Global Credit Markets Update Q3 2025

Resilience Wavers As Speculative-Grade Pressure Builds

July 31, 2025

S&P Global Ratings

This report does not constitute a rating action

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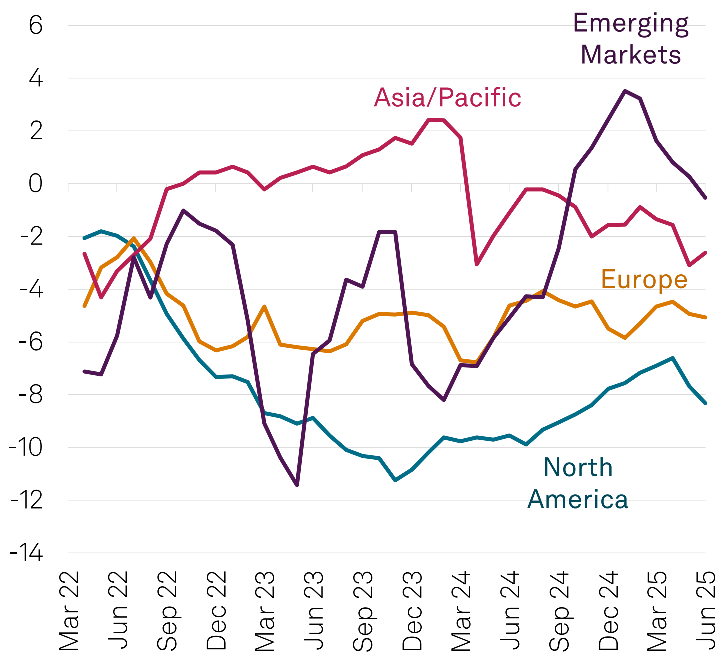
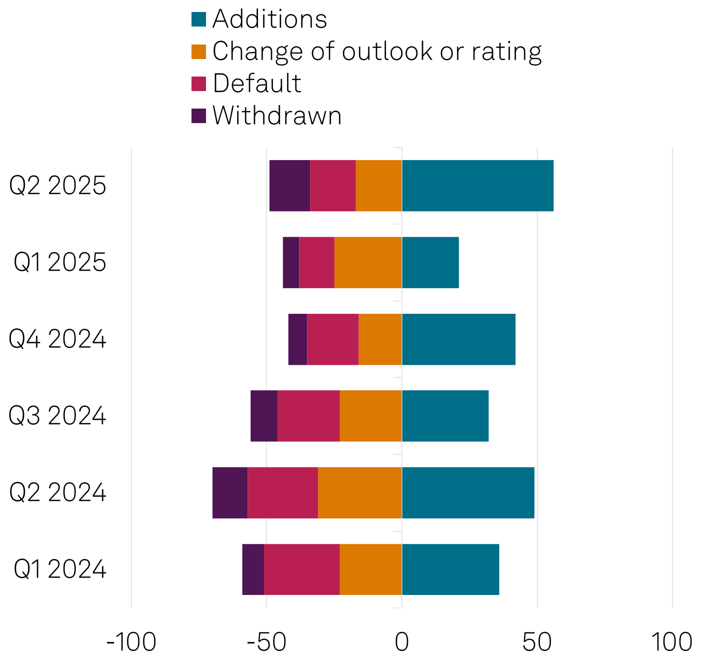
Outlook for third quarter 2025

Forward-looking indicators show growing pressure among lower-rated issuers despite market optimism

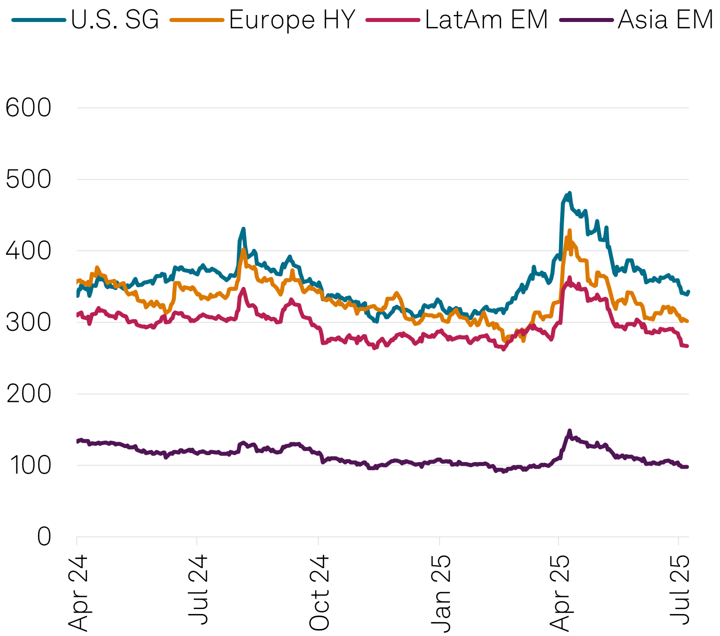
Net bias trends are deteriorating (%)



Weakest links on the rise (no.)



SG spreads tightened since April peak

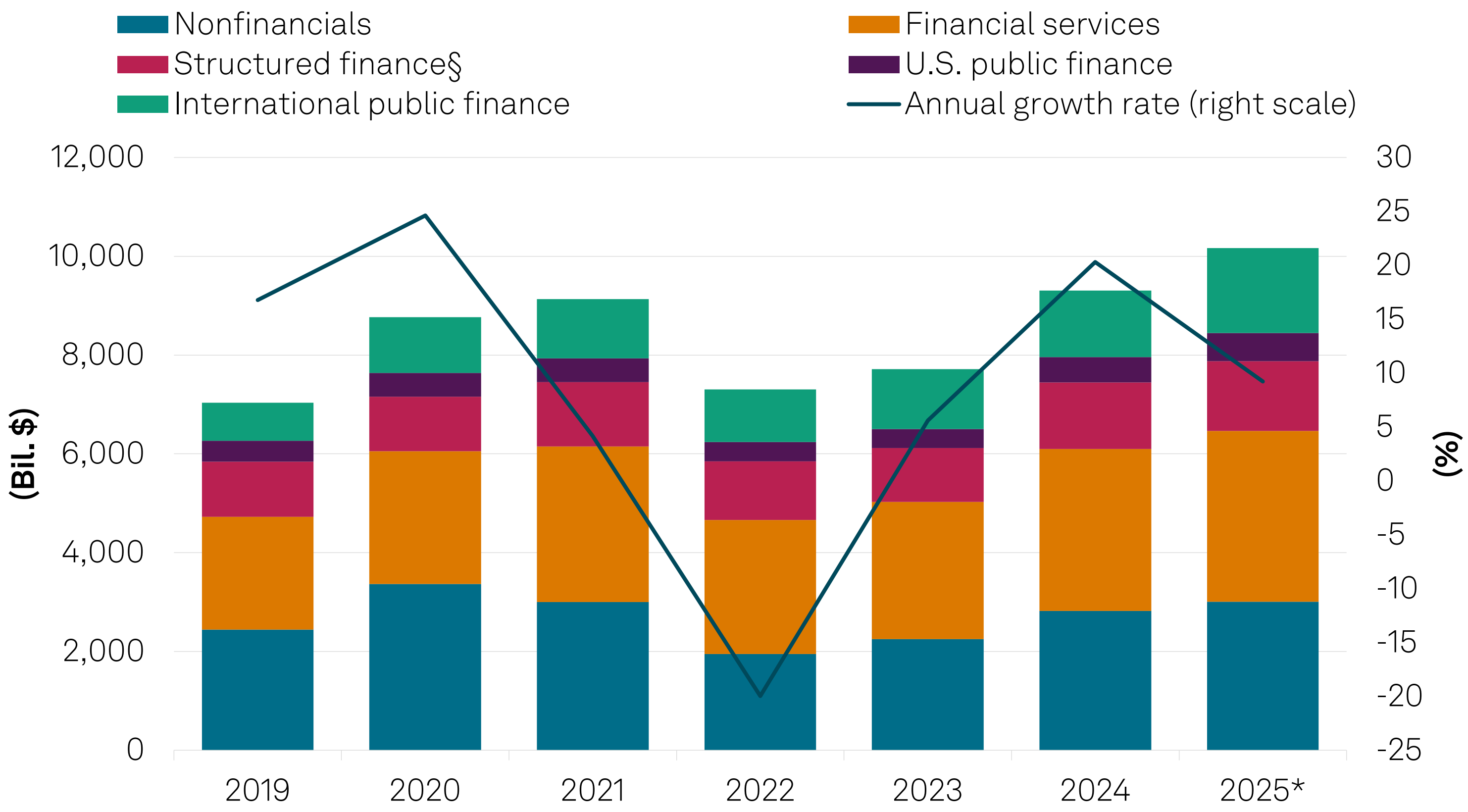


Left chart: Data as of Jun 30, 2025. Excludes sovereigns. Net bias is positive bias minus negative bias. Negative bias is the share of issuers with ratings that either have negative outlooks or are on CreditWatch with negative implications. Positive bias is the share of issuers with ratings that either have positive outlooks or are on CreditWatch with positive implications. EM--Emerging markets. Middle chart: Weakest links and speculative-grade data as of Jun. 30, 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. Right chart: As of Jul. 8, 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.

