Credit Benchmark®

Quarterly Credit Outlook Q1 2023

Latest Data Suggests Gradual but Broad Decline

April 2023

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The credit optimism of early 2023 has faded as higher interest rates bite. Hopes for a soft landing centred on slowing inflation and an end to rate hikes, but the growing impact of current interest rate levels has blindsided markets: depositor fright at Treasury bond losses pushed 40-year-old Silicon Valley Bank into insolvency in 40 hours. Mark-to-market interest-sensitive losses for the global banking system may be in the low $trillions[1].

Post-2008 regulations established a safer group of global banking giants, but created a fertile environment for an enormous shadow banking industry which now includes insurance companies, various funds (hedge, mutual, pension, private equity, venture capital, sovereign wealth, ETFs, CLOs) and speciality lenders; plus the entire crypto industry which, at its peak, issued nearly 23,000 mini-currencies, some with their own exchanges and quasi-banks.

As interest payments have risen and resets loom, the shadow banking ecosystem has buckled; leaving some participants stuck with illiquid and possibly valueless assets. A flight to quality by depositors has hit smaller traditional banks hard, and more industry consolidation seems inevitable.

The financial sector is globally connected so problems can be highly contagious. Compared with 2008, Governments are now more prepared to follow Kindleberger's advice[2] – ensuring system liquidity to allow an orderly de-leveraging.

But Credit Suisse shows that even the largest, well-regulated banks are not immune – traditional corporate borrowers face higher rates, less credit availability, tougher loan to value terms and difficult rollovers. If business defaults keep rising, more bank capital is needed to absorb the shocks.

Swap markets increasingly expect an end to Fed hikes and even a rate cut this year. But the Fed may be trying to avoid that through the Bank Term Funding Programme ("BTFP") that underwrites redemption values for high quality bonds held by banks for a year. Other Central Banks may adopt a similar approach if necessary. The ECB claim that banking system stability is possible without abandoning the fight against inflation – code for further rate hikes even if their banks spend some time on state life support.

The Economist summarizes the policy dilemma: *"Alongside this generosity [i.e. the BTFP] lies an uncomfortable truth. To squeeze inflation out of the economy, the Fed needs to make lenders nervous, loans expensive, and businesses risk-averse."*

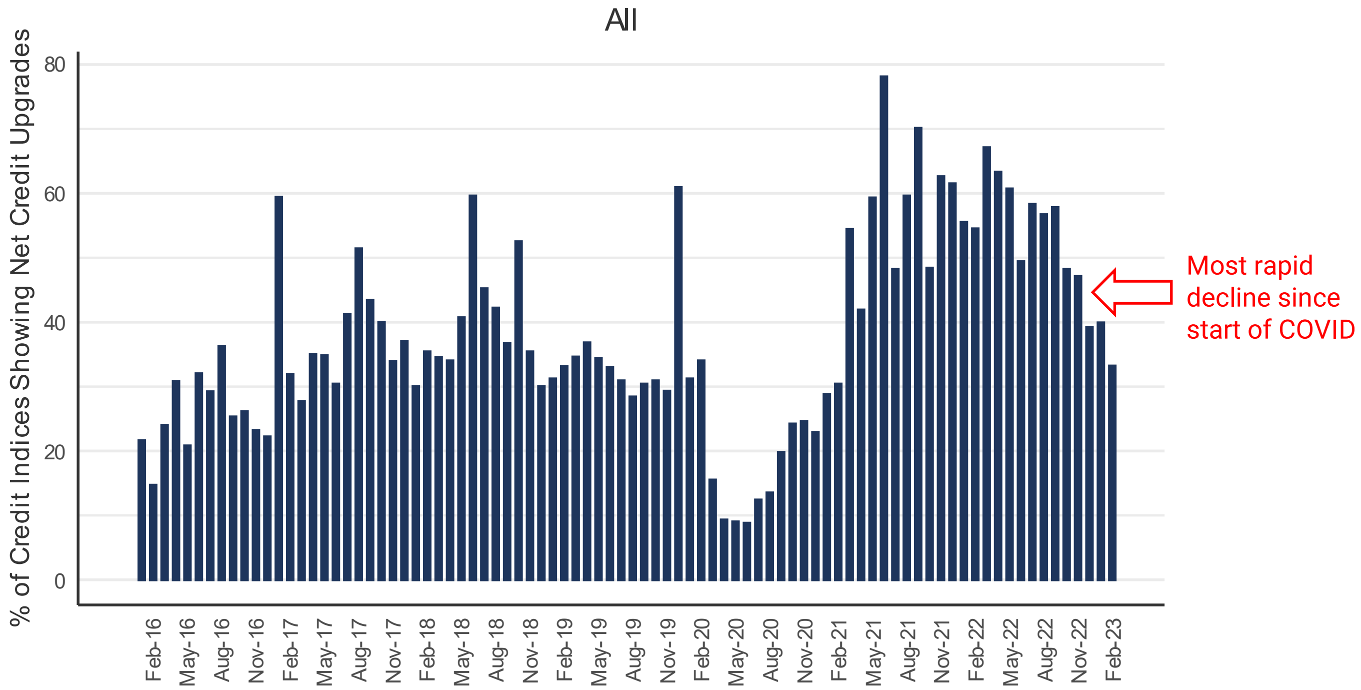
In addition to the usual global corporate roundup, this report puts a major focus on credit risks in the global financial sector, including some insight into the usually opaque shadow banking system.

