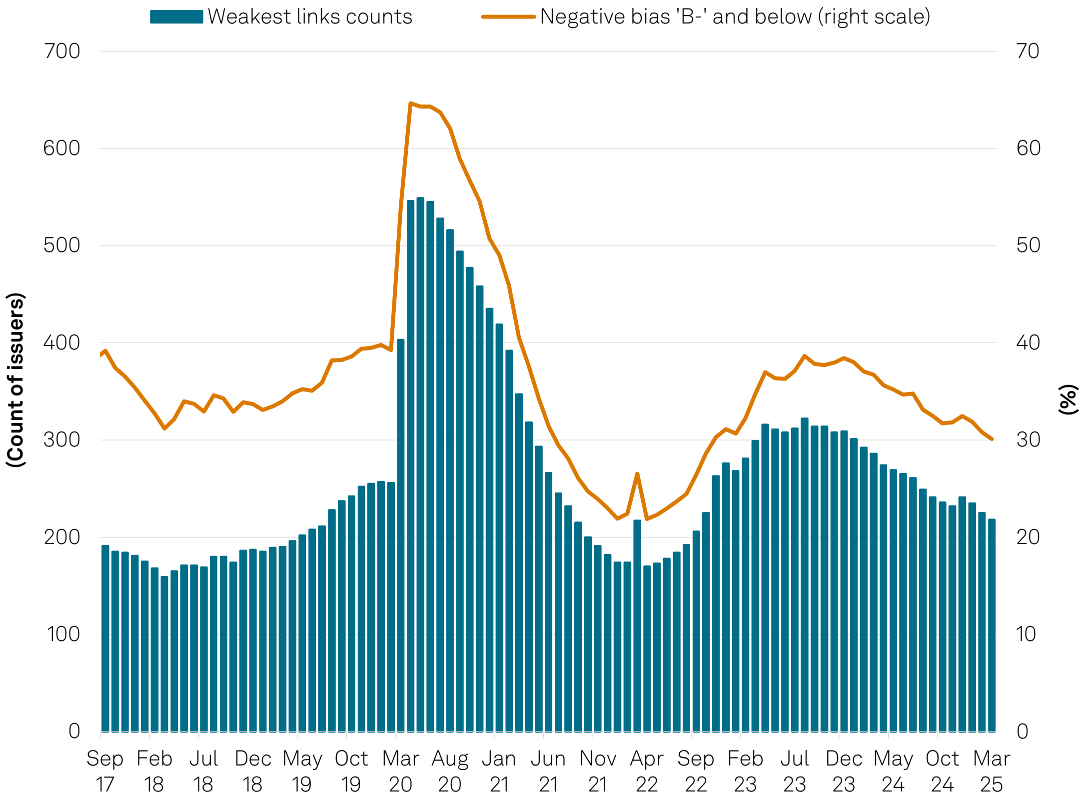


Data as of March 31, 2025. Data exclude sovereigns and 11 Russian, or Russia-related, entities that were fallen angels in March 2022 and whose ratings were subsequently withdrawn in compliance with EU sanctions. Count only includes entities with rated debt. *2025 is year-to-date as of March 31, 2025. Aer&D--Aerospace and defense. Auto--Automotives. CapGds--Capital goods. ConsPrd--Consumer products. CP&ES--Chemicals, packaging, and environmental services. Home/RE--Homebuilders/real estate companies. HiTech--High technology. Med&Ent--Media and entertainment. MMS--Metals, mining and steel. Retail--Retail/restaurants. Transp--Transportation. Telecom--Telecommunications. Source: S&P Global Ratings Credit Research & Insights.

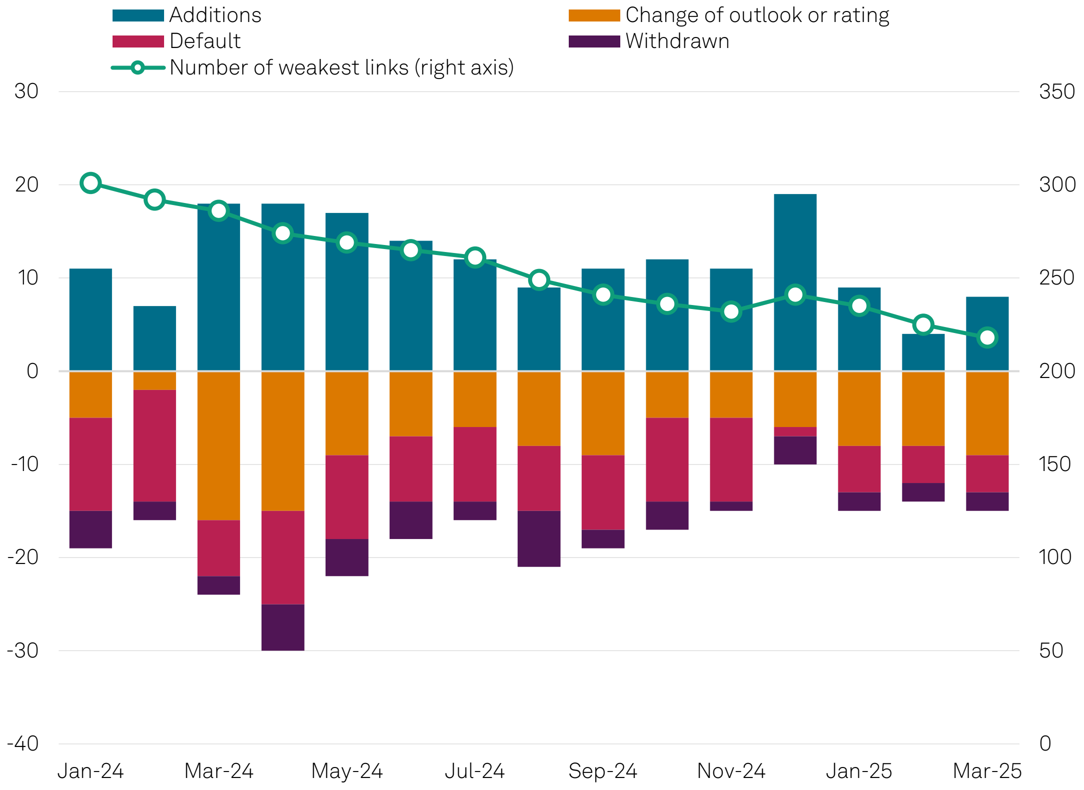
- In first-quarter 2025, the number of rising stars (upgrades to investment-grade) surpassed fallen angels (downgrades to speculative-grade) with a tally of seven to four.
- Potential fallen angels continue to outnumber potential rising stars, as momentum is poised to fade. Utilities lead the potential fallen angel count, with six at risk.
- Three Spanish gas distributors joined the potential fallen angels last quarter, facing pressure from regulatory resets and deleveraging hurdles.
- Ford Motor Co. became the largest potential fallen angel, with $126 billion in outstanding rated debt at risk of downgrade to speculative-grade.