Issuance and refinancing risk

Global financing conditions | Issuance may grow despite market uncertainty

Historical global issuance and forecast



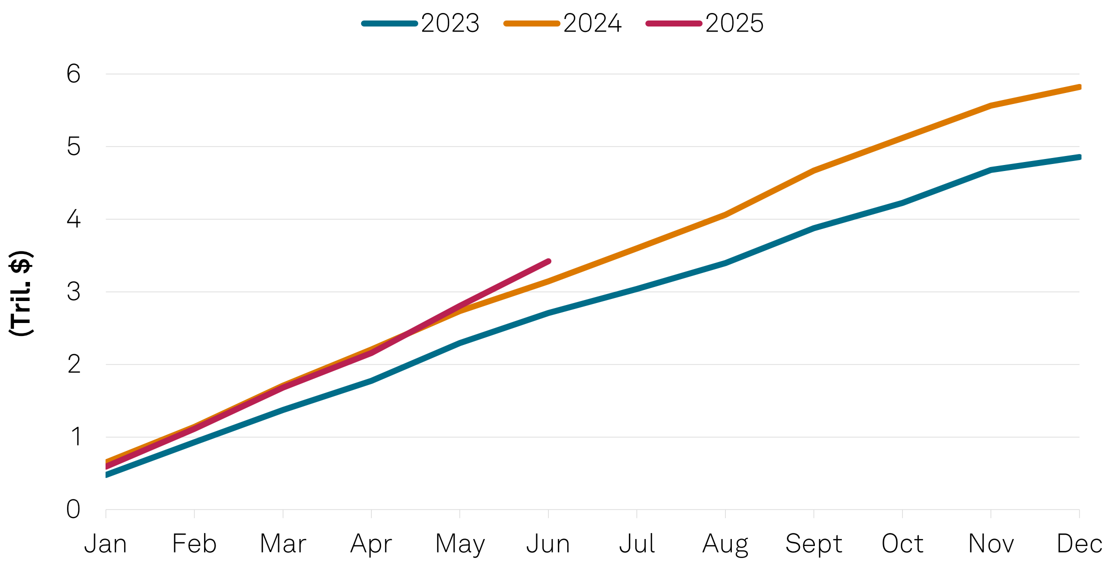
*Full-year forecast. §Structured finance excludes transactions that the originator retained in full, domestically rated Chinese issuance, and collateralized loan obligation resets and refinancings. Sources: Dealogic, Refinitiv, S&P Global Ratings Credit Research & Insights.

- Tariff pauses have boosted market sentiment from very low levels of early April.
- Despite much uncertainty, the pauses have provided windows of opportunity for issuance, likely allowing full-year totals to post modest growth over 2024 (projected range of 4% to 15%).
- If the tariff situation maintains the trajectory that we've seen over the second quarter, final issuance levels could approach our optimistic cases.

Refinancing risk | Near-term speculative-grade maturities appear manageable

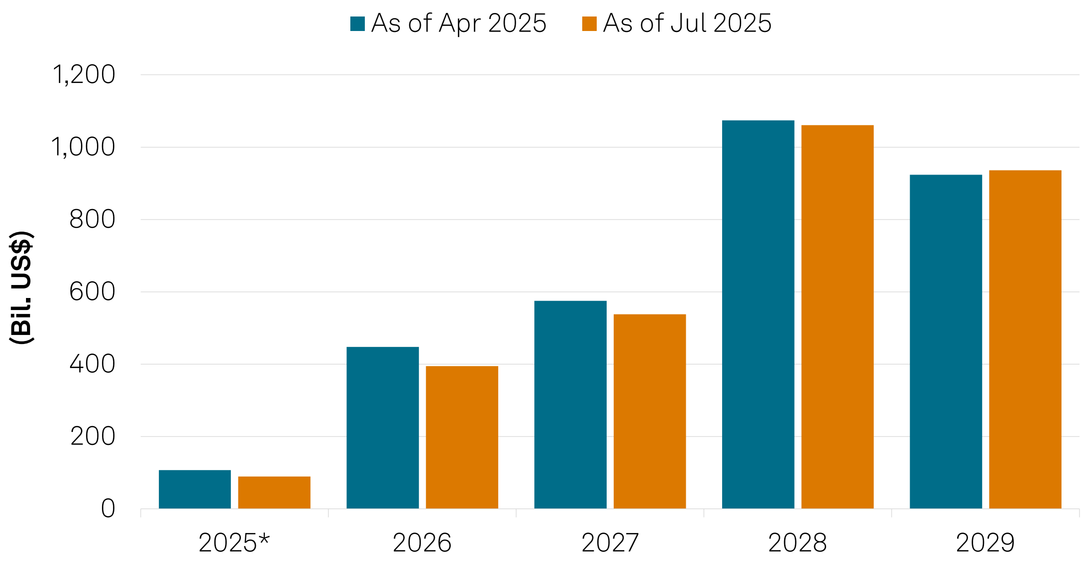
- Corporate issuance kept pace in the first half of 2025, supported by investment-grade issuance whereas speculative-grade bond issuance trailed 2024 volumes.
- Speculative-grade issuers refinanced debt maturing through 2026 during Q2, resulting in manageable near-term maturities. However, they are rising quickly and are set to peak in 2028.

Bond issuance over H1 2025 was strong thanks to IG



Data as of July 22, 2025. Includes financial and nonfinancial corporate bonds rated by S&P Global Ratings. IG--Investment grade. Sources: Refinitiv, S&P Global Ratings Credit Research & Insights.

Speculative-grade maturities escalate swiftly through 2028

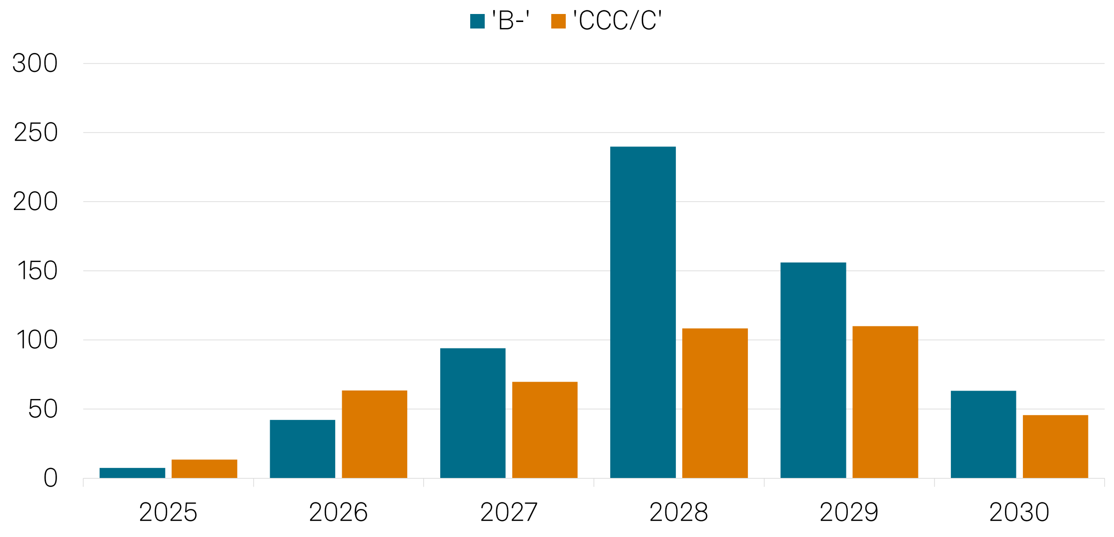


Data as of Jul. 1, 2025. Includes financial and nonfinancial corporates' bonds, loans, and revolving credit facilities that are rated 'BB+' or lower by S&P Global Ratings. *Data for 2025 includes maturities from July 1 to Dec. 31, 2025. Source: S&P Global Ratings Credit Research & Insights.

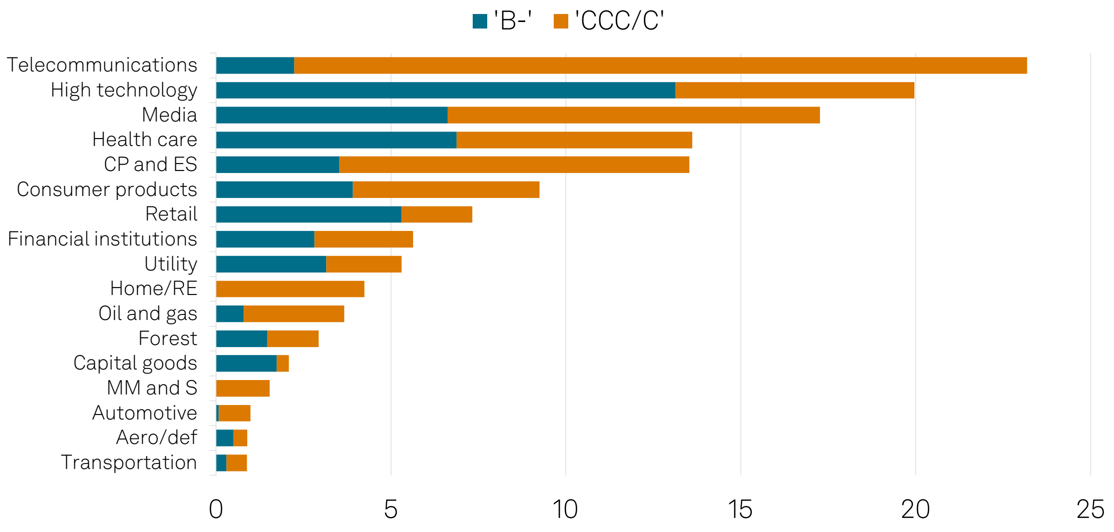
Refinancing risk | Building up among lowest-rated issuers

- Through December 2026, lower-rated debt remains a refinancing risk globally as maturities in the ‘CCC’ to ’C’ rating category exceed those rated ‘B-’ .
- Near-term maturities rated ‘CCC’ to ’C’ are concentrated in the following sectors: telecommunications, media & entertainment, and chemicals packaging and environmental services.