It also includes a CCI chartbook showing upgrade/downgrade balances for selected Credit Benchmark credit indices.

[1] "The prop-up job", The Economist, March 18th 2023
[2] "Manias, Panics and Crashes", 1978, Charles P. Kindleberger

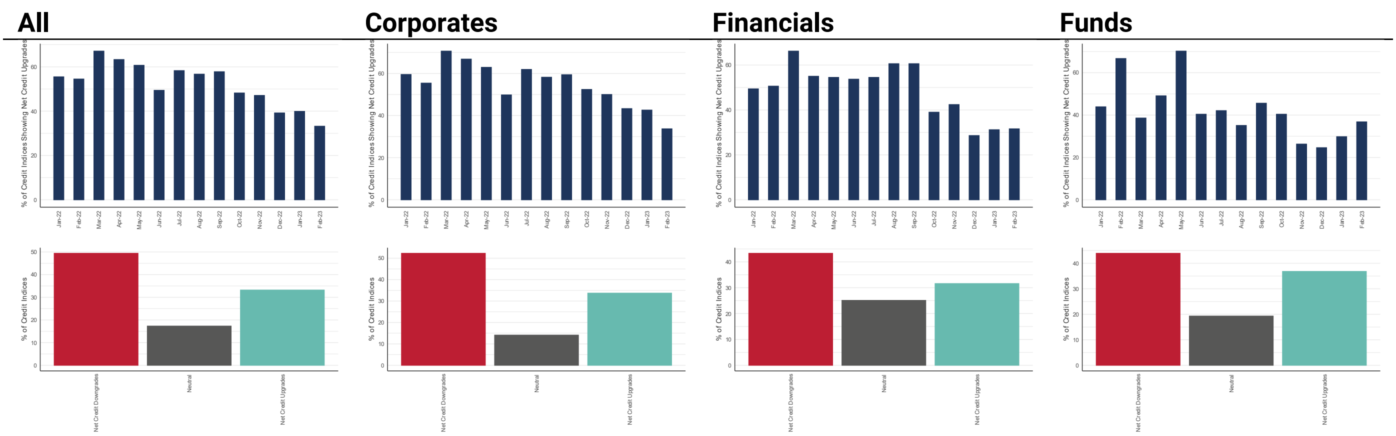
1. Global Roundup: Post-COVID Recovery Over; Downturn Slight but Broadly Based.

The chart below covers a universe of approximately 1,200 credit indices. The proportion showing net credit upgrades has dropped sharply in recent months – less than a third of indices are currently biased to upgrades.



While the post-COVID recovery is clearly over; the % changes in default risk are still modest. But this highlights the unusual breadth of the shift towards downgrades.