Weakest links | Lowest tally since September 2022

Steady decline in negative bias since September 2023



56% of the quarterly drop is due to a rating change or outlook revision

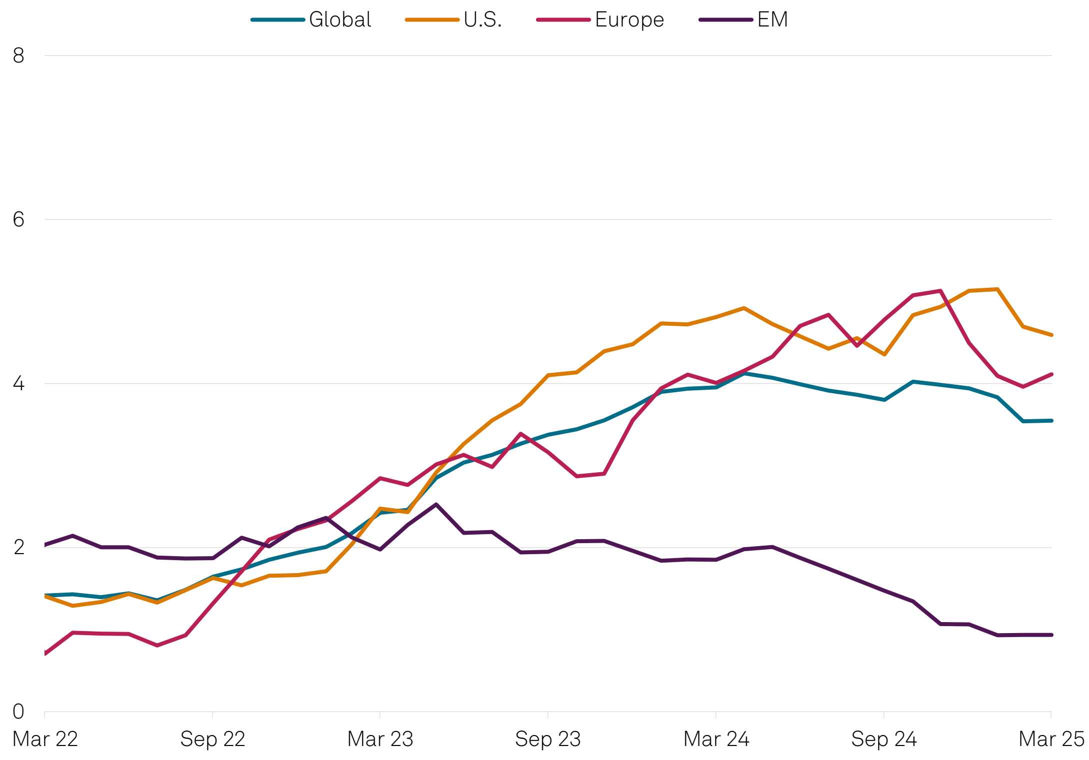


Data as of March 31, 2025. Weakest links are issuers rated 'B-' or lower with negative outlooks or on CreditWatch negative. Sources: S&P Global Market Intelligence's CreditPro, S&P Global Ratings Credit Research & Insights.

