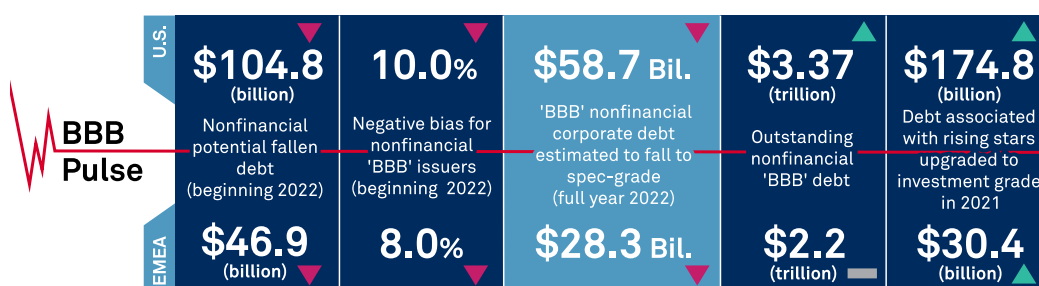


Credit Trends:

'BBB' Pulse Quarterly: Key Themes Shaping 2022

February 3, 2022



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Key Takeaways

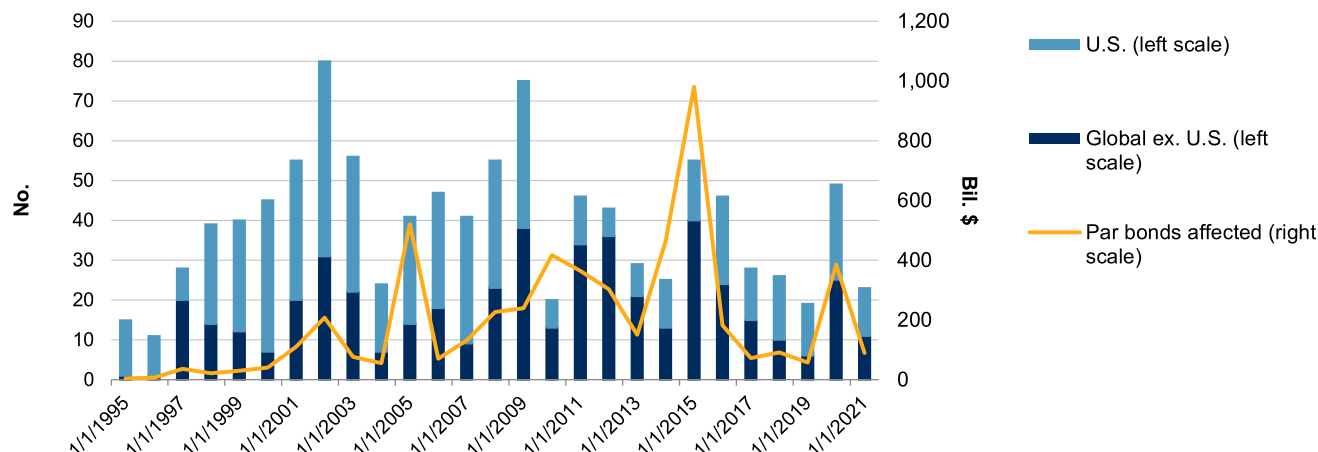
- Our estimated increase in fallen angel downgrades in the U.S. and EMEA in 2022 reflects a reversion to the mean as the pandemic's effects linger. After declining to a 10-year low in 2021, we estimate fallen angel downgrades in the U.S. and EMEA will rise to \$87 billion in 2022--a level more in line with the annual average.
- Travel and leisure continues to bear the brunt of COVID-19, as the rapid spread of the Omicron variant slows travel demand, weighing on the recovery of that sector as well as on Boeing Co.--the largest potential fallen angel.
- M&A remains a wild card for 'BBB' credit quality in 2022; increasingly aggressive financial policies could weaken credit quality, yet rising financing costs could slow the pace of debt-funded acquisitions.
- The potential rising stars for 2022 are a mix of new and old economy, with Tesla Inc. joining Ford Motor Co. and Kraft Heinz Co., both of which could become "round-trip rising stars" after being downgraded to speculative grade in 2020.

In 2021, companies rated in the 'BBB' category broadly continued the process of rebuilding credit quality following the effects of the pandemic. In 2020, the onset of the COVID-19 brought a one-two punch to credit quality of massive new debt issuance combined with a sudden collapse in business conditions for many sectors. After 49 fallen angels were downgraded in 2020, just 23 fallen angels were downgraded in 2021, and the economic recovery allowed rising stars (issuers

upgraded to investment grade from speculative grade) to stage a comeback.

Chart 1

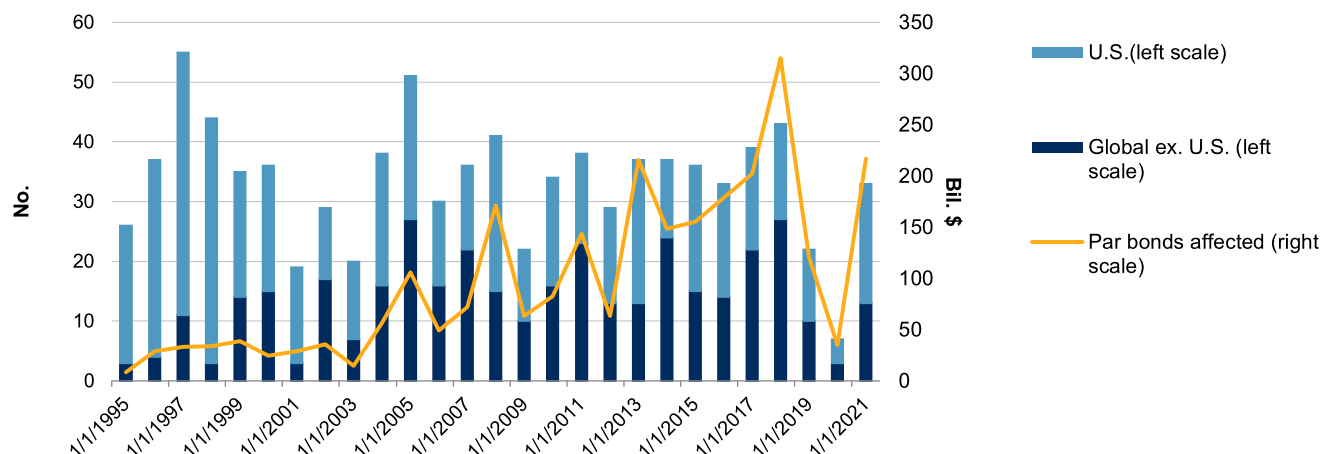
Global Fallen Angels 1995-2021



Data as of Dec. 31, 2021. Source: S&P Global Ratings Research.
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Chart 2

Global Rising Stars: 1995-2021



Data as of Dec. 31, 2021. Source: S&P Global Ratings Research.
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Several of the key themes affecting 'BBB' credit quality in 2021 remain in place to play a key role in 2022.

Merger and acquisition (M&A). With deal volume surging, M&A played an increasingly important role in cases of both fallen angels and rising stars in 2021, and we think this could continue to be an important part of the credit story in 2022.

Post-pandemic recovery. The pace and the shape of the post-pandemic recovery drove many rating actions in 2021. We expect this to continue in 2022 as more sectors return to pre-2020 levels of credit quality, even though recovery for some of the hardest hit sectors such as travel and leisure continues at a slower pace.

Round-trip rising stars. Only a few of the fallen angels from 2020 have made the round-trip back to investment grade, but those numbers could increase in 2022. At the issuer level, credit quality takes longer to establish than to lose, especially given the suddenness of the downturn during the pandemic, in comparison and the gradual pace of recovery. Currently, the largest potential rising stars (issuers rated 'BB+' with a positive outlook or CreditWatch) include fallen angels from 2020, such as Ford and Kraft Heinz.