Annual maturities rated CCC/C exceed ‘B-’ through 2026 (bil. US$)



Lowest-rated maturities through 2026 are highly concentrated by sector (bil. US$)



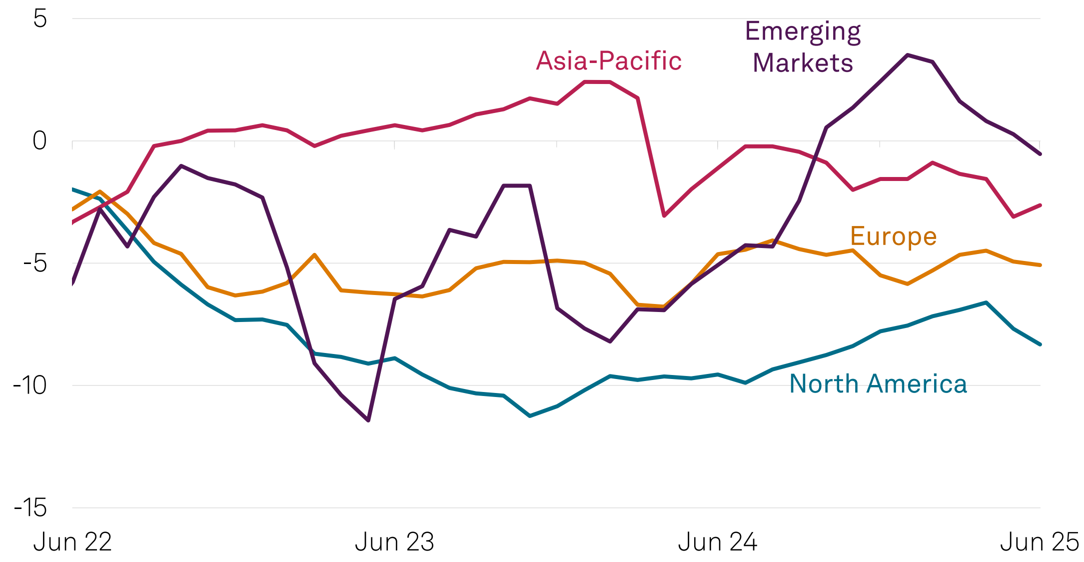
Data as of Jul. 1, 2025. Includes nonfinancial corporate issuers' speculative-grade bonds, loans, and revolving credit facilities that are rated ‘B-’ and lower by S&P Global Ratings. Chart on the right shows global speculative-grade nonfinancial corporate debt maturing Jul. 1, 2025, through Dec. 31, 2026. Excludes debt instruments that do not have a global scale rating. Foreign currencies are converted to U.S. dollars at the exchange rate on Jul. 1, 2025. Aero/def--Aerospace and defense. CP and 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 and S--Metals, mining, and steel. NBFI--Nonbank financial institutions. Retail--Retail/restaurants Source: S&P Global Ratings Credit Research & Insights.

Credit rating trends

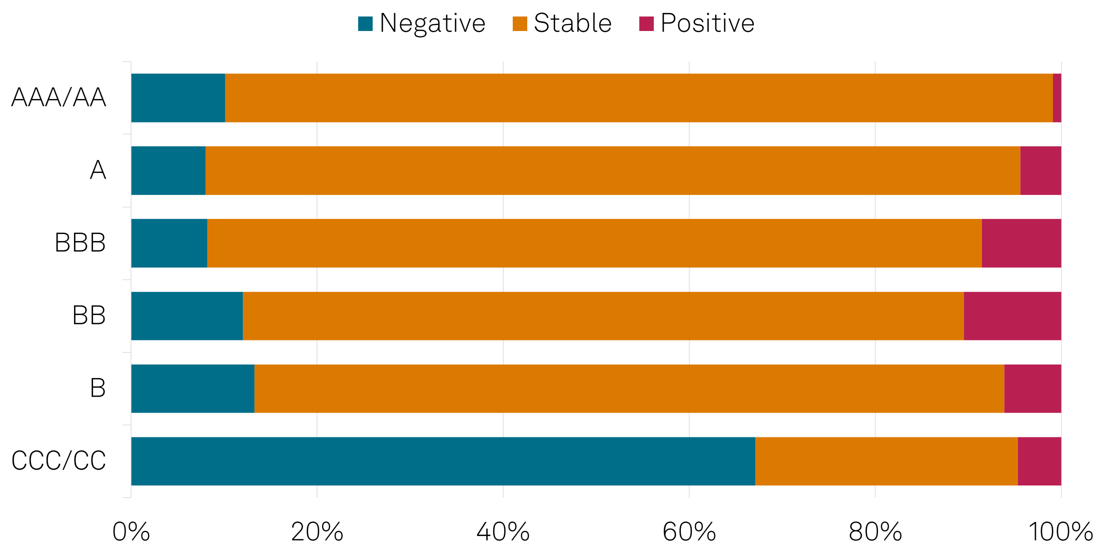
Regional trends | Regional net bias trends turn negative

- Second-quarter net bias trends were negative across all regions. Emerging markets declined the most (-2.2 percentage points, ppt), followed by North America (-1.4 ppt).
- The share of issuers on negative outlook edged up for speculative-grade issuers in Q2 compared with Q1. On average, close to 70% of issuers remain on stable outlook compared with close 75% a quarter earlier.

Net bias deteriorated across all regions last quarter, %



Negative bias concentrated at 'CCC' ratings and below, %

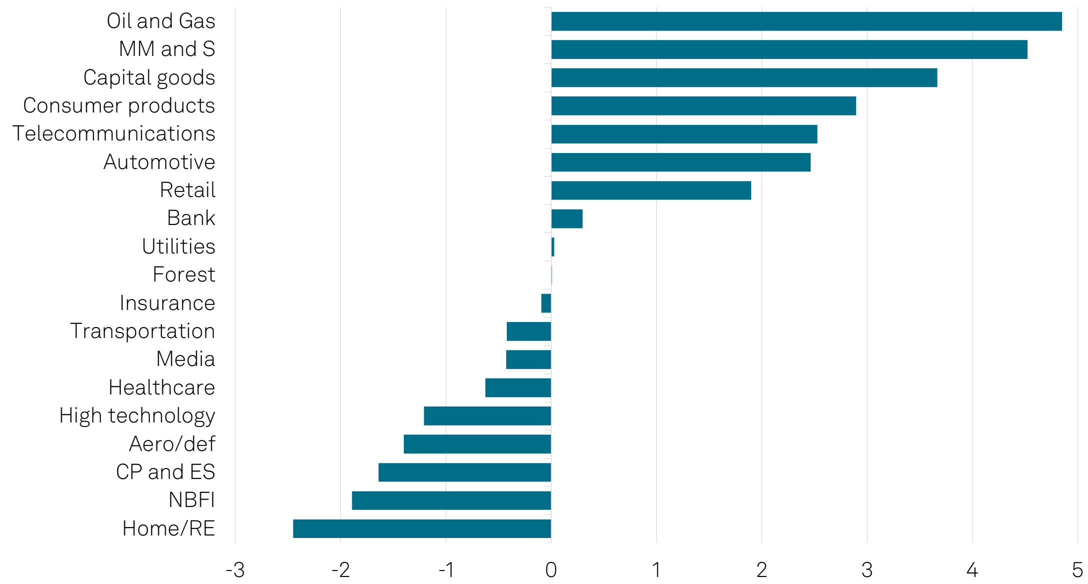


Data as of Jun. 30, 2025. Excludes sovereigns. Net bias is positive bias minus negative bias. Negative bias is the share of issuers with ratings that either have negative outlooks or are on CreditWatch with negative implications. Positive bias is the share of issuers with ratings that either have positive outlooks or are on CreditWatch with positive implications. Emerging Markets consist of Argentina, Brazil, Chile, China, Colombia, Nigeria, Mexico, India, Indonesia, Malaysia, Thailand, Philippines, Egypt, Peru, Vietnam, Saudi Arabia, South Africa, and Turkiye. To ensure better regional alignment, we have incorporated minor adjustments to the country composition of Europe starting from Jul. 1, 2025. Nigeria and Egypt join EM-18, while Poland and Hungary are excluded due to their reclassification under European markets. Source: S&P Global Ratings Credit Research & Insights.

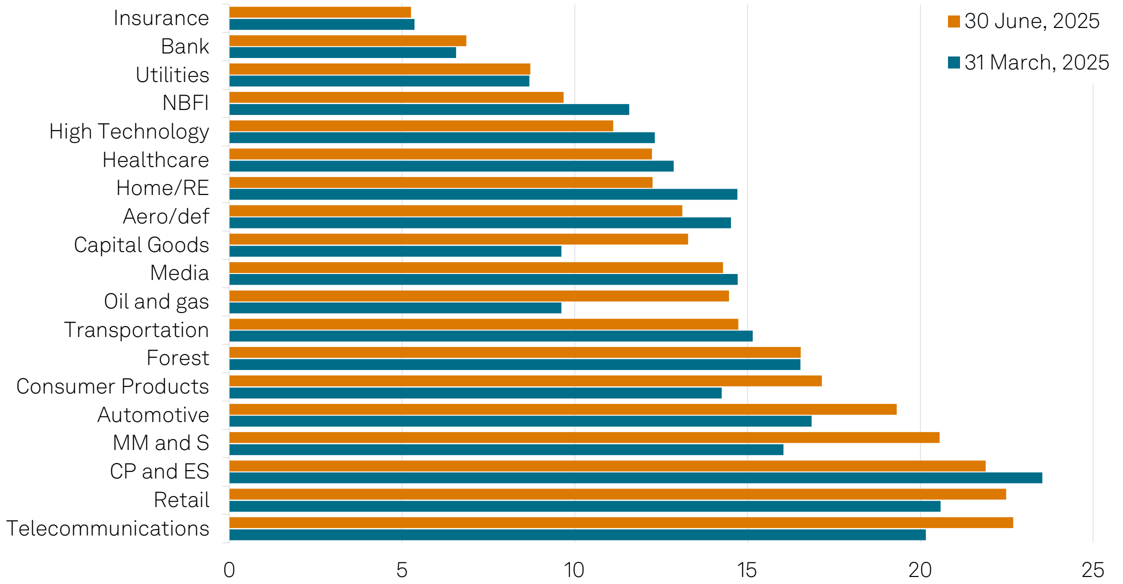
Negative bias trends | Negative bias soared for commodities companies in Q2

- In the second quarter, the telecommunications sector had the highest negative bias at 22.7%, ousting chemicals, packaging, and environmental services (21.9%), which had maintained the top spot for two consecutive quarters.
- The oil and gas sector had the largest increase in negative bias in Q2, rising by 4.9ppt to 14.5%. The metals, mining, and steel sector followed with a 4.5ppt rise to 20.6%. The homebuilders and real estate sector had the largest decline, falling by 2.5ppts to 12.3%.