Corporate defaults | Trade tensions could reverse the decline in defaults

The global default rate is trending downward

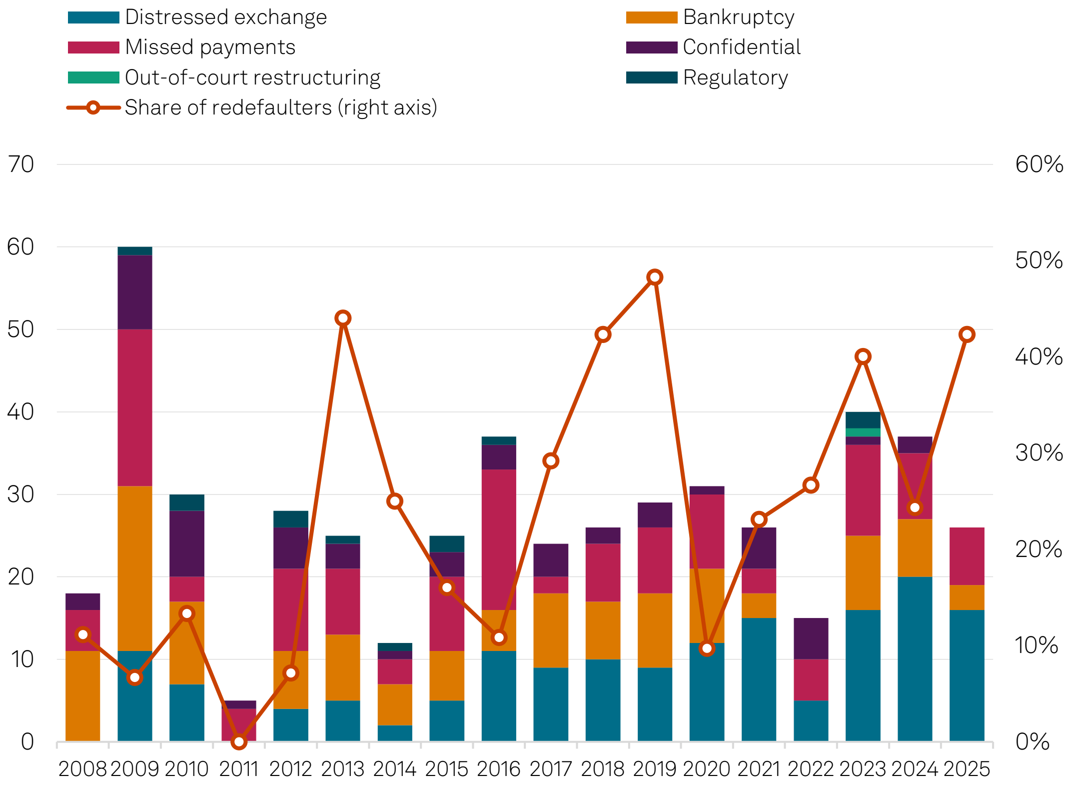
Trailing-12-month speculative-grade default rate (%)



Data as of March 31, 2025. EM--Emerging markets. Sources: S&P Global Market Intelligence's CreditPro, S&P Global Ratings Credit Research & Insights.

Distressed exchanges still lead global defaults in Q1 2025

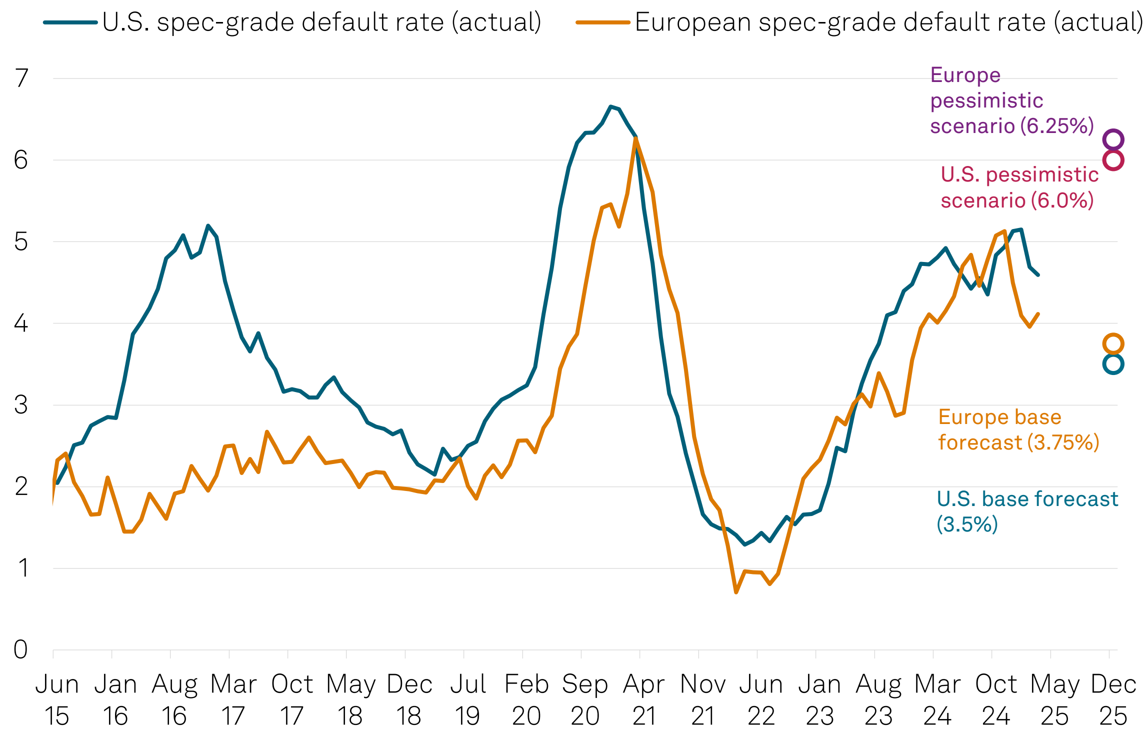
Defaults by type



Data as of March 31, 2025. Data has been updated to reflect confidential issuers. Redefaulters--Issuers defaulting more than once. Sources: S&P Global Ratings Credit Research & Insights.