Fallen Angel Downgrades Not Likely To Decline Further Below 2021's Record Low

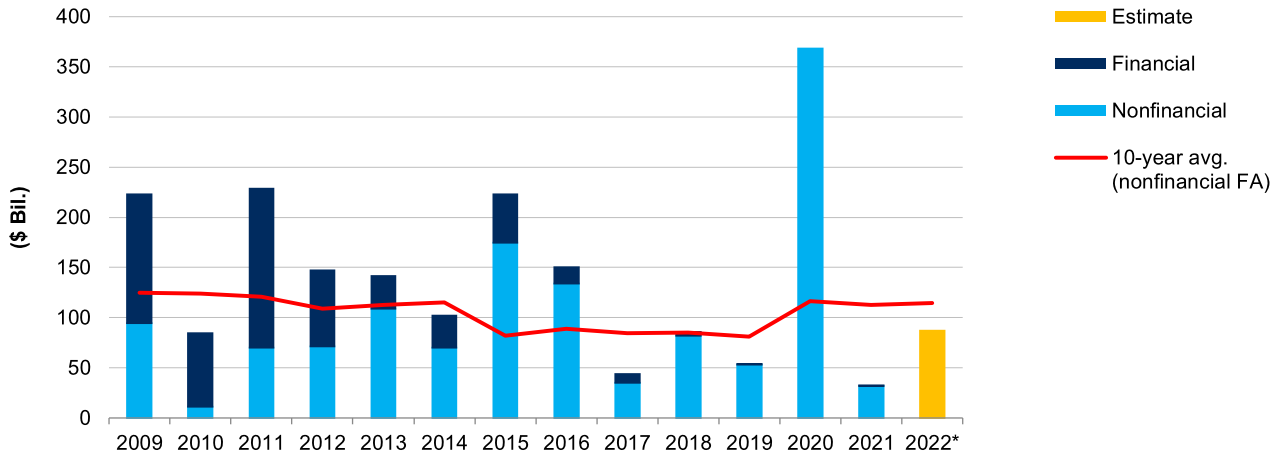
Fallen angel debt in the U.S. and EMEA will be hard-pressed to continue to recede in 2022 after declining 90% to \$32 billion in 2021. Nonfinancial fallen angels in the U.S. and EMEA fell to their lowest level in 2021 since 2010. In both years, fallen angel debt fell precipitously following a year of pronounced credit stress. Notably, 2010 was followed by a rebound in fallen angels in 2011.

In our current estimate, we project that fallen angel downgrades could rise in 2022, yet remain below the annual average which has been near \$110 billion over the past decade. Nearly \$5.6 trillion in debt is associated with 'BBB' category issuers--this includes \$151 billion in debt from potential fallen angels.

- We estimate that about \$87 billion in 'BBB' category debt from nonfinancial companies in the U.S. and EMEA could be downgraded to speculative grade in 2022--representing about 1.6% of total 'BBB' nonfinancial debt (see chart 1).
- For the U.S., this includes roughly \$58.7 billion, or about 1.7% of the outstanding total long-term 'BBB' debt as of year-end 2021.
- For EMEA, this includes about \$28.3 billion, or 1.3% of outstanding nonfinancial 'BBB' debt.

Chart 3

Nonfinancial Fallen Angel Debt In U.S. And EMEA Is Likely To Rebound From 2021's Low



Data as of Dec. 31, 2021. *Nonfinancial projection from Jan. 1, 2022, through Dec. 31, 2022. U.S. and EMEA regions only. Source: S&P Global Ratings Research.

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Some Of The Fallen Angels From The Pandemic Could Become Rising Stars With Continued Economic Recovery

While the path to lower ratings may be steep and swift, the trip back to prior rating levels is typically slower and more gradual. In our COVID-19 heat map from June, (see: Heat Map: Pent-Up Demand And Supply Shortages Further Improve Recovery Prospects For Credit Quality, published June 8, 2021), the credit metrics of most nonfinancial sectors in the U.S. and EMEA were projected to recover to 2019 levels in 2022 or earlier. With the recovery generally on track for most sectors, we could start to see a few of the 49 issuers (including 40 nonfinancials from the U.S. and EMEA) that were downgraded to speculative grade in 2020 return to investment grade in 2022.

While rising stars rebounded in 2021 with 33 globally, just three of these were among the fallen angels downgraded in 2020 (including just one from the U.S. or EMEA). After becoming a fallen angel in June 2020, Tech Data Corp. was upgraded back to investment grade in September 2021 when it was acquired by (and its debt was assumed by) TD Synnex Corp.

The scarcity of fallen angels that have made the round trip to rising star since 2020 underscores how difficult it has been to reverse negative credit momentum as companies seek to regain their footing. However, four of the current potential rising stars (including some of the largest) were among these 2020 downgrades, including Ford, Kraft Heinz, Continental Resources Inc., and EQT Corp.

Ford accounts for close to half of the nearly \$246 billion in debt associated with nonfinancial corporate potential rising stars in the U.S. and EMEA. Ford entered the pandemic with very low headroom for its rating level and was among the first fallen angel downgrades tied to the pandemic when it was downgraded to 'BB+' on March 25, 2020. In November 2021, we revised our

outlook on Ford to positive because we anticipate earnings and cash flow in 2022 and 2023 to exceed our expectations given Ford's ongoing cost reduction and volume improvement, despite supply bottlenecks and inflationary conditions.

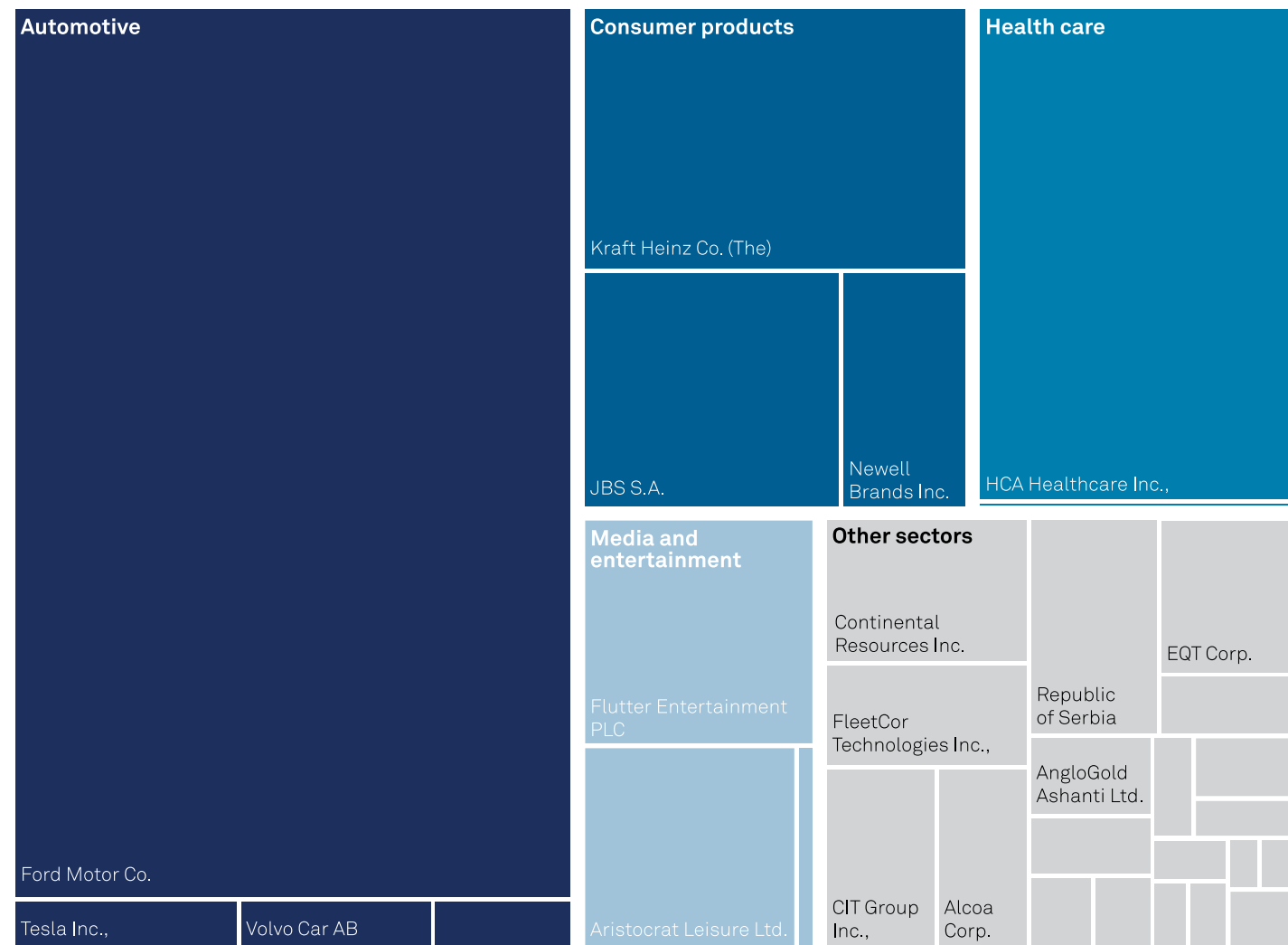
Another notable fallen angel from 2020, Kraft Heinz, was downgraded in February 2020 before the impact of COVID-19 was fully appreciated. Faced with flagging consumer demand, Kraft Heinz had been downgraded to speculative grade after its financial policy had grown more aggressive despite underperforming sales. But the company has since benefited from the pandemic-induced demand for packaged foods, and the current positive outlook reflects our expectation that management will strengthen the balance sheet with the increased profitability.