Negative bias climbed in oil and gas sector in Q2 (%)



Telecom overtakes chemicals with highest negative bias (%)

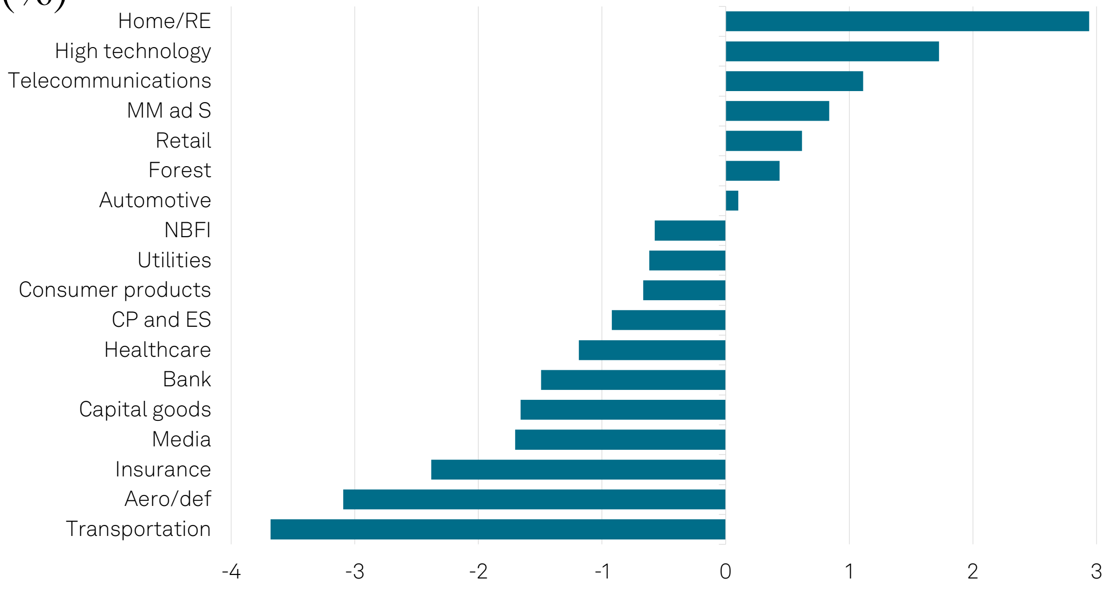


Data as of Jun. 30, 2025. Includes financials and nonfinancial corporates. Negative bias is the share of issuers with negative outlooks or ratings on CreditWatch negative. Note: The chart on the left shows quarter-over-quarter percentage point changes in negative bias. Aero/def--Aerospace and defense. CP and 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 and S--Metals, mining, and steel. NBFI--Nonbank financial institutions. Retail--Retail/restaurants. Diversified excluded. Source: S&P Global Ratings Credit Research & Insights.

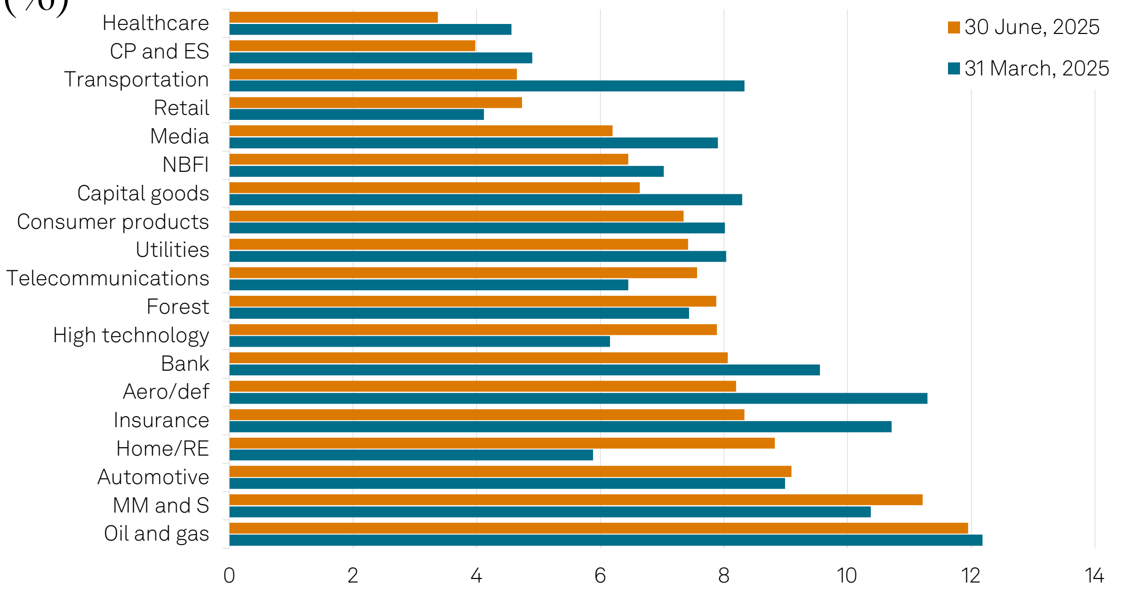
Positive bias trends | Positive bias recedes across sectors

- Positive bias declined across most sectors in the second quarter, reversing the trend seen in Q1 2025. The transportation sector experienced the largest drop in positive bias, -3.7 ppt to 4.7%.
- The homebuilders and real estate sector had the highest QoQ rise in positive bias--up 2.9ppts, to 8.8%. This was largely due to positive outlook revisions or CreditWatch positive placements in the U.S. and Europe due to M&A activity and secular.

Positive bias decreased in majority of the sectors in Q2 (%)

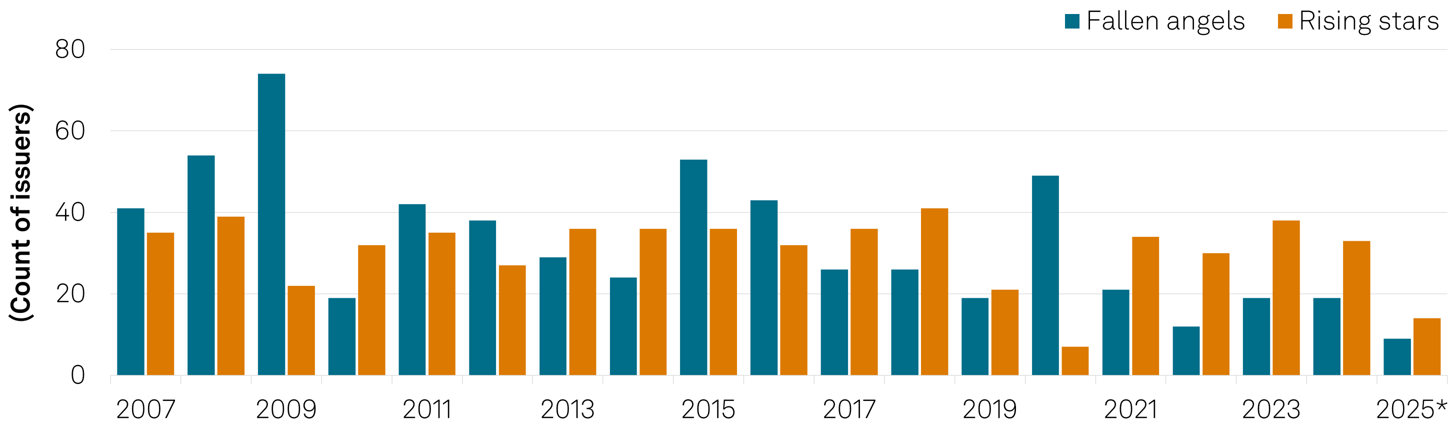


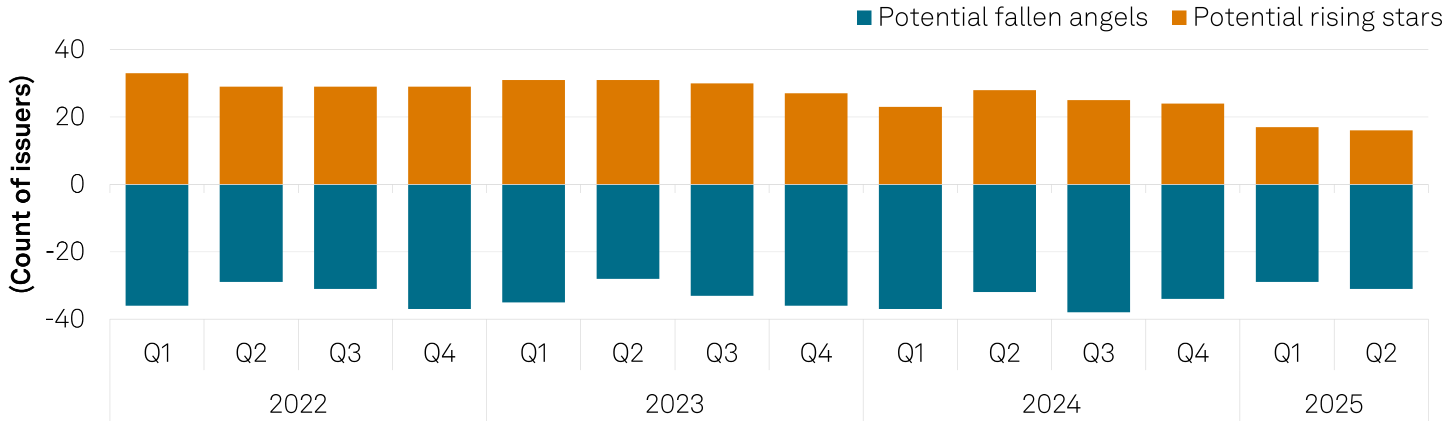
Transportation had the largest decrease in positive bias in Q2 (%)



Data as of Jun. 30, 2025. Includes financials and nonfinancial corporates. Positive bias is the share of issuers with positive outlooks or ratings 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 and 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 and S--Metals, mining, and steel. NBFI--Nonbank financial institutions. Retail--Retail/restaurants. Diversified excluded. Source: S&P Global Ratings Credit Research & Insights.