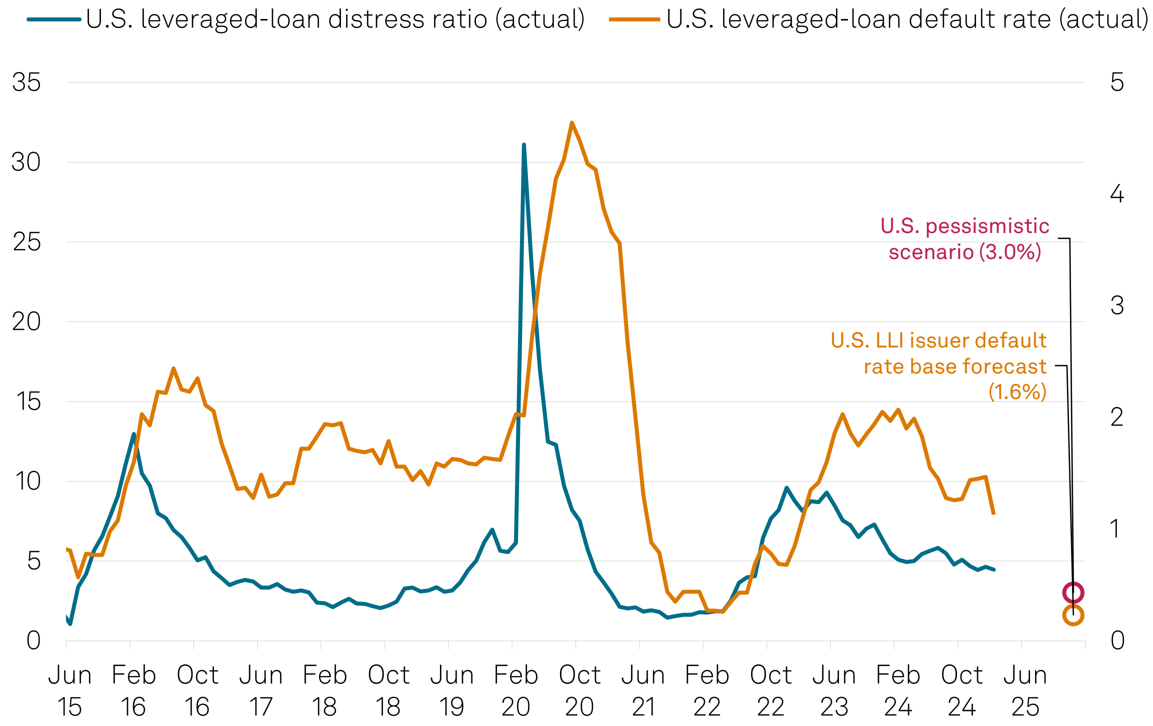
Default rates | Forecasts maintained but risks are rising

For now, we maintain our base-case U.S. and European speculative-grade default forecasts, but risks are rising (%)



Data as of March 31, 2025. Forecasts are as of December 2025. Sources: S&P Global Market Intelligence's CreditPro, S&P Global Ratings Credit Research & Insights.

We expect the U.S. leveraged-loan default rate to increase to 1.6% by December 2025 (%)



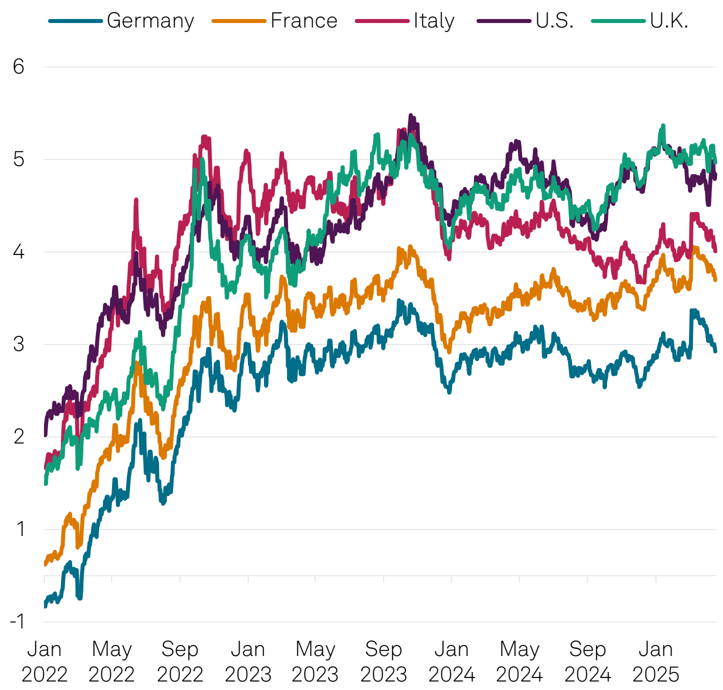
Data as of Feb. 28, 2025. The distress ratio is by number of issuers. LLI-Leveraged loan index. Forecasts are for Dec. 31, 2025, and were published in March 2025. Sources: Pitchbook | LCD, S&P Global Ratings Credit Research & Insights, and S&P Global Ratings Private Markets Analytics.

Financing conditions

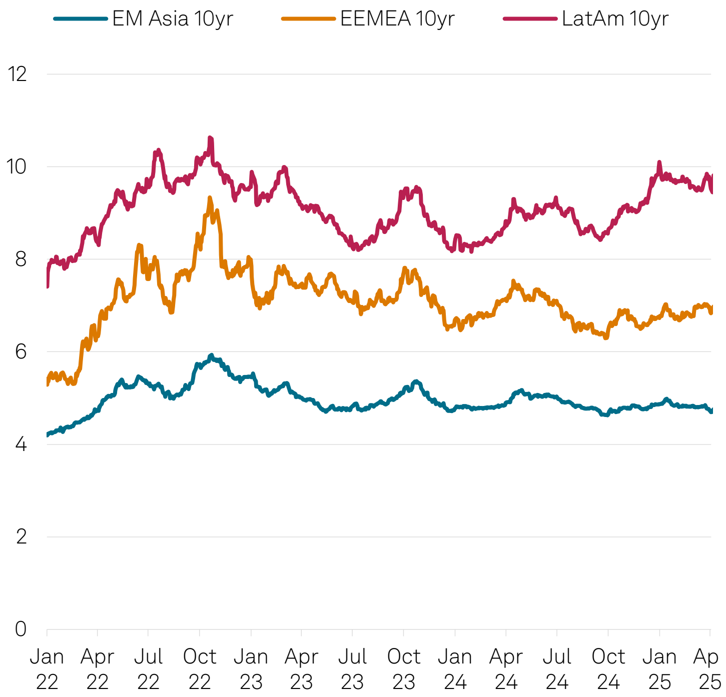
Financing conditions | Benchmark yields are volatile