The two other potential round-trip rising stars, Continental Resources and EQT, are both from the oil and gas exploration and production sector, which faced highly volatile commodity prices that stressed the sector's credit metrics in 2020. However, as prices rebounded, exploration and production companies recovered a lot of lost ground early in 2021; both companies are now poised for an upgrade back to investment grade. For Continental Resources, additional rating improvements will be predicated on sustaining recent performance and capital discipline as well as further debt reductions. In the case of EQT, credit quality has improved following its acquisition of subsidiaries of Alta Resources Development LLC, improving scale and diversification.

Just as the speed of the economic recovery has not matched the suddenness of its decline, the credit recovery is taking its own shape. Even in cases where credit measures have returned to pre-pandemic levels, it is likely that supply chain challenges and higher input costs remain. Furthermore, certain shifts in the operating environment, such as those related to shifting labor markets, may continue to present challenges ahead.

Chart 4

Majority Of Potential Rising Star Debt Is From Previous Fallen Angels (\$ Mil.)



Data as of Dec. 31, 2021. Potential rising stars are defined as issuers rated 'BB+' by S&P Global Ratings with positive outlooks or ratings on CreditWatch with positive implications, and which currently have bonds outstanding. This debt may be rated above or below the issuer credit rating. Includes all rated issuers with valid outstanding debt at the time of the rating action. Valid debt includes issuer level debt (both secured and unsecured), bank loans, subordinated debt, medium term notes, preferred stock, convertible debt and drawdowns under MTN programs and excludes commercial paper programs, shelf registrations, certificates of deposit, and debt rated on a confidential basis.

Source: S&P Global Ratings Research

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Tech disrupters Netflix Inc. and Tesla are now also among the rising stars--and potential rising stars. In October, Netflix became a rising star (upgraded to 'BBB') as it continued to demonstrate market leadership in the increasingly competitive streaming landscape and after management stated in its third-quarter 2021 earnings release that it expects to generate positive free operating cash flow (FOCF) in 2022, and forecasts that FOCF will improve each year thereafter. These comments support our view of Netflix as an investment-grade company, as we expect the company will manage its level of cash content spending to balance its subscriber growth and cash flow generation. Separately, Tesla became a potential rising star after we upgraded it to 'BB+' in October since it outperformed expectations and continues to expand production in China,

Germany, and the U.S. After Tesla reported strong fourth-quarter results, we published the following update: "Tesla Inc.'s Fourth-Quarter Results Support Prospects For An Investment-Grade Rating In 2022," Jan. 27, 2022.

Post-Pandemic Recovery Will Continue To Be A Key Theme For 'BBB' Credit Quality In 2022

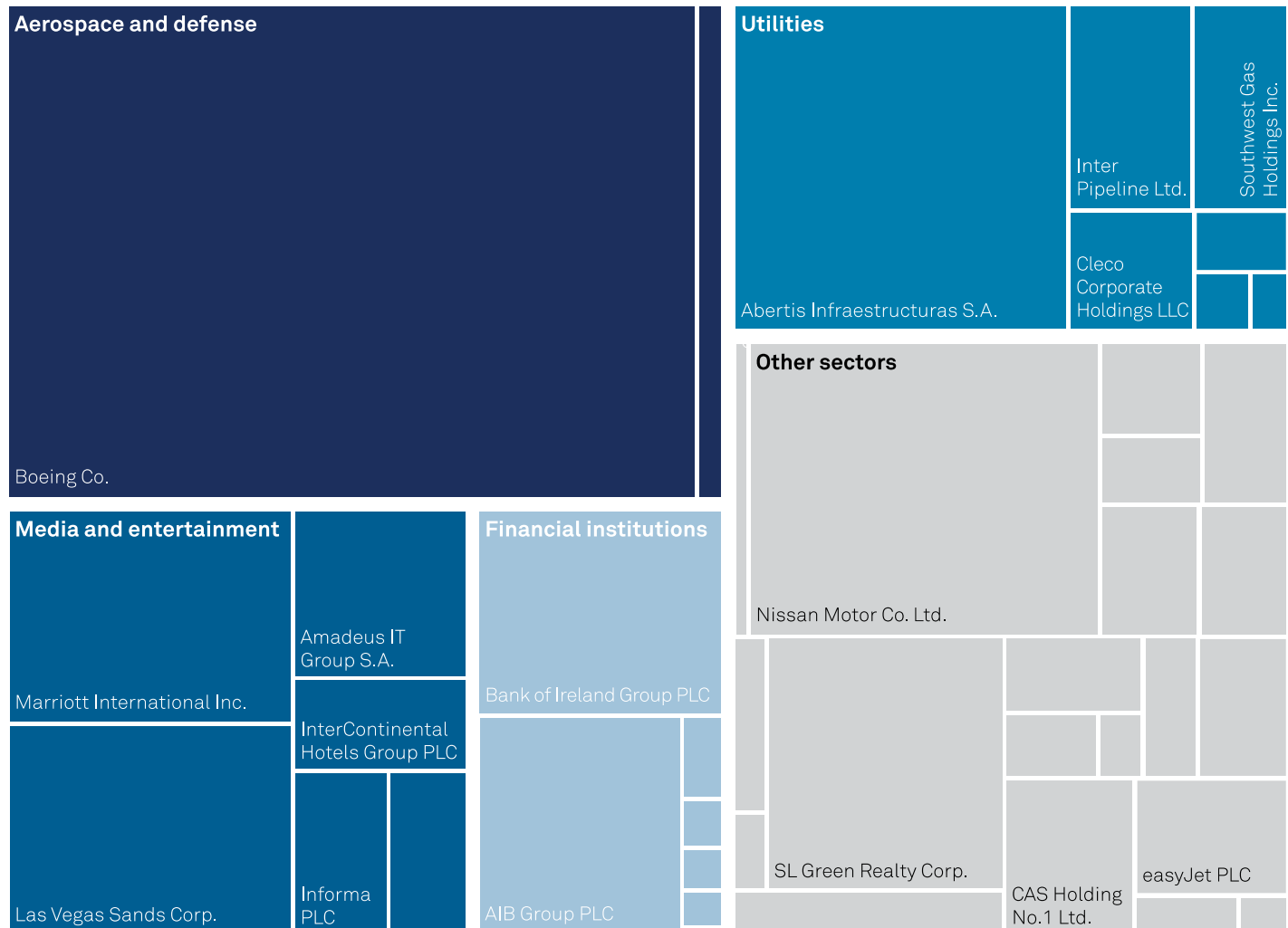
In 2021, the lingering effects of the pandemic (including pressures on the global supply chain), the spread of new variants (including delta and omicron), and the pace of recovery as sectors return to pre-2020 credit metrics were key drivers of 'BBB' credit quality. While most sectors hit by COVID-19 are recovering in line with our expectations in the U.S. and in Europe, the recovery is not lifting all sectors equally.

Many sectors have yet to reach a full recovery to pre-pandemic credit metrics, including leisure and travel, which has been slow to recover and faces new challenges with the omicron variant. Slower recovery prospects contributed to the downgrades of Resorts World Las Vegas LLC and Genting New York LLC (both subsidiaries of Genting Bhd) which became fallen angels in August 2021, and several issuers from the leisure subsector, including Marriott International Inc. and Las Vegas Sands Corp. are among the potential fallen angels.