Rising stars and fallen angels | Rising stars pip fallen angels in Q2



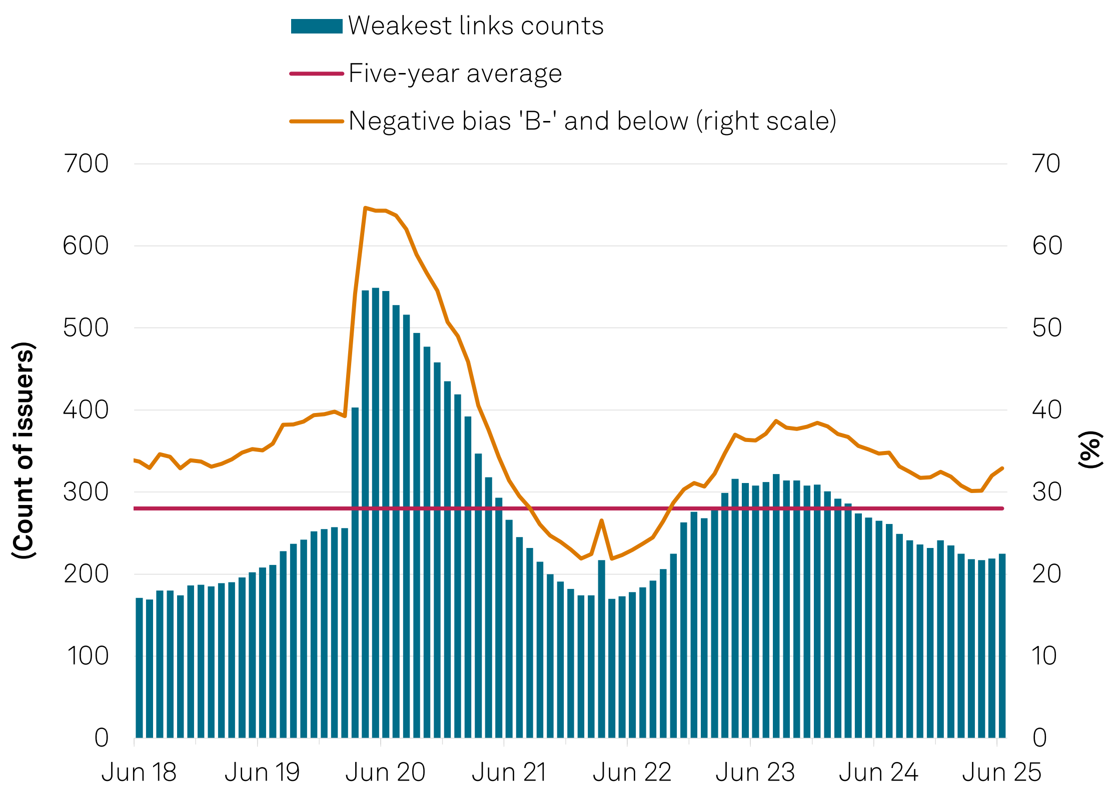


Data as of Jun. 30, 2025. Data exclude sovereigns and 11 Russian, or Russia-related, entities that were fallen angels in March 2022 and whose ratings were subsequently withdrawn in compliance with EU sanctions. Source: S&P Global Ratings Credit Research & Insights.

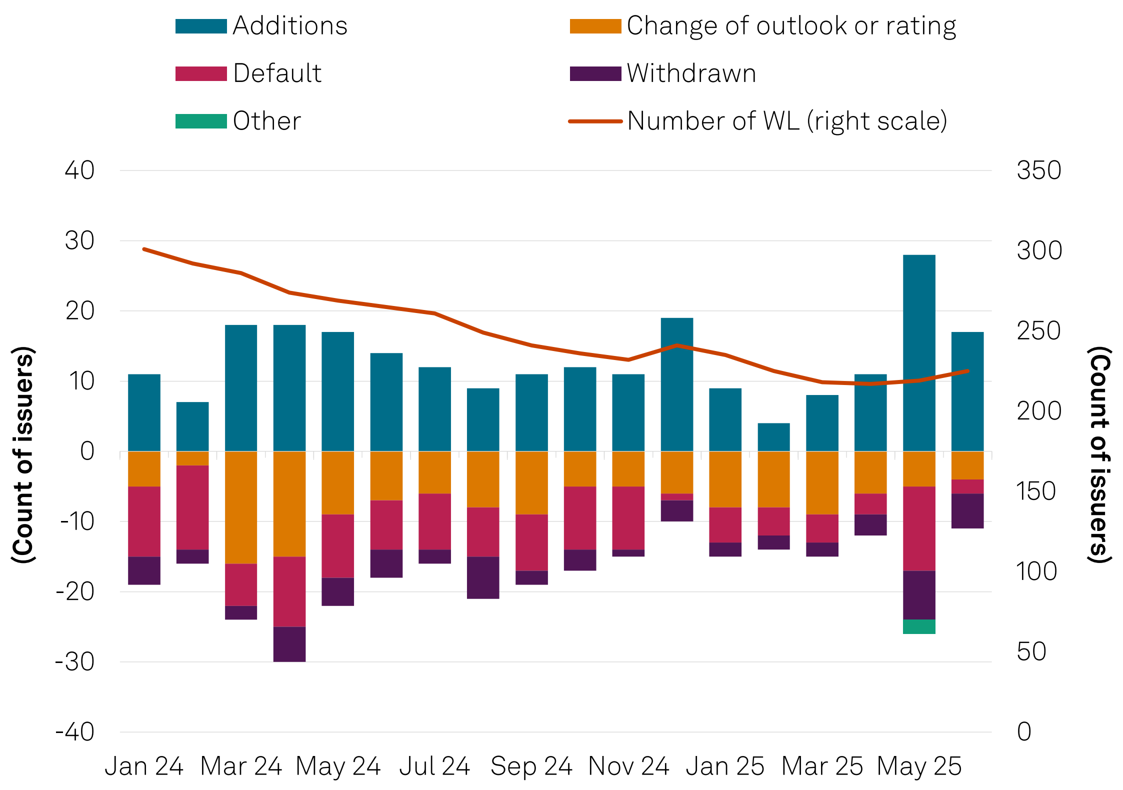
- Rising stars (six) outpaced fallen angels (five) by one in the second quarter of 2025.
- The chemicals, packaging and environmental services sector led rising stars with two. U.S.-based consumer packaging company Berry Global Group Inc recorded the largest rising star rated debt so far in 2024.
- There were five new fallen angels last quarter, bringing the total to nine as of end-Q2. Two were from Europe and three from the U.S. The largest, by rated debt volume, was Warner Bros. Discovery Inc.
- The number of potential rising stars has steadily declined since June 2024, falling for the fourth consecutive quarter. Potential fallen angels are still nearly double potential rising stars.

Weakest links | Quarterly additions highest since start of 2024

Pushed higher in Q2 but below long-term averages



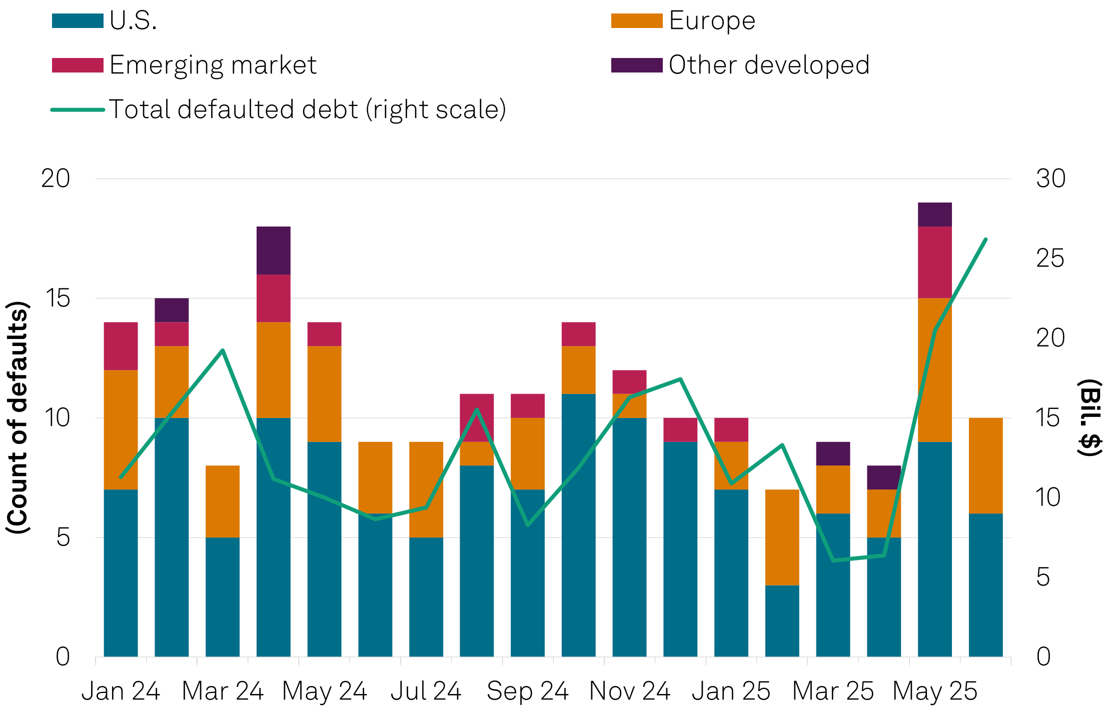
Defaults, withdrawals continue to lead WL removals



Weakest links and speculative-grade data as of Jun. 30, 2025. Weakest links are issuers rated 'B-' or lower with negative outlooks or on CreditWatch negative. WL--Weakest link.
Sources: S&P Global Market Intelligence's CreditPro, S&P Global Ratings Credit Research & Insights.