Corporate yields are up sharply, particularly at lower rating levels

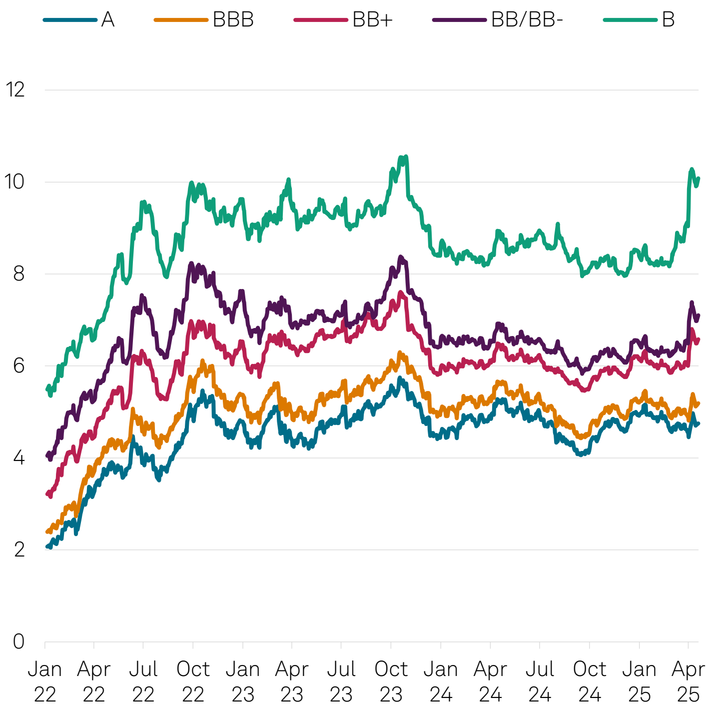
Developed market benchmark yields
(%)



Emerging market benchmark yields
(%)