The airlines sector has been among the most severely hit by the effects of COVID-19. British Airways PLC, Deutsche Lufthansa AG, International Consolidated Airlines Group S.A., and Delta Air Lines Inc. each became a fallen angel in 2020. Since we do not expect volume in this sector to fully recover to 2019 levels until 2025 in some regions, we do not expect many of the hardest-hit companies to return to their pre-pandemic rating levels anytime soon.

Also affected by the slowdown in travel, Boeing remains the largest of the potential fallen angels, accounting for nearly 30% of the associated debt. Although 737 MAX deliveries have restarted, and over \$1.5 billion in fines, refunds and legal settlements are already baked into the financials, there remains significant uncertainty around the pace of the recovery in global air travel.

Chart 5

Aerospace & Defense And Media & Entertainment Hold the Largest Share Of Potential Fallen Angel Debt (\$ Mil.)

Data as of Dec. 31, 2021. Potential fallen angels are defined as issuers rated 'BBB-' by S&P Global Ratings with negative outlooks or ratings on CreditWatch with negative implications, and which currently have bonds outstanding. Includes all rated issuers with valid outstanding debt at the time of the rating action. Valid debt includes issuer level debt (both secured and unsecured), bank loans, subordinated debt, medium term notes, preferred stock, convertible debt and drawdowns under MTN programs and excludes commercial paper programs, shelf registrations, certificates of deposit, and debt rated on a confidential basis. This debt may be rated above or below the issuer credit rating.

Source: S&P Global Ratings Research.

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Meanwhile, a few sectors have been experiencing faster-than-expected recoveries. In Europe, producers of building materials, chemicals, and some areas of capital goods have benefitted from the macroeconomic recovery and the rising prices of their products given shortages of materials and products. Although we anticipate continued infections amid COVID-19 variants (such as omicron) will continue to drag on the recovery of corporate credit quality into 2022 and beyond, we note that the negative economic consequences of COVID-19 appear to be lessening with each new wave.

M&A Remains A Wild Card For Credit In 2022

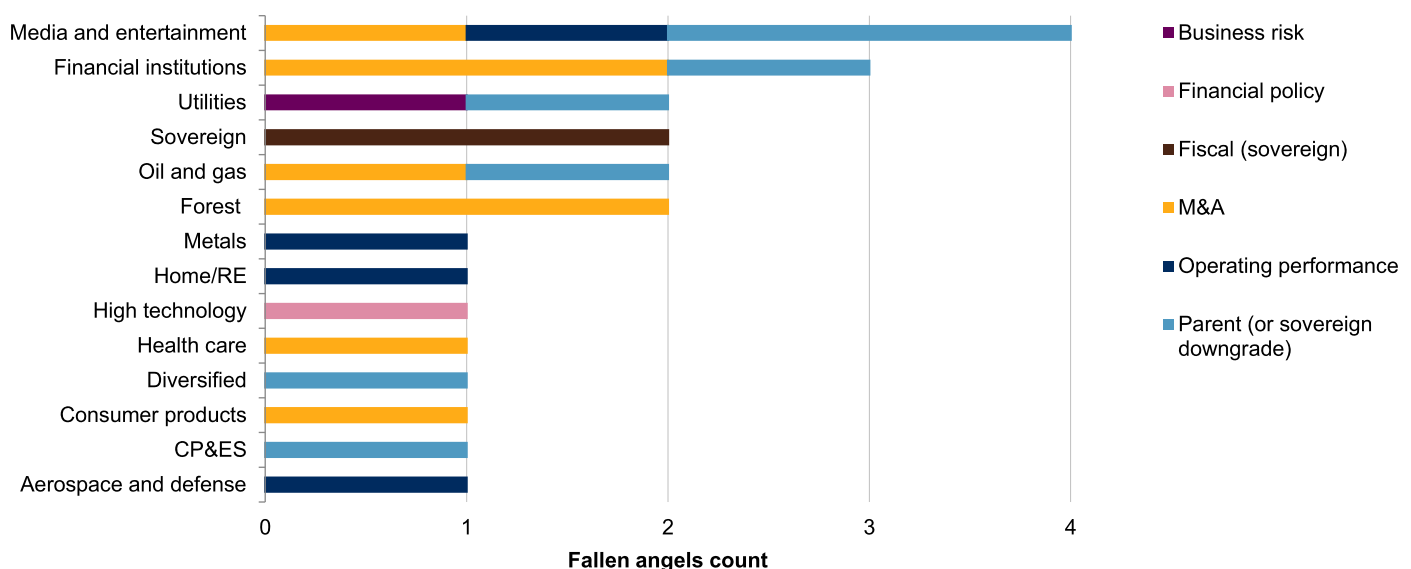
M&A activity surged in 2021, fueled by the availability of cheap debt financing, high equity valuations, rebounding economic prospects, and shifting strategic demands of companies as they position for the post-pandemic economy. M&A's impact remains a wild card for 'BBB' credit quality in 2022. While interest rate hikes could make debt financing less attractive, stock-transactions or cash balances could be tapped to fund 'BBB' mergers. Not all deals will be credit negative.

Although M&A contributed to both fallen angels and rising stars, M&A activity for issuers in the 'BBB' category most often results in an outlook revision. For instance, the largest deal of the year, AT&T's divestment of Warner Media LLC (for its merger with Discovery) resulted in the revision of our outlook on AT&T to stable from negative, based on our expectation that proceeds from the transaction will be used to repay debt.

Globally, nearly a third of the fallen angels in 2021 followed M&A announcements. In the fourth quarter, these included specialty and packaging papers producer Domtar Corp., which was recapitalized at a higher level of debt following its acquisition by Karta Halten and Hyatt Hotels Corp., which added \$1.2 billion in new debt to fund its acquisition of Apple Leisure Group.

Chart 6

M&A, Parent (Or Sovereign) Downgrades Lead The Rationales For Fallen Angels



CPES--Chemicals, packaging, and environmental services. Metals--Metals, mining, and steel.

Home/RE--Homebuilders/real estate companies. Forest--Forest products and building materials. Data as of Dec. 31, 2021. Source: S&P Global Ratings Research.

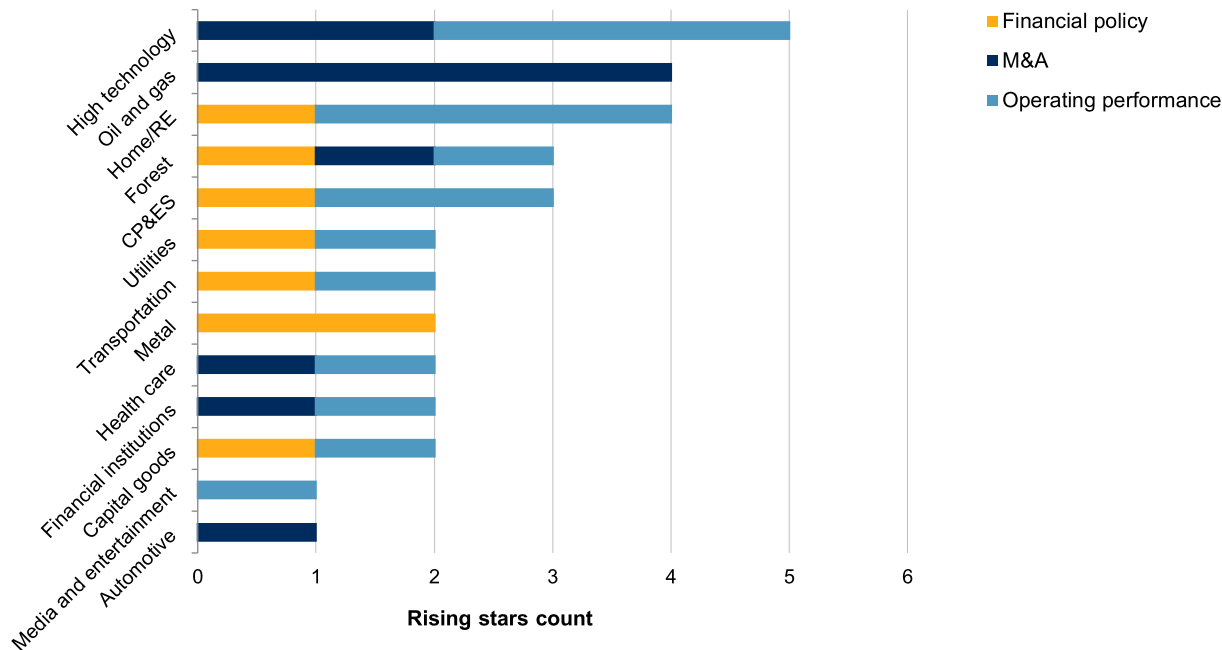
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On the up side, a few M&A transactions also led to higher credit quality for some firms. Dell Technologies Inc. was the largest rising star of 2021; it was upgraded to 'BBB' in September because we expect its planned spin-off of VMWare Inc. to enable the company to repay debt and

reduce leverage. M&A also contributed to the second-largest rising star of the year: Fiat Chrysler was upgraded to 'BBB-' in January 2021 upon its merger with Peugeot S.A. to form Stellantis.