The charts below show details for index types and regions. Upper charts show the proportion of indices upgrading over time. Lower charts show the current split between downgrades, no change, and upgrades.



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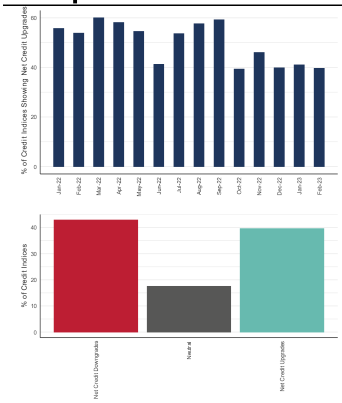
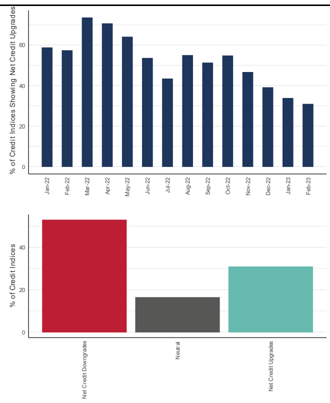
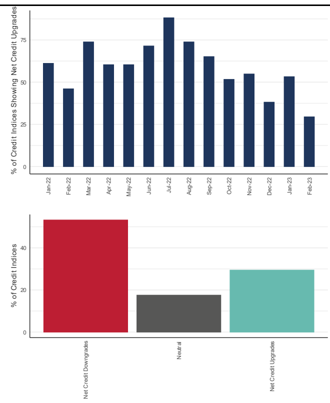
Europe



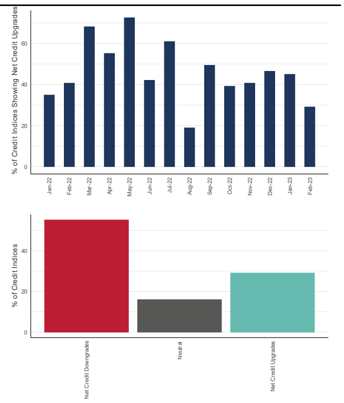
North America



Asia



Africa



The trend is down for all of these, apart from Funds (more than a third of indices are currently biased to upgrades) and Financials.

Financials show a higher proportion of stable indices than Corporates; Corporates have swung the balance between upgrading and downgrading indices to downgrades after a couple of stable months.

Europe is declining off a relatively high base; North America is on its fourth month of declines. Asia returns to decline; Africa has been flagged up since Q4 2022 and shows another drop this month.

2. Industry and Sector Turning Points: Negatives Outweigh Positives

The table below shows detailed global industries and sectors that may be at turning points. These have either started to show negative balances after a run of positives, or vice versa.

Sep-22 to Nov-22 all positive CCIs, Dec-22 to Feb-23 at least 1 negative CCI:

- Basic Materials
- Chemicals
- Consumer Finance
- Corporates
- Electronic & Electrical Equipment
- Electronic Equipment
- General Retailers
- Industrial Suppliers
- Industrial Transportation
- Industrials
- Integrated Oil & Gas
- Media
- Media Agencies
- Oil Equipment, Services & Distribution
- Platinum & Precious Metals
- Private Equity Fund
- Real Estate Fund
- Specialty Chemicals
- Transportation Services
- Venture Capital Fund

Sep-22 to Nov-22 all negative CCIs, Dec-22 to Feb-23 at least 1 positive CCI:

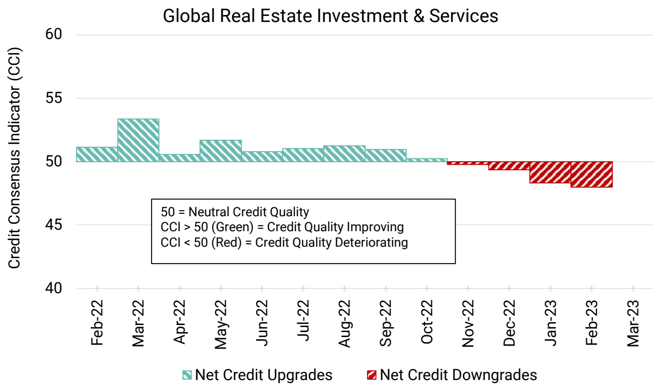
- Food & Drug Retailers
- Gold Mining
- Pharmaceuticals & Biotechnology
- Sovereign & Central Banks
- Sovereign Government
- Sovereigns
- Tobacco

