

# The Ratings View

May 21, 2025

This report does not constitute a rating action.

## Key Takeaways

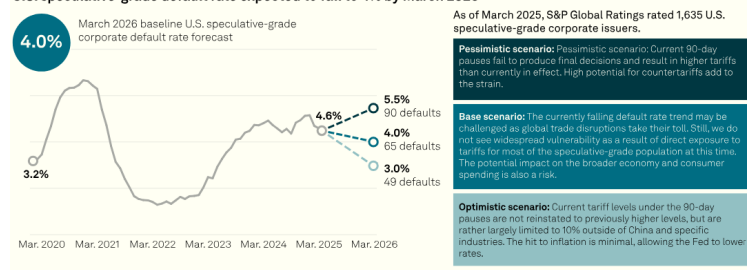
- The U.S.-China tariff de-escalation brings some relief to credit conditions.
- We expect the U.S. corporate default rate to fall to 4% by March 2026.
- Global infrastructure appears relatively resilient to tariff-related pressures.

**The U.S. and China announced a steep reduction in bilateral tariffs and a 90-day pause on reciprocal tariffs from May 14.** This tariff climbdown improves our macroeconomic outlook, considering the direct effects of lower bilateral tariffs on the world's two largest economies, reduced policy uncertainty, more-buoyant asset prices, and some reopening of markets. S&P Global Ratings is not updating its growth forecasts at this juncture, considering the unpredictability of policy developments, particularly out of the U.S., and our upcoming quarterly forecasting round. We believe that the global trade environment will continue to weigh on credit conditions and our rating outlook, but tail risks have eased somewhat. The possible impact continues to be uneven across sectors and countries.

[Global Credit Conditions Special Update: U.S.-China Tariff De-Escalation Brings Some Temporary Relief](#)

**We expect the U.S. trailing-12-month speculative-grade corporate default rate to fall to 4% by March 2026** from 4.6% in March 2025. The default rate had been falling for the past few months and we estimate it will fall further through April. This positive momentum will likely be challenged in coming months from tariff disruptions and potential economic softness. We don't see widespread vulnerability from proposed goods tariffs, but there are likely to be some issuers that

### U.S. speculative-grade default rate expected to fall to 4% by March 2026



see outsized credit erosion, as supply chain flexibility and the ability of firms to pass on increased costs can vary by industry and company. Of at least equal concern is the overall economy, particularly consumer spending. The recent 90-day pauses in

proposed tariffs offer some reprieve and have boosted market sentiment. However, these are far from final positions, leaving high levels of risk that could keep defaults closer to their current levels for a protracted period.

[The U.S. Speculative-Grade Corporate Default Rate Could Reach 4% By March 2026](#)

**We expect only a limited immediate impact on the global infrastructure sector from changes to U.S. trade policy and the resulting ripple effects.** Long-term prospects, however, remain uncertain. North American infrastructure entities are resilient for now, but capital expenditures

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and new projects could slow. So far, the impact on Asia-Pacific infrastructure entities has been minimal, because of favorable funding conditions and their mostly domestic focus. Infrastructure projects in Europe, the Middle East, and Africa are somewhat insulated from the direct effects of tariff shifts but could feel secondary economic effects. Secondary effects may also be a factor for Latin American entities, but many secured long-term financing before the tariff tumult began.

### [For A Resilient Global Infrastructure Sector, The Immediate Impact From Tariffs Will Be Limited](#)

**We don't expect immediate rating actions on Mexican corporate entities related to potential tariff scenarios.** U.S. trade policy uncertainty and Mexico's economic challenges have hurt prospects for investment, inflation, and consumption, which could ultimately pressure the Mexican corporate sector. Currently, tariffs do not have a direct impact on the companies we rate, since most are protected by the USMCA, but corporates will have to navigate weaker conditions and volatile industry dynamics. We expect no immediate rating actions given rated corporates generally show comfortable EBITDA and leverage headroom for the next 12 months. There is low refinancing risk on short-term debt maturities because of lean amortization schedules, which are concentrated among investment-grade entities.

### [Rated Mexican Corporates Can Manage Economic Uncertainty And Industry Volatility](#)

**Most U.S. aerospace and defense (A&D) issuers will maintain credit stability** amid tariff- and government spending-related uncertainty. Limited direct exposure to tariffs reflects sales that are skewed toward U.S. customers and predominantly domestically sourced production inputs. Inflationary pressure could temper demand and limit the pass-through of input cost increases; however, still strong commercial aerospace industry fundamentals and defense-spending priorities, which notably support larger issuers, limit broad-based downside to credit ratios. Our preliminary sensitivity analysis to a weaker-than-expected 2025 indicates 70% of our rated A&D issuers are at low risk of negative rating actions and 12% are at high risk.

### [U.S. Aerospace And Defense Sector Remains Resilient In Uncertain Times](#)

**China's carmakers have overcome a lot and will now have to overcome a little more.** U.S. tariffs will add uncertainty to a sector already managing overcapacity, price wars, and a challenging EV transition. While the U.S. has significantly lowered its tariffs on China, the incremental tariff on imported vehicles and parts to the U.S. will still strain the sector. We believe pressures will weigh on the cash flows of rated entities over the next 12-24 months.