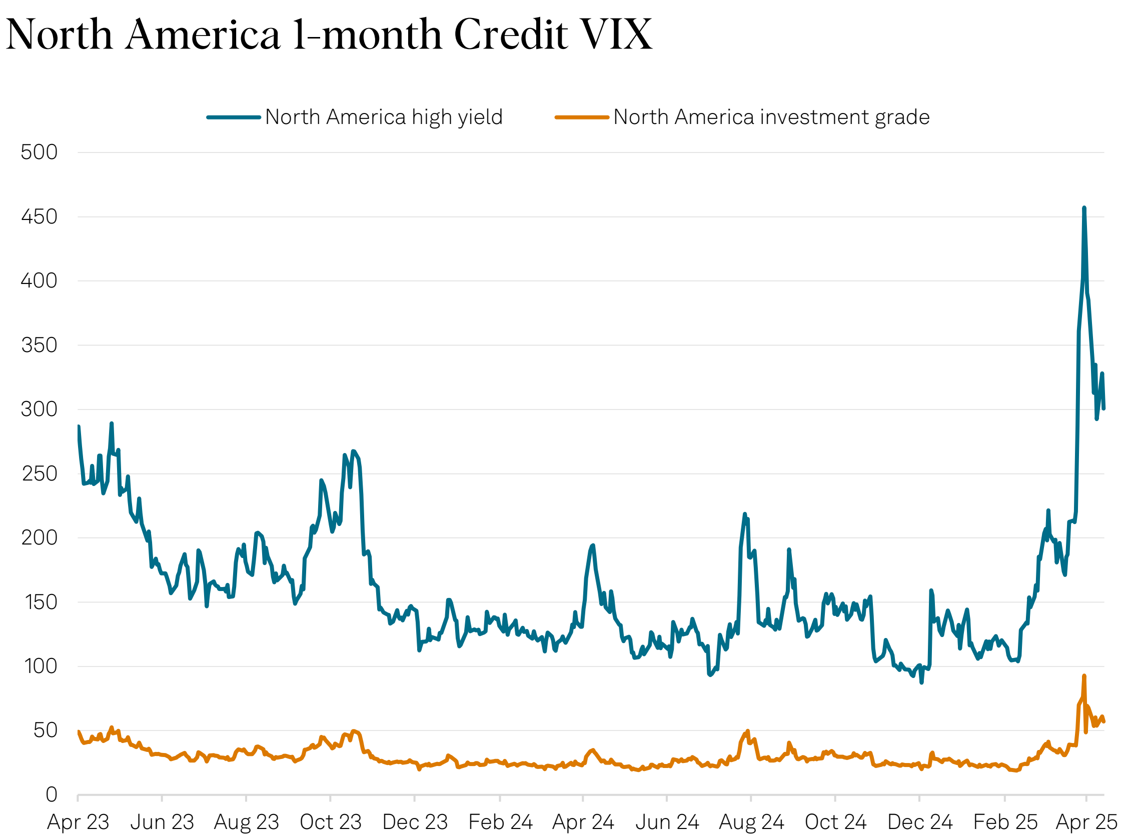


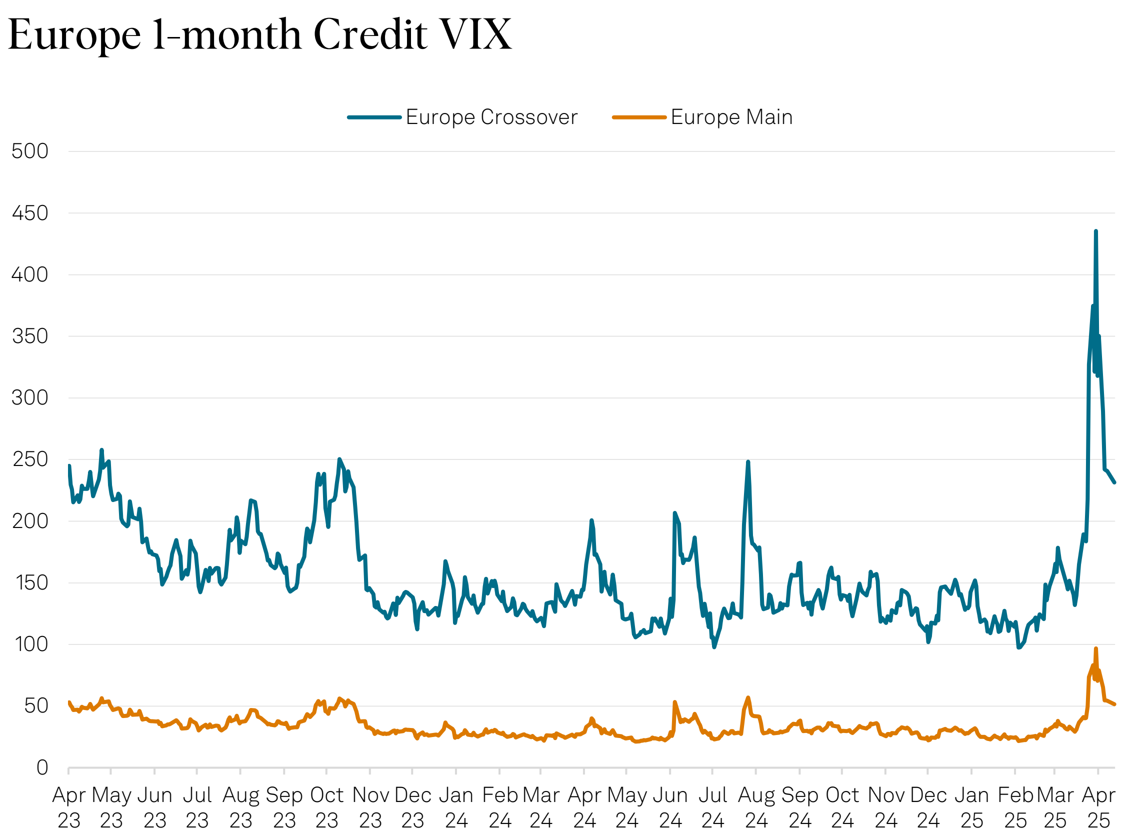
Corporate yields by rating
(%)



Data as of April 21, 2025. Left chart: 10-year benchmark yields. Middle chart shows regional averages of 10-year benchmark yields. LatAm--Average 10-year yield for Brazil, Mexico, Colombia, Chile, and Peru. EM Asia--Average 10-year yield for India, Indonesia, Thailand, Philippines, Vietnam, and Malaysia. EEMEA--Average 10-year yield for Poland, South Africa, and Hungary. Right chart shows corporate US$ 10-year yields. Sources: Refinitiv, S&P Global Market Intelligence, S&P Global Ratings Credit Research & Insights.

