Non-Financial Corporates: Rating Activity During COVID-19

The spread of the coronavirus has placed significant stress on the global economy, but corporate downgrades reveal a thorough and measured approach to credit during turbulent times.

Majority of downgrades within speculative grade*

Total # of downgrades per category, March 2020 - 28 February 2021

- Speculative Grade
  - 993
- Investment Grade
  - 1,134
- Speculative Grade
  - 993

- Total downgrades: 1,134
- Speculative Grade: 993
- Investment Grade: 1,134
- Fallow Angels: 39

Calculation reflects percentage of corporate families with at least one downgrade since March 1. Some corporate families include multiple issuers and some issuers have received multiple downgrades. Percentages reflect current number of issuers in each sector; ratings withdrawn since 1 March 2020 are excluded.

FALLEN ANGELS IN DETAIL

"Fallen Angels" are entities that move from investment grade to speculative grade

- Halliburton, Inc
- Methanex Corporation
- Fisker Corporation
- Heineken Brands Inc
- Apache Corporation
- Occidental Petroleum Corporation
- Pemex Ventures Corporation
- Service Properties Trust
- Google (GDC) CapMan
- Tech Data Corporation
- Carnival Corporation
- Royal Caribbean Cruises Ltd
- Cap, Inc. (The)
- Mylan, Inc
- Michael Kors USA, Inc

Late cycle reports highlighted corporate credit stress prior to COVID-19

- Increase in B3s: 29% in 2019 versus 25% in Q4 2007
- Speculative grade universe expands, more rated companies will likely default or be downgraded in the next downturn

- As low-rated spec-grade universe expands, more rated companies will likely default or be downgraded in the next downturn
- Loan and bond convergence: investors have way for lower recoveries in next downturn
- Current weak credit quality could fuel Caa issuers’ defaults in next downturn
- Global CLOs – in a severe downturn scenario, credit quality declines significantly, impairing junior tranches
- The top 10 ways loan investors are fortifying protections

Top 10 sectors most affected by COVID-19*

- Hotel, Gaming & Leisure
- Transportation: Consumer
- Advertising, Printing & Publishing
- Energy: Oil & Gas
- Automotive
- Consumer goods: Durable
- Retail
- Consumer goods: Non-durable
- Services: Consumer
- Aerospace & Defense

*Includes all publicly-rated nonfinancial corporate entities; excludes subsidiaries and project-finance related corporations

For more information, visit moodyss.com/coronavirus

Q4 2007
Proportion of publicly rated issuers by category

64% increase in 2019 speculative grade rated issuer count vs. 2007

Q4 2019
Proportion of publicly rated issuers by category

63% increase in B rated issuers vs. 2007

Recent downgrades represent a small percentage of the total non-financial corporates rated universe*

March 2020 - 28 February 2021

Speculative Grade: 993
Investment Grade: 1,134
Fallow Angels: 39

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54% of total corporate rated universe
32% increase in speculative grade rated issuers

8% increase in B rated issuers vs. 2007

1% of companies across all rating categories were under review for downgrade at the end of Feb 21, about the same at 1% at the end of November and 8% at the end of April. An additional 27% had negative outlook at the end of Feb 21.
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