Chart 7

Improving Business Performance Leads The Rationale For Rising Stars



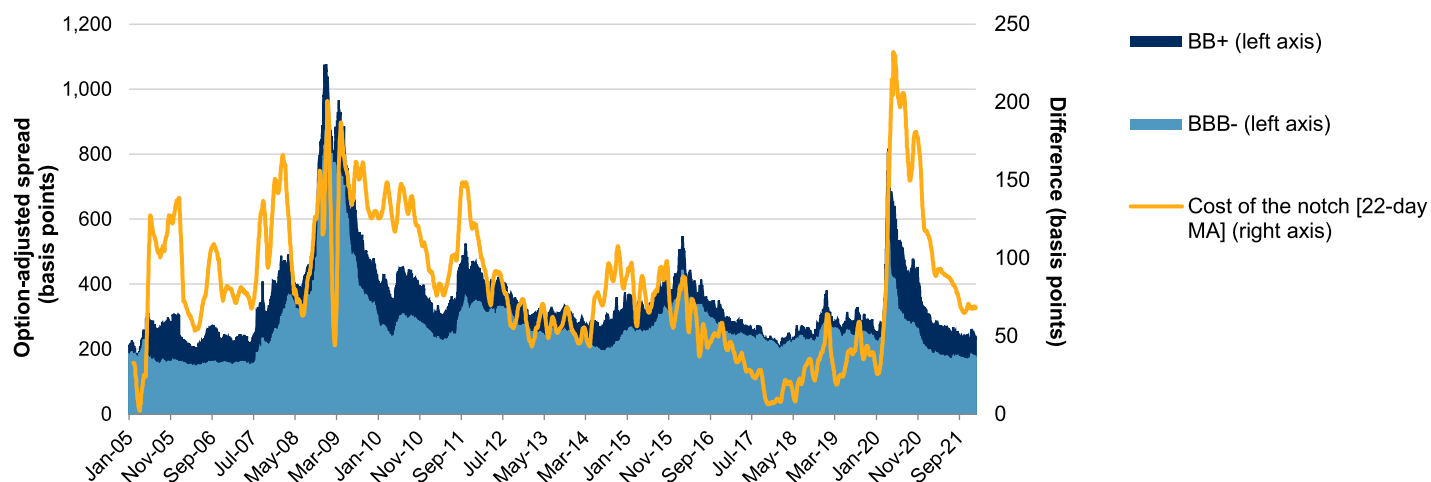
Metals--Metals, mining, and steel. CP&ES--Chemicals, packaging, and environmental services. Forest--Forest products and building materials. Home/RE--Homebuilders/real estate companies. Data as of Dec. 31, 2021. Source: S&P Global Ratings Research.
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Conditions that supported M&A in 2021 may not continue with the same intensity in 2022. Rising inflation spurring higher interest rates could make debt funding more expensive. Credit spreads, which had been tightening precipitously since May 2020, seem to have steadied over the past few months. The cost of a notch (the spread differential between 'BBB-' and 'BB+') steadied to about 68 basis points in December.

Chart 8

Comparing U.S. Corporate Bond Spreads For 'BB+' And 'BBB-'

Cost of downgrade to speculative grade

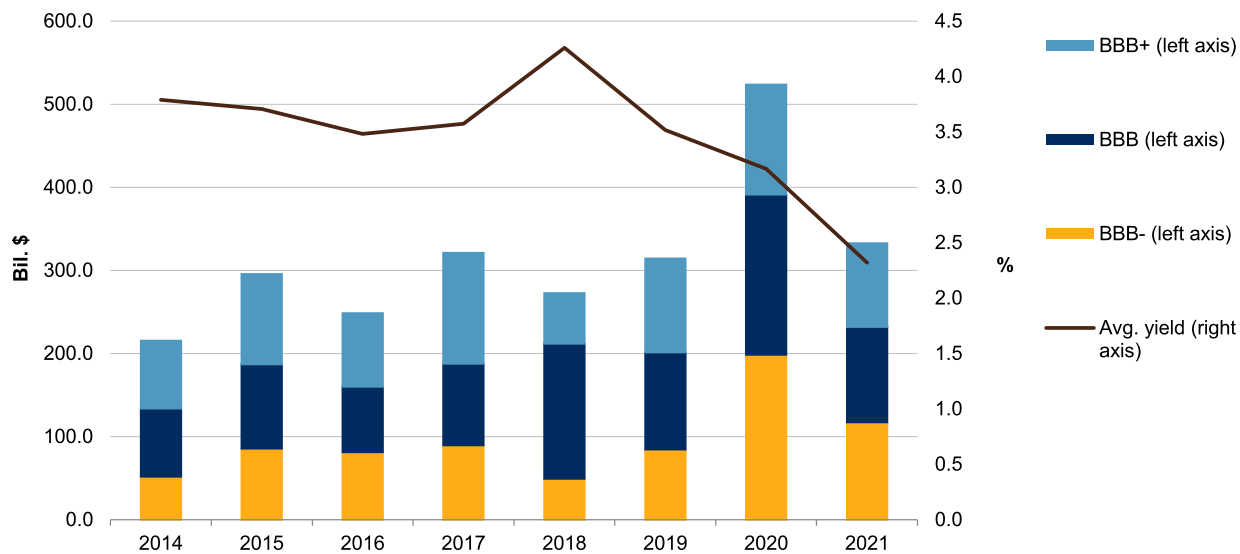


Data as of Dec. 31, 2021. Sources: S&P Global Ratings Research.
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Issuance volumes of 'BBB' category bonds from nonfinancial companies declined in 2022 by 36% in the U.S. and 24% in EMEA. But this declining volume reflected the tough comparison with unprecedented volumes in 2020. Financing conditions were by no means tamped down in 2021, with 'BBB' bond volumes exceeding 2019 volumes in both the U.S. and EMEA.

Chart 9

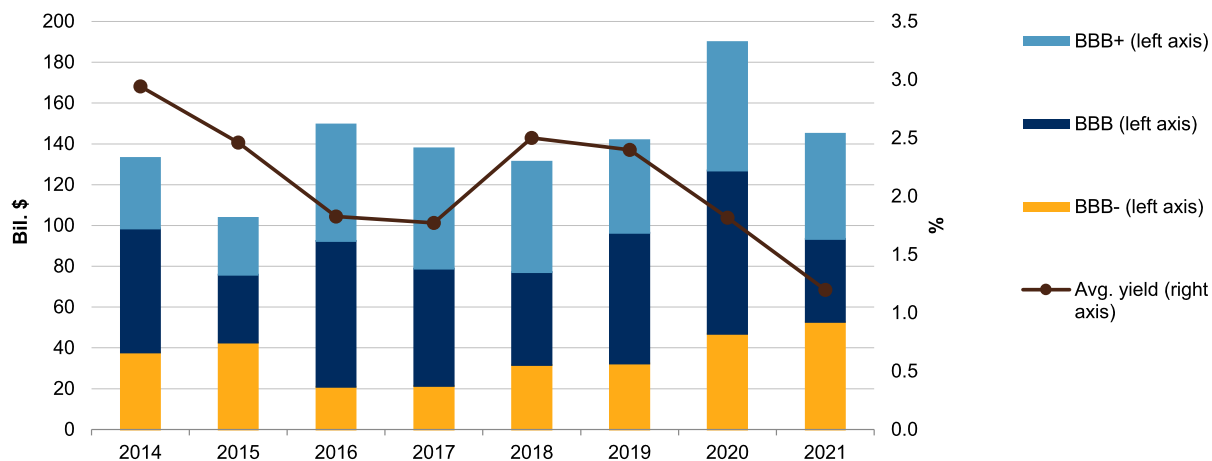
U.S. 'BBB' Bond Issuance Fell 36% In 2021



Data as of Dec. 31, 2021. Source: Refinitiv; S&P Global Ratings Research.
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Chart 10

EMEA 'BBB' Bond Issuance Fell 24% In 2021



Data as of Dec. 31, 2021. Source: Refinitiv; S&P Global Ratings Research.
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Even if the financing conditions were to turn less favorable, strategic drivers for further consolidation remain unchanged in several sectors. Companies have loosened average financial policy limits since 2020 and we note that this could continue into 2022, although this will also depend on companies' performance as they face supply chain disruptions and rising inflation. But financial policies, if loosened, could add fuel for strategic acquisitions, while potentially reducing credit quality.