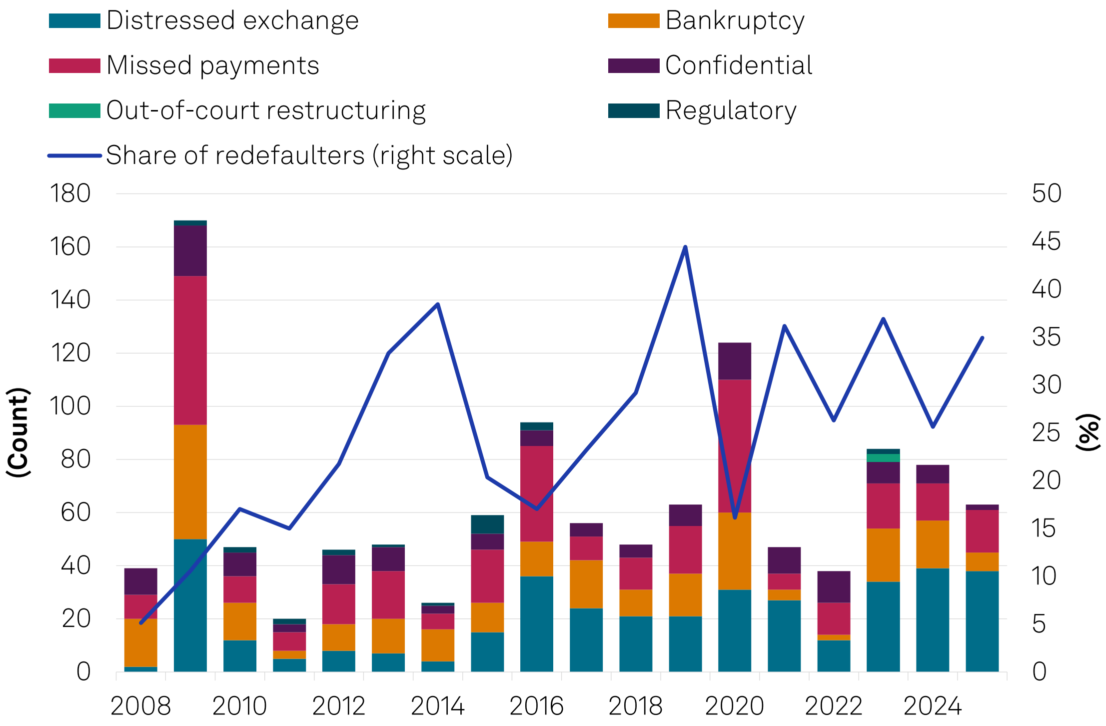
Corporate defaults | Default count and debt rise sharply in Q2

Defaulted debt surged to $53 billion in second quarter, led by defaults in June



Data as of June 30, 2025. Data has been updated to reflect confidential issuers. Defaulted debt is the volume of debt upon which the issuer defaulted at the issuer level. Defaulted debt includes debt in foreign and local currency. Other developed region includes Australia, Canada, Japan, and New Zealand. Default counts may include confidentially-rated issuers. Source: S&P Global Ratings Credit Research & Insights.

Distressed exchanges remain leading cause of 2025 defaults

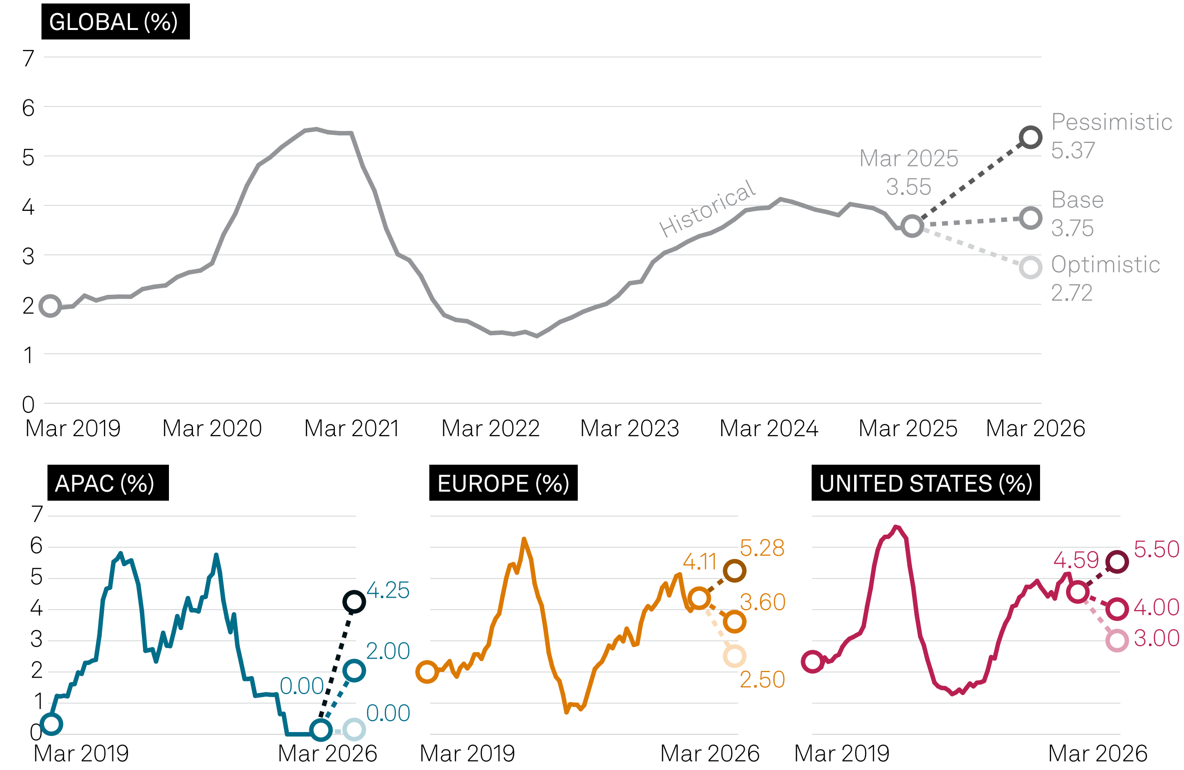


Data as of Jun. 30, 2025. Year-to-date defaults. Data has been updated to reflect confidential issuers. Re-defaulters - issuers defaulting more than once. Source: S&P Global Ratings Credit Research & Insights.

Default rates | Rate of speculative-grade defaults to rise by March 2026

Global default rate expected to increase by March 2026

Trailing-12-month speculative-grade rates and forecast



Data as of Jun. 30, 2025. APAC--Asia-Pacific. Data as of Mar. 31, 2025, for Asia-Pacific default rate. Forecasts are as of March 2026.
Sources: S&P Global Market Intelligence's CreditPro, S&P Global Ratings Credit Research & Insights

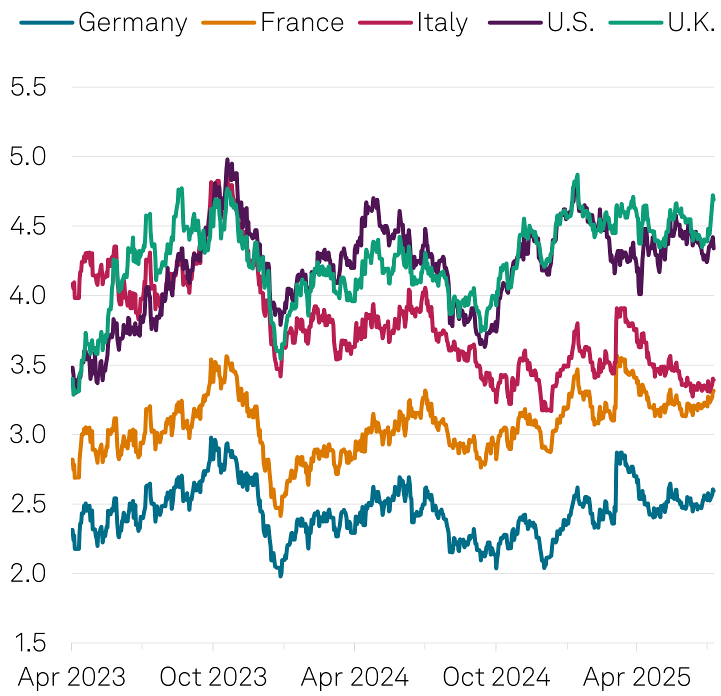
- We expect the global speculative-grade default rate to rise to 3.75% through March 2026, from 3.25% as of March 2025. We base this projection on our various regional default forecasts, which are being influenced by the tariff situation and the risks and uncertainties associated with tariffs.
- With much of the speculative-grade cohort reliant on consumer spending, downside risks prevail, and increased delinquency rates and a prolonged period of high interest rates across multiple credit channels could erode consumer confidence in the face of tariff uncertainties.
- For now, the main risk to our baseline assumptions is if current pauses result in much higher tariff levels. This would have a direct and indirect impact on many speculative-grade borrowers and their industries.

Financing conditions

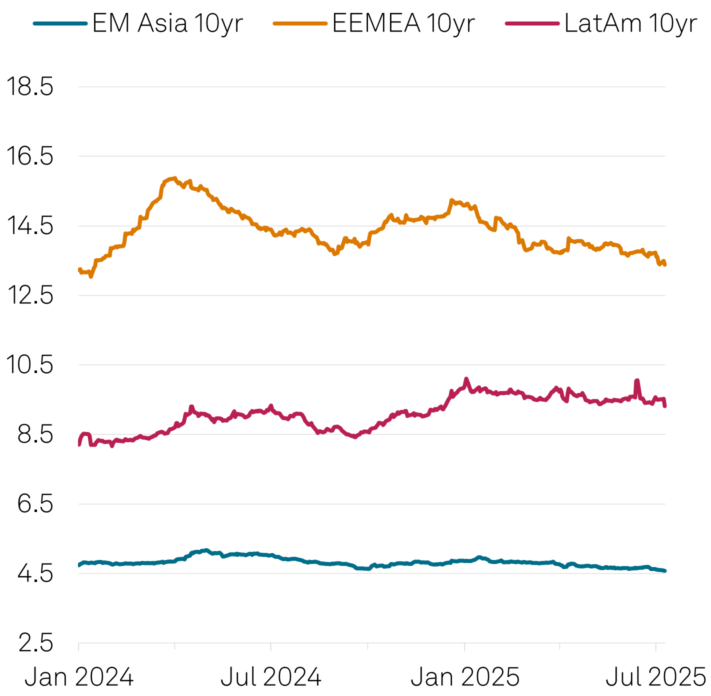
Financing conditions | Corporate yields have fallen from spring peak