### [U.S. Tariffs Place Another Straw On The Back Of China Carmakers](#)

**Monthly corporate defaults declined to eight in April, despite market volatility and tariff uncertainty.** The year-to-date total is 34, compared with 55 over the same period in 2024. Seven out of eight defaulters in April were first-time defaulters, with most defaults originating from three sectors: health care, media and entertainment, and chemicals, packaging, and environmental services (CP&ES). Distressed exchanges accounted for almost 90% of defaults in April and 68% of the year-to-date total, marking the highest year-to-date proportion since 2008.

### [Default, Transition, and Recovery: Corporate Defaults Fall Below Long-Term Average](#)

**S&P Global Ratings has reviewed its metal and coal price assumptions in the context of global trade developments and updated economic forecasts.** We have again revised upward our gold price assumptions and lowered our assumptions for metallurgical and thermal coal prices. Other price assumptions remained unchanged. The global economy and metal markets remain exposed to significant uncertainties, not least about the enduring levels of tariffs. Due to the current environment, we anticipate that industrial demand for metals will likely decline over the next 18 months.

### [S&P Global Ratings' Metal Price Assumptions: Coal Down, Gold Up](#)

# Asset Class Highlights

## Corporates

Notable publications include:

- [Corporate Results Roundup Q1 2025: Sentiment slumps and earnings estimates erode amidst tariff tensions](#)
- [Credit Trends: The U.S. Speculative-Grade Corporate Default Rate Could Reach 4% By March 2026](#)
- [Lights, Camera, Tariff Reaction: Our Updated Expectations For U.S. Media And Telecom Industries](#)
- [European Commercial Real Estate Companies Hardly Affected By Shifts In U.S. Trade Policy](#)
- [Cyber Brief: U.S. Infrastructure Faces Evolving Threats And Federal Policy Uncertainty](#)
- [Sector Review: U.S. Aerospace And Defense Sector Remains Resilient In Uncertain Times](#)
- [U.S. Film And Television Brief: Will 100% Tariffs On Movies Made Outside The U.S. Hurt Hollywood?](#)
- [S&P Global Ratings' Metal Price Assumptions: Coal Down, Gold Up](#)
- [Emerging Markets Monthly Highlights: Shifting Trade Winds Provide A Breather](#)
- [The Pace Of North American Regulated Utilities' Common Equity And Hybrids Issuance Stalls, Raising Concerns For Credit Quality](#)
- [Rated Mexican Corporates Can Manage Economic Uncertainty And Industry Volatility](#)
- [Asian Autos: Driving Through Rough Terrain](#)
- [U.S. Tariffs Place Another Straw On The Back Of China Carmakers](#)
- [For A Resilient Global Infrastructure Sector, The Immediate Impact From Tariffs Will Be Limited](#)
- [Default, Transition, and Recovery: Corporate Defaults Fall Below Long-Term Average](#)

## Financial Institutions

Notable publications include:

- [China Banks: Property Stabilization Won't Be A Cure-All](#)
- [Banks Can Help, Not Fix, Shandong's LGFV Issues](#)
- [Korea Banking Brief: Higher Deposit Protection Could Fuel Competition](#)
- [Credit FAQ: Australian Banks Will Take AT1 Phase-Out In Their Stride](#)
- [Research Update: Australia and New Zealand Banking Group Ltd. 'AA-/A-1+' Ratings Affirmed; Outlook Stable](#)
- [Research Update: National Australia Bank 'AA-/A-1+' Ratings Affirmed; Outlook Stable](#)
- [Bulletin: Coinbase Global Inc.'s Cash Cushion Can Absorb Fallout From Cybersecurity Incident](#)
- [Research Update: Capital One Financial Corp. 'BBB' Rating Affirmed Following Completion Of Its Acquisition Of Discover Financial Services](#)

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## The Ratings View

- [Research Update: Italy-Based X3G MergeCo SpA \(Prelios\) Assigned 'B+' Preliminary Rating; Outlook Stable](#)
- [Research Update: Norway-Based Eksportfinans ASA 'A-/A-2' Ratings Placed On Watch Positive On Impending DNB Bank Acquisition](#)
- [Various Rating Actions Taken On Two Tunisian Banks; Outlooks Stable](#)
- [Research Update: Banco Itau Chile Outlook Revised To Positive On Lower Colombia Exposure, Stronger Balance Sheet; 'BBB+' Rating Affirmed](#)

## Sovereign

- [Rwanda Affirmed At 'B+/B'; Outlook Remains Stable](#)
- [South Africa 'BB-/B' Foreign Currency And 'BB/B' Local Currency Ratings Affirmed; Outlook Remains Positive](#)
- [Nigeria Ratings Affirmed At 'B-/B'; Outlook Remains Stable](#)