Companies may be willing to stretch existing financial policies to reach for strategic deals, such as those to achieve larger scope. For example, in the case of small utilities exposed to rising gas and energy costs, we're seeing acquisitions that aim to increase scope to deal with heavy cost structures or increasing volatility.

Other strategic considerations, such as the acquisition of know-how and a skilled workforce, is becoming increasingly relevant. For instance, in the pharmaceutical industry, we expect to see continued M&A activity into 2022 due to the enormous efforts applied over the past two years into research and new patents.

Key Themes To Watch In 2022

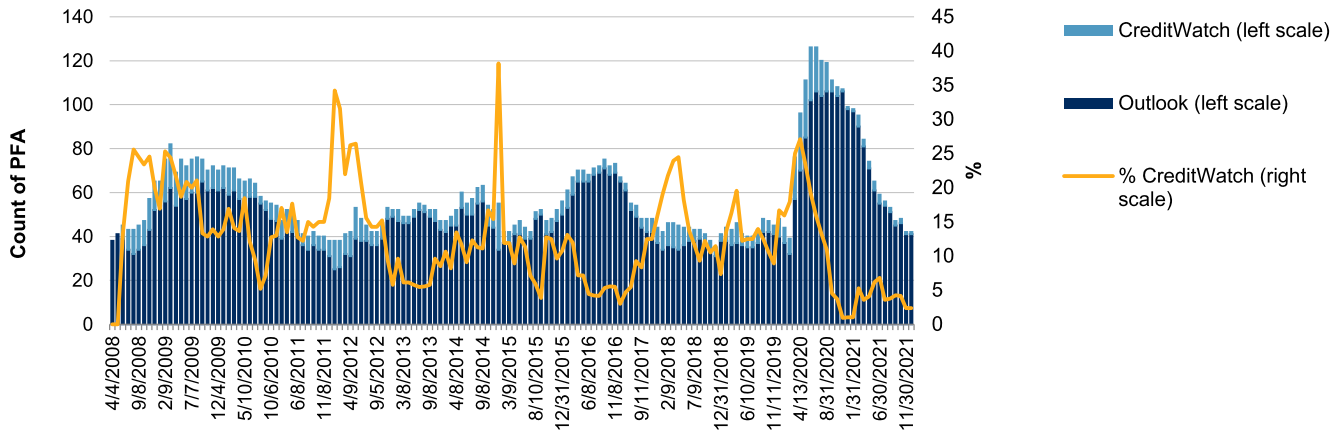
Even though we think the continued economic and business recovery will continue to support 'BBB' credit quality broadly, if history is a guide, then debt affected by fallen angel downgrades could rise more in line with long-term averages. With more than \$5.6 trillion in debt outstanding, downgrades of just 1.7% of 'BBB' nonfinancials in the U.S. and Europe would lead to a marked increase in the amount of fallen angel downgrades from 2021's low.

But even amid a potential increase in fallen angels this year, we may see fallen angels from prior years become round-trip rising stars of 2022 as the recovery takes hold across more sectors and issuers re-establish credit quality.

Appendix

Chart 11

The Number Of Potential Fallen Angels (PFA) Globally Is Back Down To The Level From Early 2019

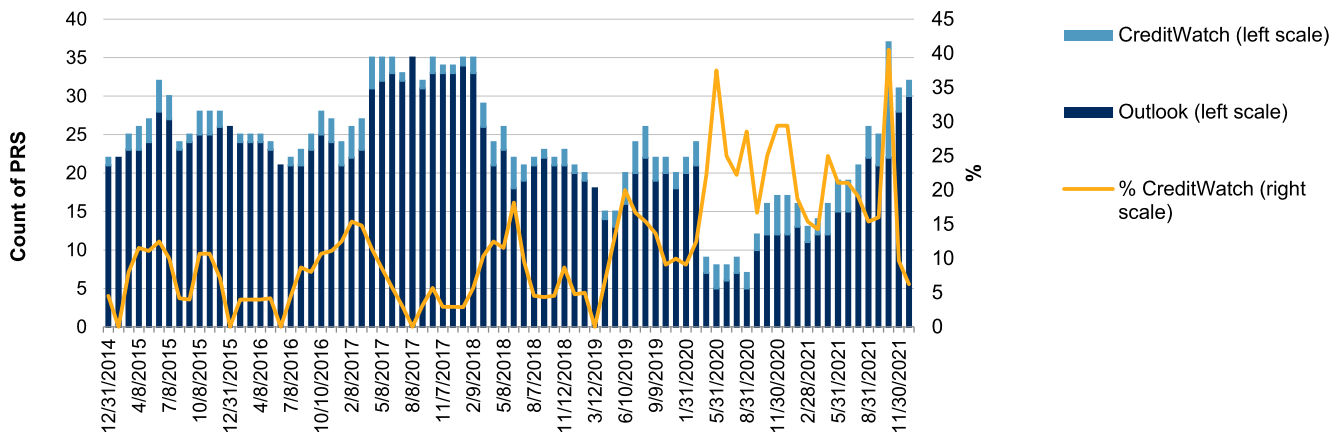


Note: Global, includes financial and nonfinancial corporate issuers. Data as of Dec. 31, 2021. Source: S&P Global Ratings Research.

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Chart 12

Potential Rising Stars (PRS) Increased To 32 In December 2021



Note: Global, includes financial and nonfinancial corporate issuers. Data as of Dec. 31, 2021. Source: S&P Global Ratings Research.

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Credit Trends: 'BBB' Pulse Quarterly: Key Themes Shaping 2022

Table 1

2021: Fallen Angels Total 23

Date	Issuer	To	From	Sector/subsector	Country	Rated debt affected (mil. \$)
2/5/2021	Hexcel Corp.	BB+	BBB-	Aerospace and defense	U.S.	700
2/17/2021	TechnipFMC PLC	BB+	BBB+	Oil and gas	U.K.	2,572
3/16/2021	Host Hotels & Resorts Inc.	BB+	BBB-	Media and entertainment	U.S.	4,750
3/25/2021	Empresa Nacional del Petroleo	BB+	BBB-	Utilities	Chile	2,480
4/2/2021	Kingdom of Morocco	BB+	BBB-	Sovereign	Morocco	8,773
4/16/2021	OCP S.A.	BB+	BBB-	Chemicals, packaging, and environmental services	Morocco	2,850
4/22/2021	G4S PLC (Allied Universal Topco LLC)	B	BBB-	Consumer products	U.K.	1,867
5/6/2021	ProAssurance Corp.	BB	BBB-	Financial institutions	U.S.	250
5/19/2021	Republic of Colombia	BB+	BBB-	Sovereign	Colombia	30,184
5/20/2021	Grupo de Inversiones Suramericana S.A.	BB+	BBB-	Diversified	Colombia	550
5/20/2021	Financiera de Desarrollo Territorial S.A. FINDETER	BB+	BBB-	Financial institutions	Colombia	500
5/20/2021	Ecopetrol S.A.	BB+	BBB-	Oil and gas	Colombia	9,850
7/26/2021	Rakuten Group Inc.	BB+	BBB-	High technology	Japan	3,726
7/26/2021	Standard Industries Inc.	BB+	BBB-	Forest products and building materials	U.S.	7,491
8/4/2021	Carpenter Technology Corp.	BB+	BBB-	Metals, mining, and steel	U.S.	700
8/13/2021	BrightSphere Investment Group Inc.	BB+	BBB-	Financial institutions	U.S.	400
8/20/2021	Resorts World Las Vegas LLC (Genting Bhd.)	BB+	BBB-	Media and entertainment	U.S.	1,750
8/20/2021	Genting New York LLC (Genting Bhd.)	BB+	BBB-	Media and entertainment	U.S.	525
9/2/2021	Entergy New Orleans, LLC (Entergy Corp)	BB+	BBB	Utilities	U.S.	325
9/10/2021	Perrigo Co. PLC	BB	BBB-	Health care	Ireland	1,200
11/3/2021	Hyatt Hotels Corp.	BB+	BBB-	Media and entertainment	U.S.	2,700
11/9/2021	Shimao Group Holdings Ltd.	BB+	BBB-	Homebuilders/real estate co.	Cayman Islands	1,000
12/3/2021	Domtar Corp.	BB	BBB-	Forest products and building materials	U.S.	3,600