Corporate yields have eased, especially at the lower end, as benchmark yields somewhat stabilize

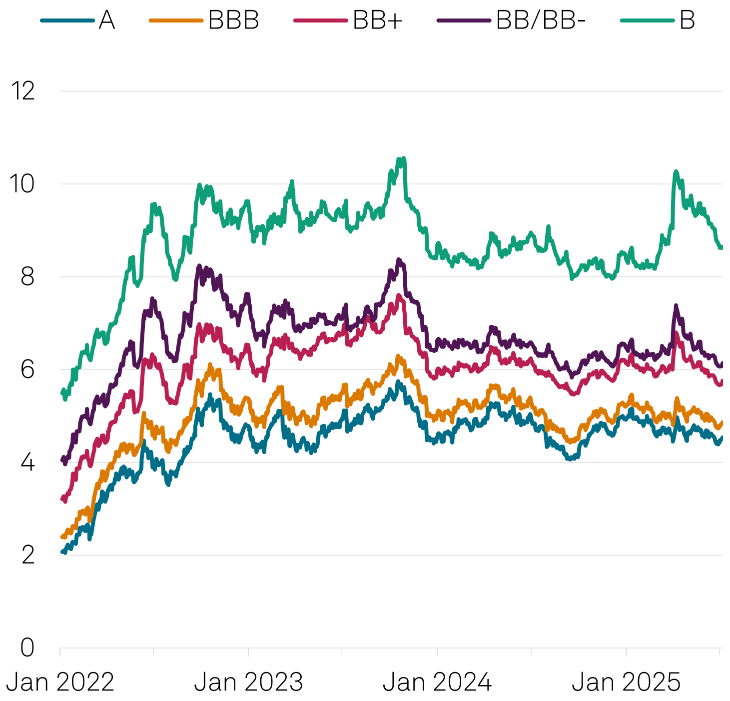
Developed market benchmark yields
(%)



Emerging market benchmark yields
(%)



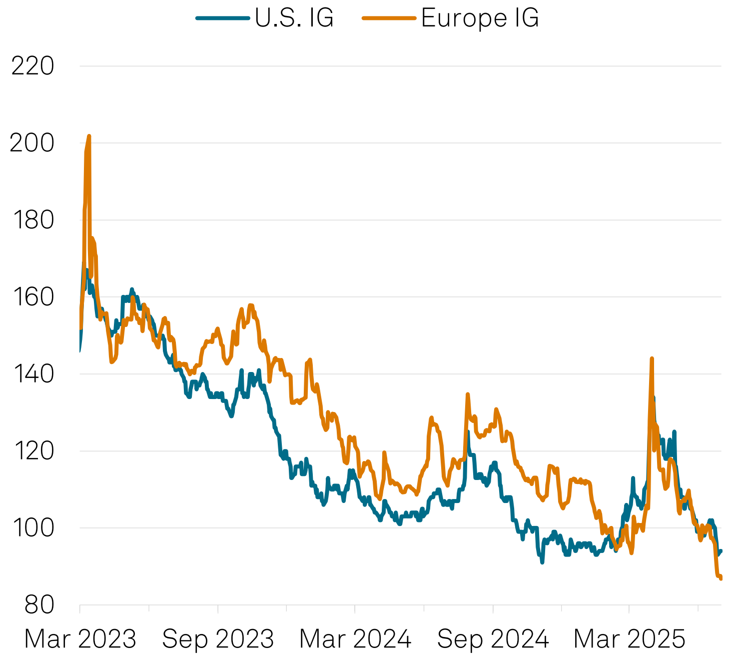
Corporate yields by rating
(%)



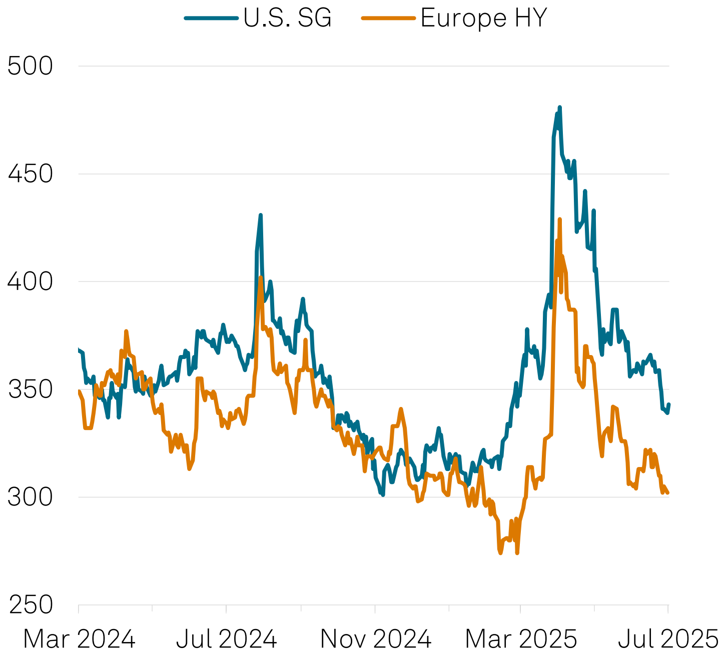
Data as of Jul. 09, 2025. Left chart: 10-year benchmark yields for developed countries. Source: S&P Capital IQ Pro. Middle chart: Regional averages of 10-year benchmark yields. LatAm--Average 10-year yield for Brazil, Mexico, Colombia, Chile, and Peru. EM Asia--Average 10-year yield for India, Indonesia, Thailand, Philippines, Vietnam, and Malaysia. EEMEA--Average 10-year yield of Nigeria, South Africa, Egypt. Sources: S&P Capital IQ Pro, Refinitiv, Datastream. Right chart: Corporate US$ 10-year yields by ratings. Source: S&P Global Ratings Credit Research & Insights.

Financing conditions | Tightening spreads reflect market optimism

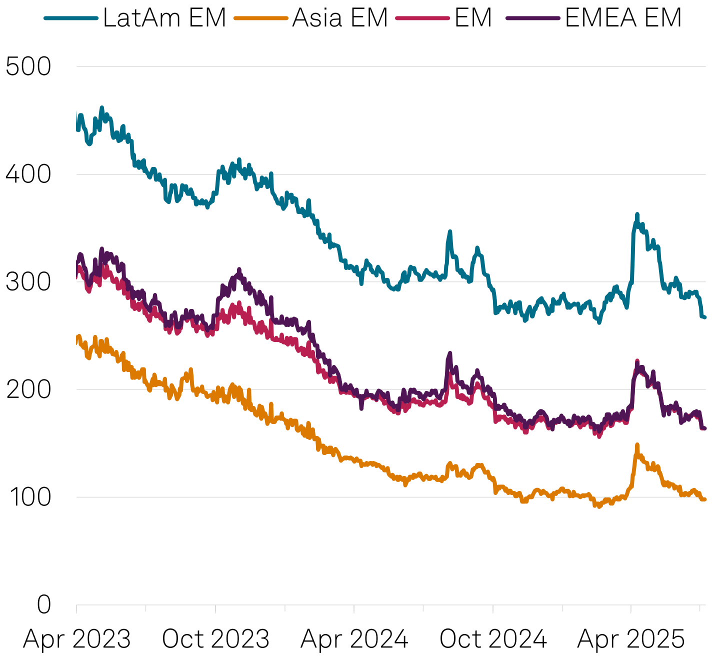
IG spreads touch multi-year lows
(bps)



High-yield spreads tightening over Q2
(bps)



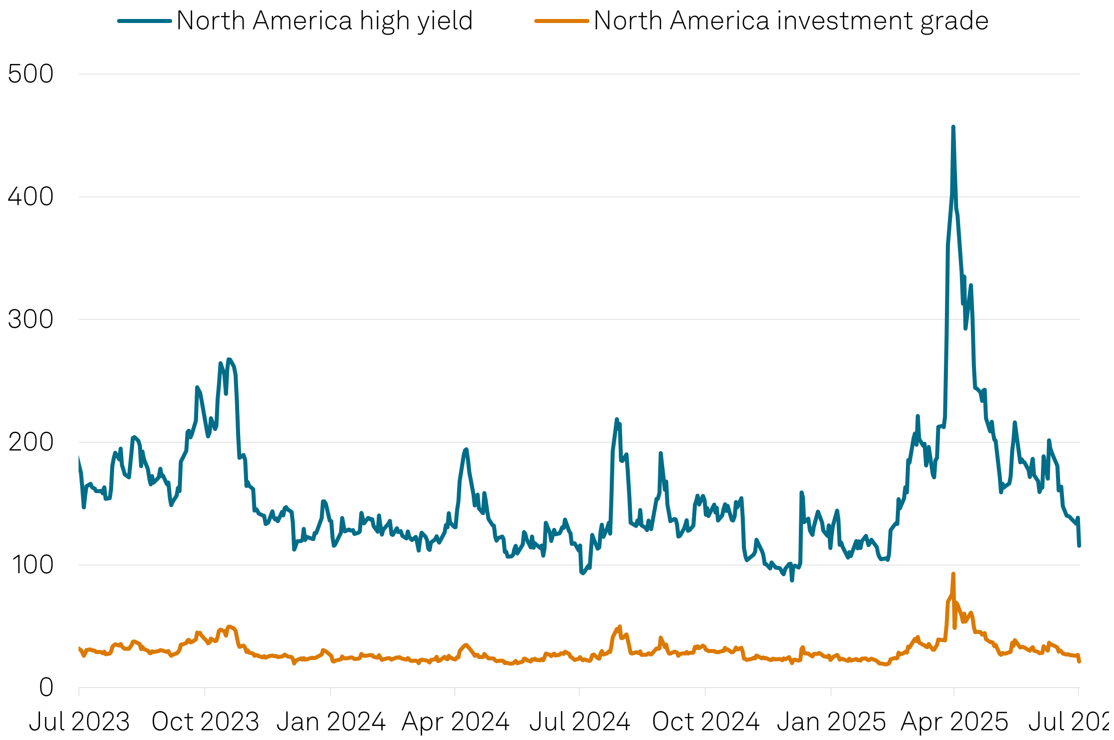
EM spreads in tightening mode
(bps)