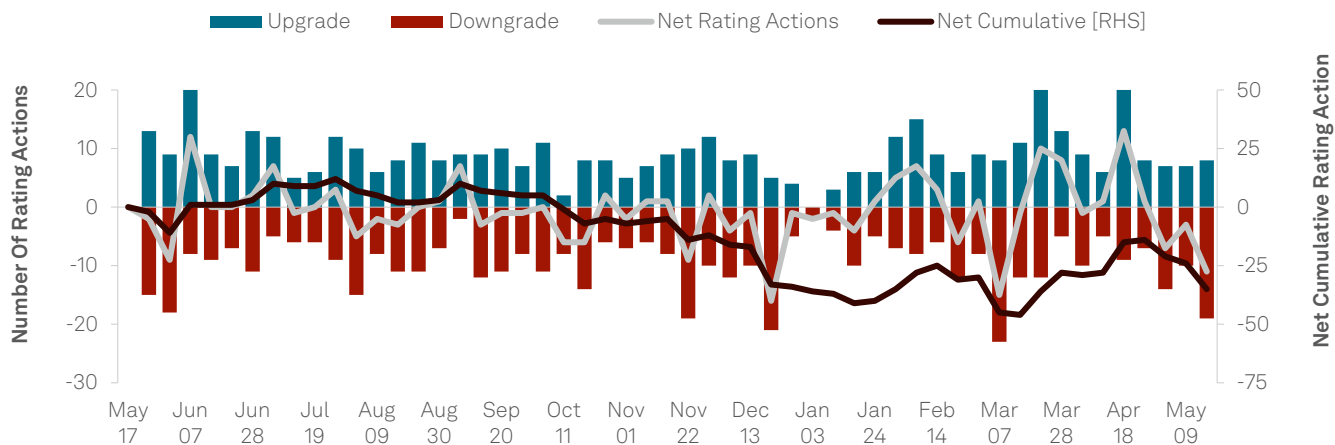
## Structured Finance

- **European Auto ABS:** See the recent "[European Auto ABS Index Report Q1 2025](#)" published on May 16, 2025.
- **European and U.K. Credit Card ABS:** See the recent commentary titled "[European And U.K. Credit Card ABS Index Report Q1 2025](#)" published on May 16, 2025.
- **China Securitization:** Here are a few "Key Takeaways" from a recent commentary:
  - We expect issuance in China's structured finance market to stay flat at Chinese renminbi (RMB) 2 trillion in 2025, given the current economic conditions.
  - Lease asset-backed securities (ABS), consumer loan ABS, and small loan ABS exhibited strong momentum in first-quarter 2025.
  - Collateral performance remained mixed in the first quarter of 2025. We expect tariff impacts will vary by asset classes, based largely on whether the effects are direct or more indirect in nature.
  - We believe the main transmission channels for any potential deterioration in collateral performance will stem from tariff-related impact on macroeconomic factors such as rising unemployment and lower economic growth.
  - On May 13, 2025, we published a commentary titled "[China Securitization Performance Watch 1Q 2025: Tariff Impact Looms Despite Robust Issuance](#)".
- **Japan Private-Sector RMBS:** Here are a few "Key Takeaways" from a recent commentary:
  - Asset performance of underlying loans is likely to be stable despite higher interest rates and rising consumer prices.
  - We are monitoring mortgage market trends, including increases in floating rate loans and loans of over 35 years in duration.
  - Prepayment rates will remain low as borrowers have little incentive to refinance fixed-rate housing loans amid rising interest rates.
  - On May 12, 2025, we published a commentary titled "[Japan Private-Sector RMBS Performance Watch: Withstanding Market Change](#)".
- **Australian RMBS:** See the recent "[RMBS Arrears Statistics: Australia March 2025](#)" published on May 11, 2025.

## 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 May 16, 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. \$)
15-May	Upgrade	<a href="#">American International Group Inc.</a>	Insurance	U.S.	A-	BBB+	35,528
14-May	Upgrade	<a href="#">Altria Group Inc.</a>	Consumer products	U.S.	BBB+	BBB	29,975
16-May	Downgrade	<a href="#">Altice France Holding S.A. (Altice Europe N.V.)</a>	Telecommunications	Luxembourg	D	CC	21,160
16-May	Downgrade	<a href="#">Suedzucker AG</a>	Consumer products	Germany	BBB-	BBB	2,355
12-May	Downgrade	<a href="#">Vestis Corp.</a>	Consumer products	U.S.	B+	BB-	1,800
12-May	Downgrade	<a href="#">Herschend Entertainment Co. LLC</a>	Media & entertainment	U.S.	B+	BB-	1,683
16-May	Downgrade	<a href="#">Cable One Inc.</a>	Telecommunications	U.S.	BB-	BB	1,450
13-May	Downgrade	<a href="#">Compass Group Diversified Holdings LLC</a>	NBFI	U.S.	B-	B+	1,300
12-May	Downgrade	<a href="#">Colisee Group SAS</a>	Health care	France	SD	CCC-	1,155
13-May	Downgrade	<a href="#">Neogen Corp.</a>	Health care	U.S.	BB-	BB+	1,000

Source: S&P Global Ratings Credit Research & Insights. Data as of May 16, 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.



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