Data as of Dec. 31, 2021. Fallen angels are defined as investment-grade issuers currently with bonds outstanding that have been downgraded into speculative-grade (i.e. from 'BBB-' or above, to 'BB+' or below). Includes all rated issuers with valid outstanding debt at the time of the rating action. Valid debt includes issuer level debt (both secured and unsecured), bank loans, subordinated debt, medium term notes, preferred stock, convertible debt and drawdowns under MTN programs and excludes commercial paper programs, shelf registrations, certificates of deposit, and debt rated on a confidential basis. Moreover, if a subsidiary's parent is itself a fallen angel, only the parent is counted. Source: S&P Global Ratings Research.

Table 2

2021: Rising Stars Total 33

Date	Issuer	To	From	Sector/subsector	Country	Rated debt affected (mil. \$)
1/7/2021	WPX Energy Inc.	BBB-	BB-	Oil and gas	U.S.	4,750
1/8/2021	Fiat Chrysler Automobiles N.V.	BBB-	BB+	Automotive	Netherlands	25,561
1/13/2021	Parsley Energy LLC	BBB	BB	Oil and gas	U.S.	4,750
2/1/2021	Norbord Inc.	BBB-	BB	Forest products and building materials	Canada	665
2/23/2021	Advanced Micro Devices Inc.	BBB-	BB+	High technology	U.S.	1,305
2/24/2021	Smurfit Kappa Group PLC	BBB-	BB+	Forest products and building materials	Ireland	2,125
3/18/2021	QEP Resources Inc.	BBB-	B	Oil and gas	U.S.	1,600
3/18/2021	Grupo Cementos de Chihuahua S.A.B. de C.V.	BBB-	BB+	Forest products and building materials	Mexico	260
3/30/2021	Triton International Ltd.	BBB-	BB+	Transportation	Bermuda	6,098
4/5/2021	PulteGroup Inc.	BBB-	BB+	Homebuilders/real estate co.	U.S.	2,097
4/8/2021	Shimao Group Holdings Ltd.	BBB-	BB+	Homebuilders/real estate co.	Cayman Islands	2,100
4/9/2021	MDC Holdings Inc.	BBB-	BB+	Homebuilders/real estate co.	U.S.	900
4/12/2021	Sovcomflot PAO	BBB-	BB+	Transportation	Russia	750
4/22/2021	Qorvo Inc.	BBB-	BB+	High technology	U.S.	1,550
5/6/2021	Double Eagle III Midco 1 LLC (DoublePoint Energy, LLC)	BBB	B-	Oil and gas	U.S.	550
5/26/2021	CDW Corp.	BBB-	BB+	High technology	U.S.	6,940
6/9/2021	Lennar Corp.	BBB-	BB+	Homebuilders/real estate co.	U.S.	5,000
8/20/2021	CF Industries Inc. (CF Industries Holdings, Inc)	BBB-	BB+	Chemicals, packaging, and environmental services	U.S.	3,000
8/24/2021	KION Group AG	BBB-	BB+	Capital goods	Germany	584
9/2/2021	Braskem S.A. (Odebrecht S.A.)	BBB-	BB+	Chemicals, packaging, and environmental services	Brazil	3,250
9/7/2021	Tech Data Corp.	BBB-	BB	High technology	U.S.	1,000
9/21/2021	Holding Co. Metalloinvest JSC	BBB-	BB+	Metals, mining, and steel	Russia	800
9/29/2021	Dell Technologies Inc.	BBB	BB+	High technology	U.S.	86,536
10/5/2021	Hrvatska Elektroprivreda d.d.	BBB-	BB+	Utilities	Croatia	550
10/13/2021	Gazprombank JSC	BBB-	BB+	Financial institutions	Russia	139

Table 2

2021: Rising Stars Total 33 (cont.)

Date	Issuer	To	From	Sector/subsector	Country	Rated debt affected (mil. \$)
10/20/2021	Tata Steel Ltd. (Tata Sons Pte. Ltd.)	BBB-	BB	Metals, mining, and steel	India	2,300
10/25/2021	Netflix Inc.	BBB	BB+	Media and entertainment	U.S.	15,420
11/1/2021	Cadence Bancorp. (Cadence Bancorp LLC)	BBB	BB+	Financial institutions	U.S.	85
11/8/2021	FirstEnergy Corp.	BBB-	BB	Utilities	U.S.	20,348
11/9/2021	Hologic Inc.	BBB-	BB+	Health care	U.S.	10,350
11/23/2021	Ventia Services Group Ltd.	BBB-	BB	Capital goods	Australia	3,063
12/15/2021	Alpek S.A.B. de C.V. (Alfa S.A.B. de C.V.)	BBB-	BB+	Chemicals, packaging, and environmental services	Mexico	2,050
12/16/2021	Hill-Rom Holdings Inc.	BBB	BB+	Health care	U.S.	475

Data as of Dec. 31, 2021. Rising stars are defined as speculative-grade issuers currently with bonds outstanding that have been upgraded into investment-grade (i.e. from 'BB+' and below, to 'BBB-' and above). Includes all rated issuers with valid outstanding debt at the time of the rating action. Valid debt includes issuer level debt (both secured and unsecured), bank loans, subordinated debt, medium term notes, preferred stock, convertible debt and drawdowns under MTN programs and excludes commercial paper programs, shelf registrations, certificates of deposit, and debt rated on a confidential basis. Moreover, if a subsidiary's parent is itself a rising star, only the parent is counted. Source: S&P Global Ratings Research.

Table 3

Potential Fallen Angels At 42 - Fewest Since March 2020

BBB-' rated issuers with negative outlooks or on CreditWatch with negative implications

Subsector	Issuer	CreditWatch Negative/Negative Outlook	New to the list this month	Country	Debt amount (US\$ mil.)
Financial institutions	AIB Group PLC	Negative		Ireland	7,857
Utilities	Abertis Infraestructuras S.A.	Negative		Spain	19,088
Utilities	Adani Electricity Mumbai Ltd.	Negative		India	1,000
Homebuilders/real estate companies	Altarea SCA	Negative		France	2,045
Media and entertainment	Amadeus IT Group S.A.	Negative		Spain	5,113
Consumer products	Anadolu Efes Biracilik ve Malt Sanayii AS	Negative	Yes	Turkey	1,000
Financial institutions	Argo Group International Holdings Ltd.	Negative		U.S.	275
Financial institutions	Bank of Ireland Group PLC	Negative		Ireland	9,024
Aerospace and defense	Boeing Co.	Negative		U.S.	58,623

Table 3

Potential Fallen Angels At 42 - Fewest Since March 2020 (cont.)**BBB-' rated issuers with negative outlooks or on CreditWatch with negative implications**