Financing conditions | Credit VIX indices jumped quickly and sharply

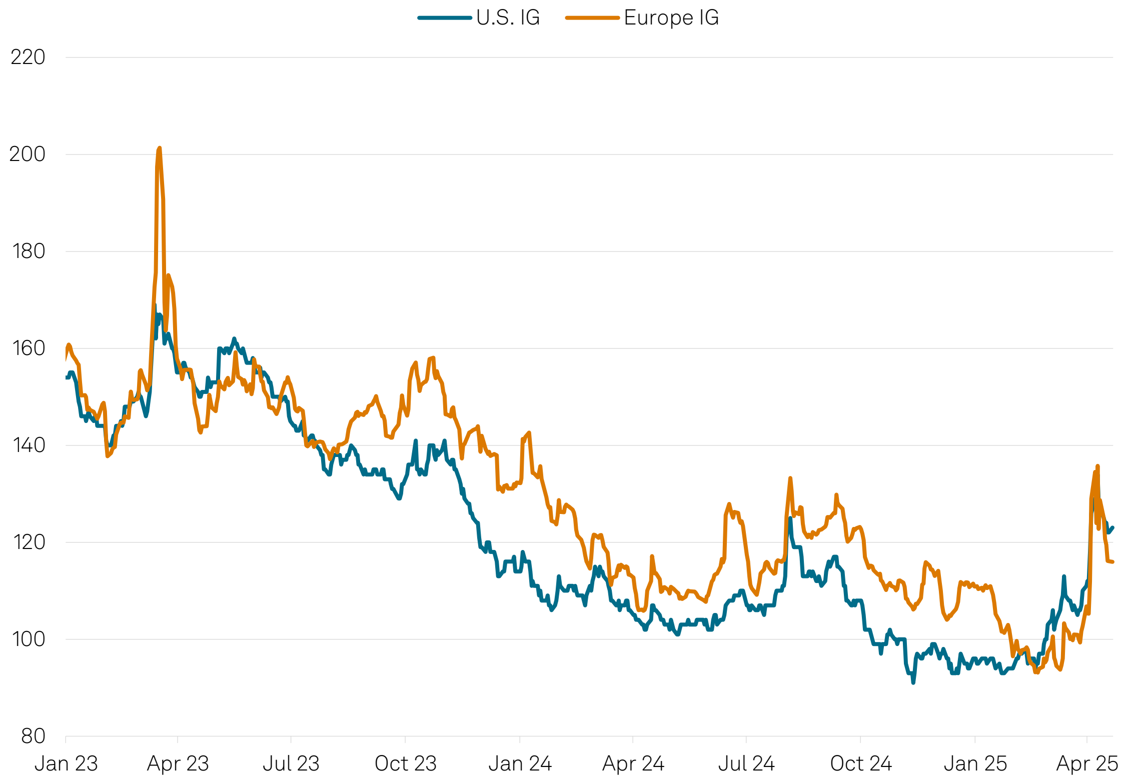




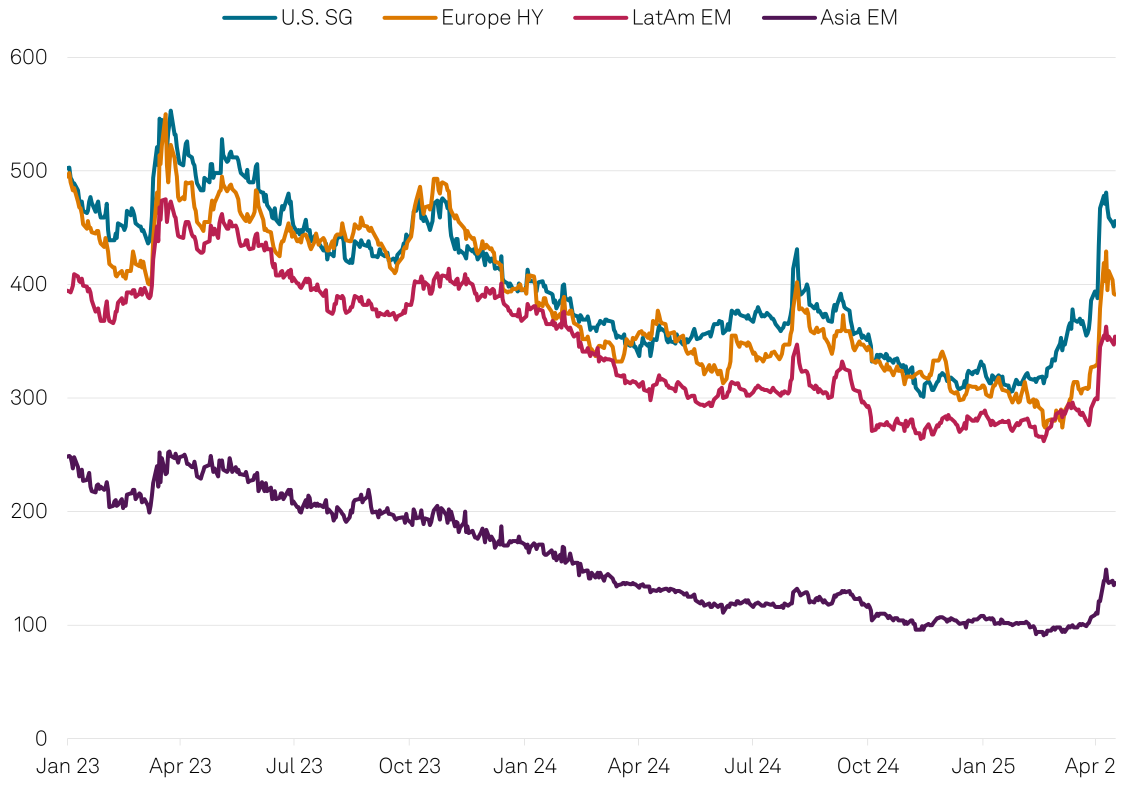
Data as of April 22, 2025. Note: Europe Crossover--ITraxx/Cboe Europe Crossover 1-Month Volatility Index (BP Volatility); Europe Main--ITraxx/Cboe Europe Main 1-Month Volatility Index (BP Volatility); NA HY--CDX/Cboe NA High Yield 1-Month Volatility Index (BP Volatility); NA IG--CDX/Cboe NA Investment Grade 1-Month Volatility Index (BP Volatility). The launch date of the indices was Oct. 13, 2023. All information for an index prior to its launch date is hypothetical back-tested, not actual performance, based on the index methodology in effect on the launch date. Source: S&P Dow Jones Indices LLC.

Financing conditions | Spreads reflect ongoing uncertainty

IG spreads widened more sharply in the U.S.