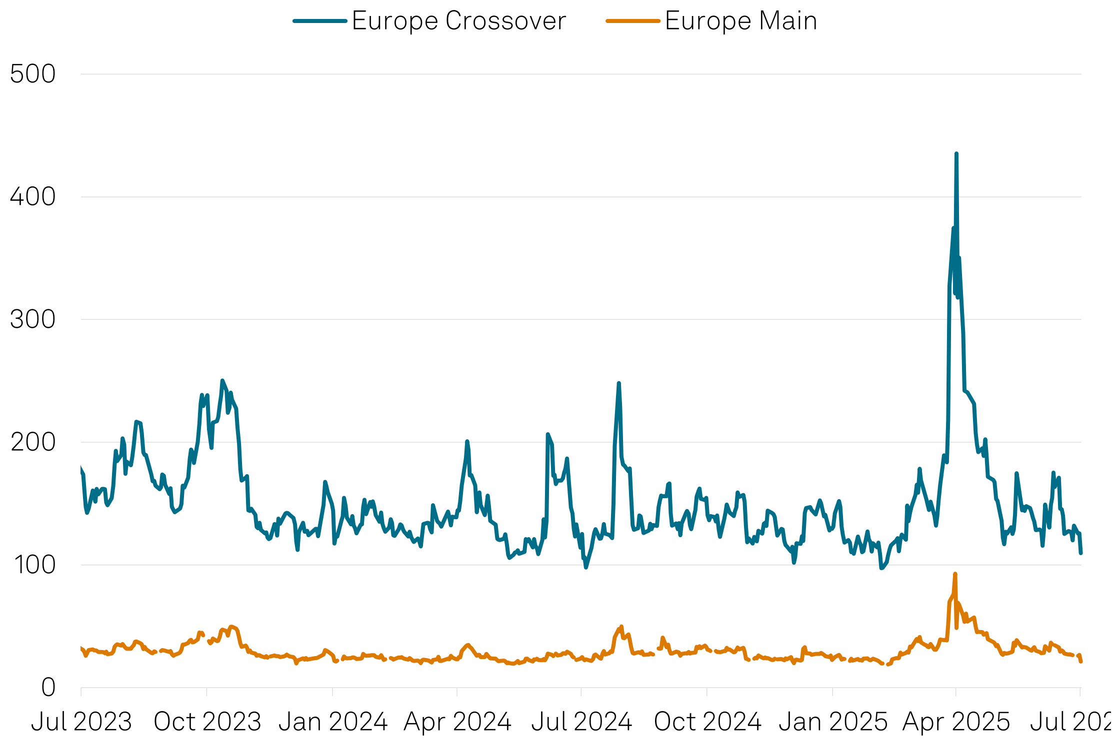
As of Jul. 8, 2025. IG--Investment grade. SG--Speculative grade. HY--High yield. bps--Basis points. LatAm--Latin America. EM--Emerging markets. Sources: FRED (for Asia EM, LatAm EM, EM, EMEA EM and Europe HY data); S&P Global Market Intelligence (for Europe IG data); S&P Global Ratings Credit Research & Insights.

Financing conditions | Volatility drops as credit VIX falls to five-month low

North America 1-month Credit VIX



Europe 1-month Credit VIX

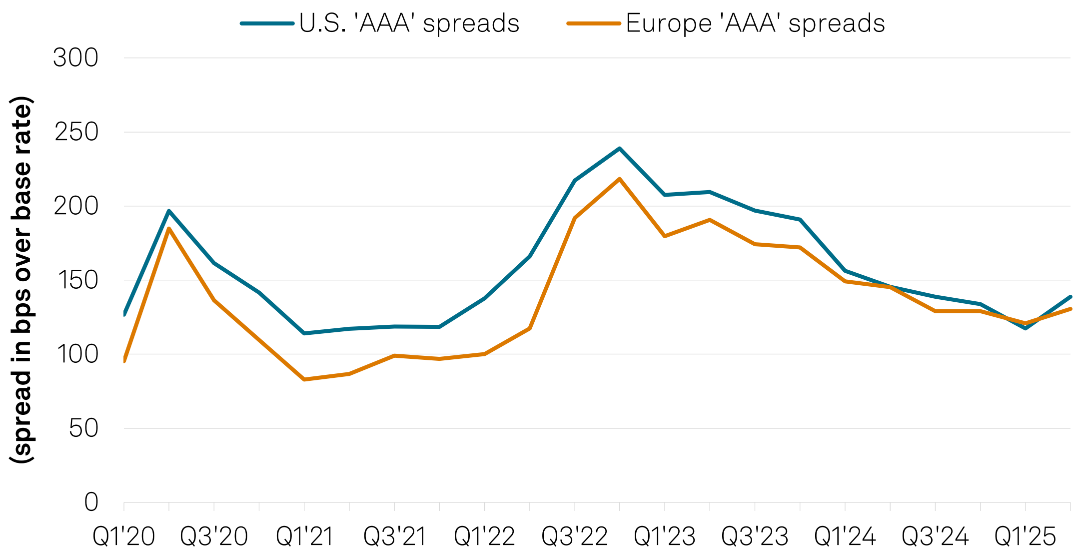


Data as of Jul. 9, 2025. Note: Europe Crossover--ITraxx/Cboe Europe Crossover 1-Month Volatility Index (BP Volatility); Europe Main--ITraxx/Cboe Europe Main 1-Month Volatility Index (BP Volatility); NA HY--CDX/Cboe NA High Yield 1-Month Volatility Index (BP Volatility); NA IG--CDX/Cboe NA Investment 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.

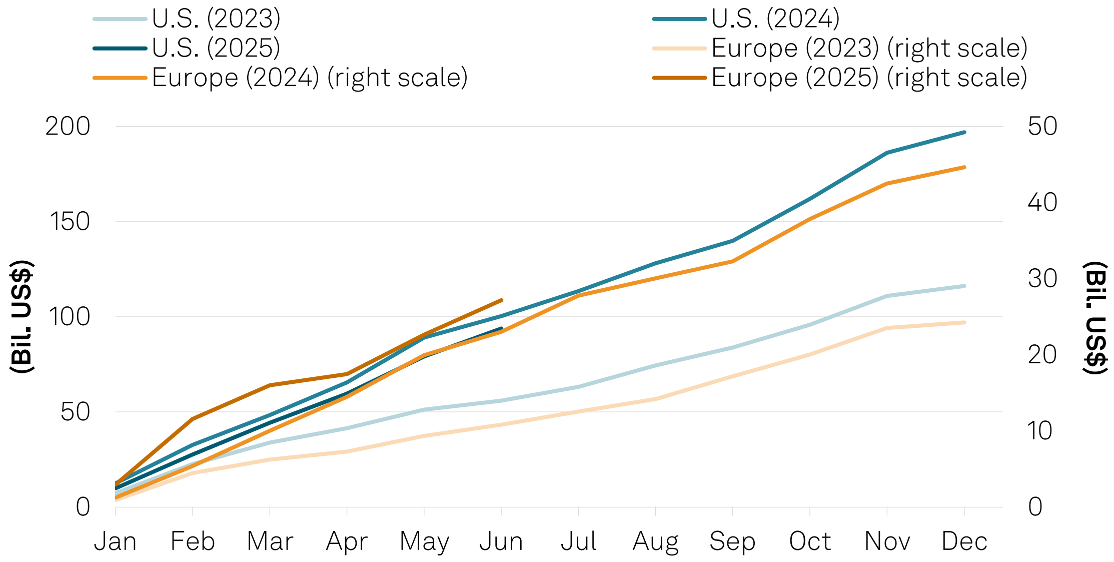
Financing conditions | European CLO Issuance reaches record highs

- European collateralized loan obligation (CLO) issuance remained at record levels ($34.7 billion) through the first half. Despite falling 30% from the previous quarter, issuance remains up 18% year-over-year. U.S. CLO issuance is slightly below last year's pace through the second quarter (-6%) though it saw a 12% uptick quarter-over-quarter.
- After falling each quarter for the past two years, U.S. and European BSL 'AAA' spreads over benchmarks widened in the second quarter. U.S. spreads climbed 17 basis points (bps) to 137bps while European spreads rose 12bps to 134bps.

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



European CLO volumes reach new heights



Data as of June 30, 2025. Spreads represent the average new issue broadly syndicated loan 'AAA' spread with a reinvestment period of four years or greater, and a non-call period of 1.5 years or greater. CLO--Collateralized loan obligation. BSL--Broadly syndicated loan. Sources: Creditsights, Exchange rate: S&P Capital IQ Pro.

Related research

Credit markets and ratings performance | Latest research

- Credit Trends: Global Financing Conditions: Tariff Climbdown And Persistent Optimism Could Support Over $10 Trillion In 2025 Issuance, July 30, 2025
- Global Refinancing: A Weaker U.S. Dollar Widens Regional Divergences Of Debt Maturities, July 30, 2025
- Default, Transition, and Recovery: Monthly Defaulted Debt Surged To $26 Billion In June, July 18, 2025
- CreditWeek: How Are Ratings Performing Amid Tariff-Related Uncertainty?, July 17, 2025
- ESG In Credit Ratings Q2 2025: Negative Actions Still Dominant As Rating Activity Falls 30%, July 16, 2025
- Emerging Markets Monthly Highlights: Solid First-Half Of 2025, But Downside Risks Persist, July 16, 2025
- Global Tariff Tracker: Rating Actions As Of July 11, 2025, July 15, 2025
- Ratings Performance Insights Q2 2025: Slowdown Signals, July 15, 2025
- Default, Transition, And Recovery: 2024 Annual Greater China Corporate Default And Rating Transition Study, July 6, 2025
- Default, Transition, and Recovery: 2024 Annual Global Leveraged Loan CLO Default And Rating Transition Study, July 2, 2025
- Global Credit Conditions Q3 2025: Bending, Not Breaking, June 30, 2025
- Default, Transition, and Recovery: The Asia-Pacific Speculative-Grade Default Rate Could Rise To 2% By March 2026, June 12, 2025

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