Subsector	Issuer	CreditWatch Negative/Negative Outlook	New to the list this month	Country	Debt amount (US\$ mil.)
Telecommunications	CAS Holding No.1 Ltd.	Negative		British Virgin Islands	3,527
Metals, mining and steel	Cameco Corp.	Negative		Canada	781
Financial institutions	China Bohai Bank Co. Ltd.	Negative	Yes	China	300
Homebuilders/real estate companies	China Jinmao Holdings Group Ltd.	Negative		Hong Kong	1,050
Utilities	Cleco Corporate Holdings LLC	Negative		U.S.	2,643
Utilities	Eesti Energia AS	Negative		Estonia	568
Homebuilders/real estate companies	First Capital Real Estate Investment Trust	Negative		Canada	1,836
Transportation	FirstGroup PLC	Negative		U.K.	708
Capital goods	Fluor Corp.	Negative		U.S.	1,668
Transportation	Go-Ahead Group PLC (The)	Watch Neg	Yes	U.K.	337
Aerospace and defense	Huntington Ingalls Industries Inc.	Negative		U.S.	2,150
Consumer products	ISS A/S	Negative		Denmark	2,386
Media and entertainment	Informa PLC	Negative		U.K.	2,709
Midstream	Inter Pipeline Ltd.	Negative		Canada	4,413
Media and entertainment	InterContinental Hotels Group PLC	Negative		U.K.	2,785
Financial institutions	Intercorp Financial Services Inc.	Negative		Peru	600
Media and entertainment	JCDecaux S.A.	Negative		France	2,215
Media and entertainment	Las Vegas Sands Corp.	Negative		U.S.	10,450
Consumer products	Li & Fung Ltd.	Negative	Yes	Bermuda	2,250
Financial institutions	Marex Group PLC	Negative		U.K.	50
Media and entertainment	Marriott International Inc.	Negative		U.S.	10,687
Consumer products	Meituan	Negative		Cayman Islands	2,000
Retail/restaurants	Metro AG	Negative		Germany	1,335
Utilities	National Gas Co. of Trinidad & Tobago Ltd. (The)	Negative		Trinidad and Tobago	400
Automotive	Nissan Motor Co. Ltd.	Negative		Japan	17,822

Table 3

Potential Fallen Angels At 42 - Fewest Since March 2020 (cont.)**BBB-' rated issuers with negative outlooks or on CreditWatch with negative implications**

Subsector	Issuer	CreditWatch Negative/Negative Outlook	New to the list this month	Country	Debt amount (US\$ mil.)
Sovereign	Republic of Trinidad and Tobago	Negative		Trinidad and Tobago	2,231
Oil and gas	SK Innovation Co. Ltd.	Negative		Korea	500
Homebuilders/real estate companies	SL Green Realty Corp.	Negative		U.S.	10,400
Utilities	Southwest Gas Holdings Inc.	Negative		U.S.	3,439
Consumer products	Steelcase Inc.	Negative		U.S.	450
Financial institutions	Tanner Servicios Financieros S.A.	Negative		Chile	356
Chemicals, packaging and environmental services	UPL Corp. Ltd.	Negative		Mauritius	1,200
Transportation	easyJet PLC	Negative		U.K.	3,068

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Table 4

Potential Rising Stars Now Include Automakers Ford, Tesla, And Volvo**'BB+' rated issuers with positive outlooks or on CreditWatch with positive implications**

Subsector	Issuer	CreditWatch Negative/Negative Outlook	New to the list this month	Country	Debt amount (US\$ mil.)
Automotive	Ford Motor Co.	Positive		U.S.	123,976
Health care	HCA Healthcare Inc.	Positive		U.S.	39,444
Consumer products	Kraft Heinz Co. (The)	Positive		U.S.	25,729
Consumer products	JBS S.A.	Positive		Brazil	15,550
Media and entertainment	Flutter Entertainment PLC	Positive		Ireland	13,759
Media and entertainment	Aristocrat Leisure Ltd.	Positive		Australia	11,157
Consumer products	Newell Brands Inc.	Positive		U.S.	7,560
Oil and gas	Continental Resources Inc.	Positive		U.S.	7,500
Sovereign	Republic of Serbia	Positive	Yes	Serbia	7,106
Financial institutions	FleetCor Technologies Inc.	Positive		U.S.	5,375

Table 4

Potential Rising Stars Now Include Automakers Ford, Tesla, And Volvo (cont.)**'BB+' rated issuers with positive outlooks or on CreditWatch with positive implications**

Subsector	Issuer	CreditWatch Negative/Negative Outlook	New to the list this month	Country	Debt amount (US\$ mil.)
Utilities	EQT Corp.	Positive		U.S.	5,260
Financial institutions	CIT Group Inc.	Watch Pos		U.S.	5,138
Metals, mining, and steel	Alcoa Corp.	Positive	Yes	U.S.	4,250
Automotive	Tesla Inc.	Positive		U.S.	2,818
Metals, mining, and steel	AngloGold Ashanti Ltd.	Positive		South Africa	2,500
Automotive	Volvo Car AB	Positive		Sweden	2,426
Homebuilders/real estate companies	Toll Brothers Inc.	Positive	Yes	U.S.	2,000
Chemicals, packaging, and environmental services	Huntsman Corp.	Positive		U.S.	1,891
Automotive	Lithia Motors Inc.	Positive		U.S.	1,750
Metals, mining, and steel	Yamana Gold Inc.	Positive		Canada	1,550
Chemicals, packaging, and environmental services	Verallia S.A.	Positive		France	1,136
Financial institutions	Texas Capital Bancshares Inc.	Positive		U.S.	1,100
Financial institutions	New York Community Bancorp Inc.	Positive		U.S.	1,040
Media and entertainment	CoStar Group Inc.	Positive		U.S.	1,000
Metals, mining, and steel	Gold Fields Ltd.	Positive		South Africa	1,000
Metals, mining, and steel	Minsur S.A.	Positive		Peru	950
Capital goods	The Weir Group PLC	Positive		U.K.	800
Financial institutions	Clipper Acquisitions Corp.	Positive		U.S.	675
Capital goods	MasTec Inc.	Positive		U.S.	600
Health care	Convatec Group PLC	Positive		U.K.	500
Homebuilders/real estate companies	Essential Properties Realty Trust Inc.	Positive		U.S.	400
Insurance	Magellan Health Inc.	Watch Pos		U.S.	400

Data as of Dec. 31, 2021. Potential rising stars are defined as issuers rated 'BB+' by S&P Global Ratings with positive outlooks or ratings on CreditWatch with positive implications, and which currently have bonds outstanding. This debt may be rated above or below the issuer credit rating. Includes all rated issuers with valid outstanding debt at the time of the rating action. Valid debt includes issuer level debt (both secured and unsecured), bank loans, subordinated debt, medium term notes, preferred stock, convertible debt and drawdowns under MTN programs and excludes commercial paper programs, shelf registrations, certificates of deposit, and debt rated on a confidential basis. Moreover, if a subsidiary's parent is itself a potential rising star, only the parent is counted. Source: S&P Global Ratings Research.

Table 5

Hypothetical Fallen Angel Scenario Risk Weights

(%)

Outlook/CreditWatch	BBB+	BBB	BBB-
Positive outlook or CreditWatch	0.00	0.00	0.00
Stable outlook	0.09	0.62	4.21
Negative outlook	1.00	3.00	20.00
Negative CreditWatch	3.00	15.00	50.00
Avg. rate downgrade to speculative grade over a 12-month horizon (2010-2021)	0.26	1.53	7.16

Source: S&P Global Ratings Research; S&P Global Market Intelligence's CreditPro®.

The recent rapid spread of the omicron variant highlights the inherent uncertainties of the pandemic as well as the importance and benefits of vaccines. While the risk of new, more-severe variants displacing omicron and evading existing immunity cannot be ruled out, our current base case assumes that existing vaccines can continue to provide significant protection against severe illness. Furthermore, many governments, businesses, and households around the world are tailoring policies to limit the adverse economic impact of recurring COVID-19 waves. Consequently, we do not expect a repeat of the sharp global economic contraction of second-quarter 2020. Meanwhile, we continue to assess how well each issuer adapts to new waves in its geography or industry.

Related Research

- Boeing Co. Reports 2021 Results, With Losses Including Large 787 Delays Charge , Jan. 27, 2022
- Ford Motor Co. And Subsidiary Ratings Affirmed; Outlook Revised To Positive On Improved Cash Flow Prospects In 2022-2023, Nov. 18, 2021
- Netflix Inc. Upgraded To 'BBB' From 'BB+' On Improving Margins And Positive Cash Flow Expectations, Outlook Stable, Oct. 25, 2021
- Tesla Inc. Upgraded To 'BB+' On Solid Demand Prospects And Robust Financial Metrics; Outlook Positive, Oct. 22, 2021

This report does not constitute a rating action.

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