U.S. speculative-grade spreads also surged

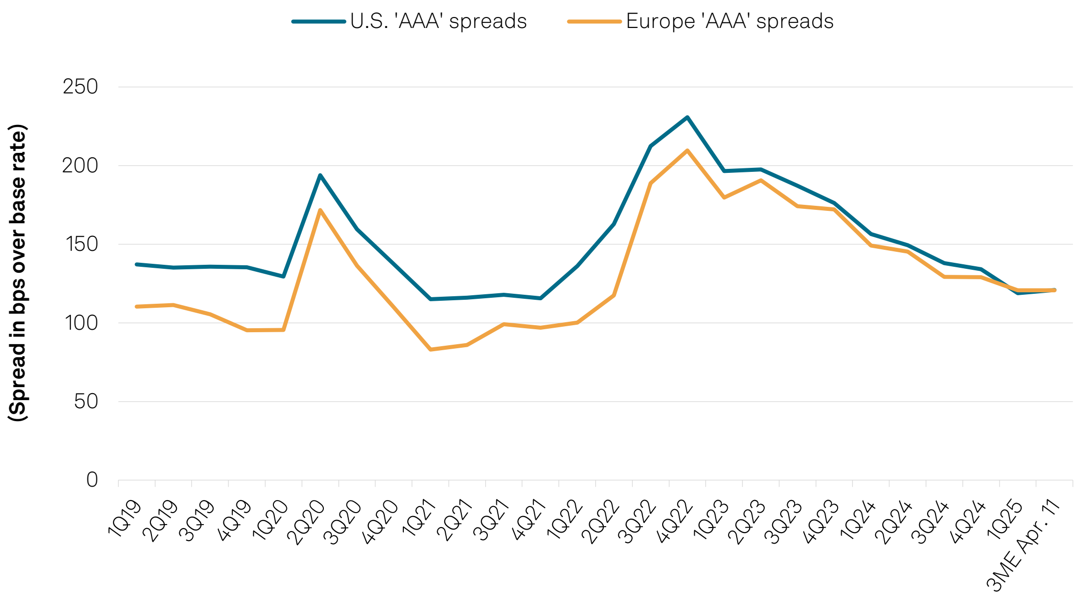


As of April 21, 2025. IG--Investment-grade. SG--Speculative-grade. HY--High yield. bps--Basis points. LatAm--Latin America.
Sources: FRED for Asia EM, LatAm EM, and Europe HY data, IHS Markit for Europe IG data. S&P Global Ratings Credit Research & Insights.

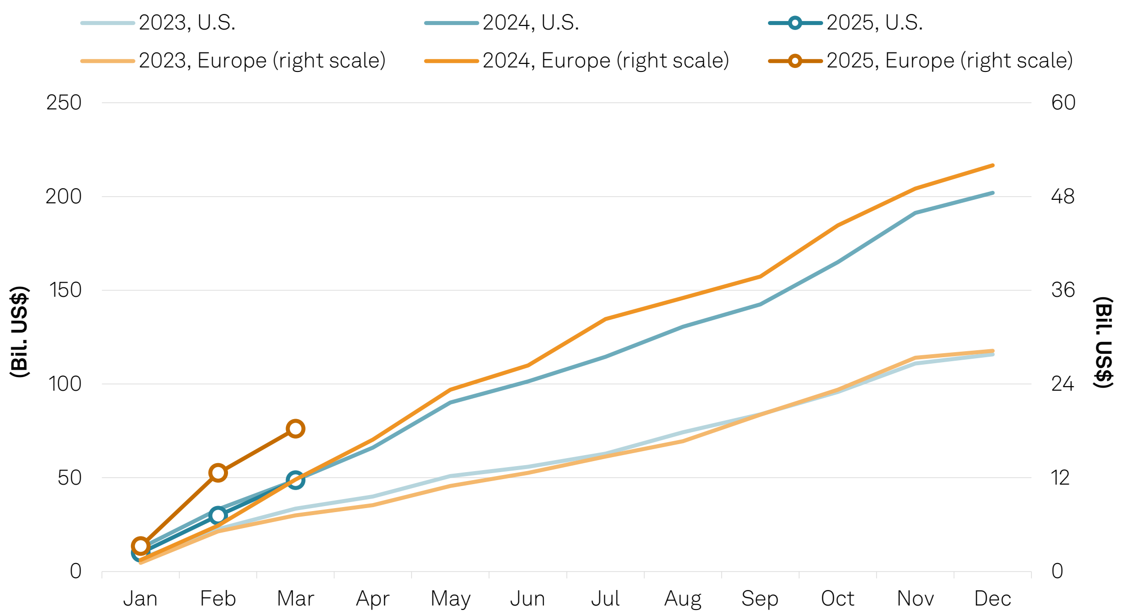
Financing conditions | European CLO issuance reaches record highs

- European collateralized loan obligation (CLO) issuance reached a record $18.3 billion in the first quarter of 2025, the highest quarter on record. First-quarter issuance was up 55% year on year and up 28% from the previous quarter. Meanwhile, U.S. CLO issuance was flat year on year. The share of middle-market CLOs grew to 22.2% up from 20.5% in the first quarter of 2024.
- The longstanding gap between European and U.S. CLO spreads has diminished. The spread differential, which peaked at 45 basis points in the second quarter of 2022, had fallen to zero as of April 11, 2025.

U.S. 'AAA' CLO spreads are lower than European spreads



European CLO volumes reach new heights



Spread data as of April 11, 2025. Issuance data as of March 31, 2025. CLO--Collateralized loan obligation. bps--Basis points. 3ME--Three months ending in. Sources: S&P Global Market Intelligence, S&P Global Ratings Credit Research & Insights, Leveraged Commentary and Data (LCD) from PitchBook, a Morningstar company, and Morningstar European Leveraged Loan Index (ELLI).

Related research

Credit markets and ratings performance | Latest research

- Default, Transition, and Recovery: Corporate Default Forecasts Maintained, But Risks Are Rising, April 25, 2025
- ESG In Credit Ratings Q1 2025: As Rating Activity Picks Up, Negative Actions Continue To Dominate, April 21, 2025
- CreditWeek: How Will Credit Conditions Evolve Amid Market Volatility And Investor Risk Aversion?, April 17, 2025
- Credit Conditions North America Special Update: Tariff Turmoil, April 17, 2025
- Default, Transition, and Recovery: Trade Tensions Could Reverse Decline In Corporate Defaults, April 16, 2025
- Emerging Markets Monthly Highlights: U.S. Tariffs Cast A Cloud Over Economic Growth, April 16, 2025
- Credit Conditions Asia-Pacific Special Update: U.S.-China Ties In Uncharted Territory, April 15, 2025
- Global Credit Conditions Special Update: Ongoing Reshuffling, April 11, 2025
- Ratings Performance Insights Q1 2025: A Solid Start, April 10, 2025
- Default, Transition, and Recovery: 2024 Annual Global Corporate Default And Rating Transition Study, March 27, 2025

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