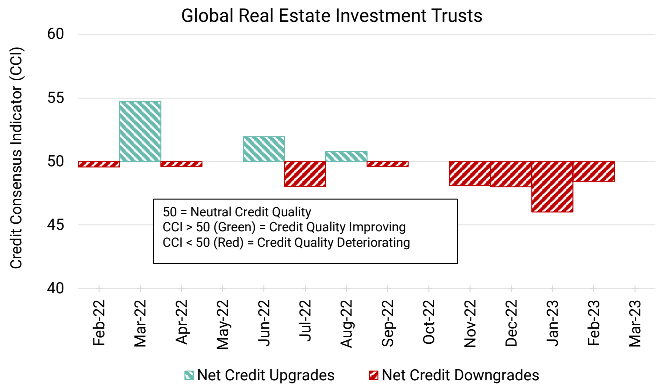
There are more than twice as many Global indices in the left column. These trend shifts are spread across diverse sectors: Basic Materials, Oil/Gas, Consumer, and various Financials and Funds – including Venture Capital and Private Equity.

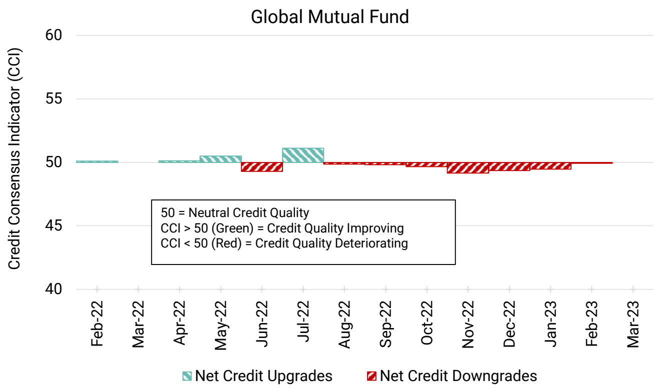
3. Industries and Sectors to Watch

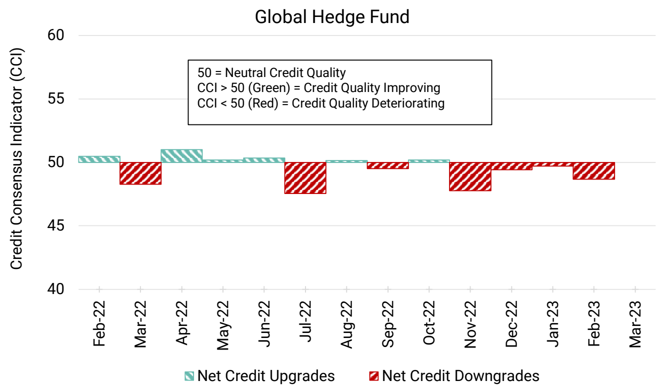
Global REITs, Mutual Funds and Hedge Funds

The below industries and sectors have all had a run of multiple consecutive months of net deterioration[3].







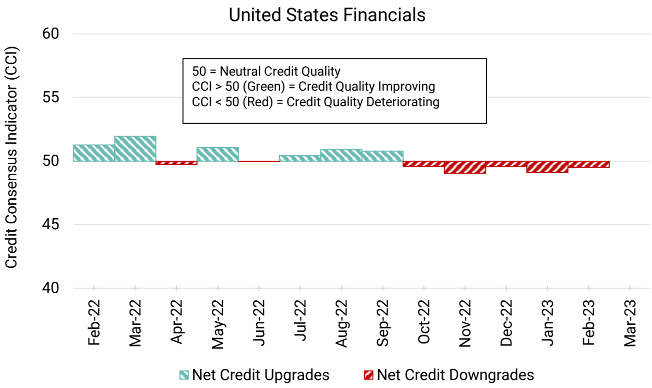


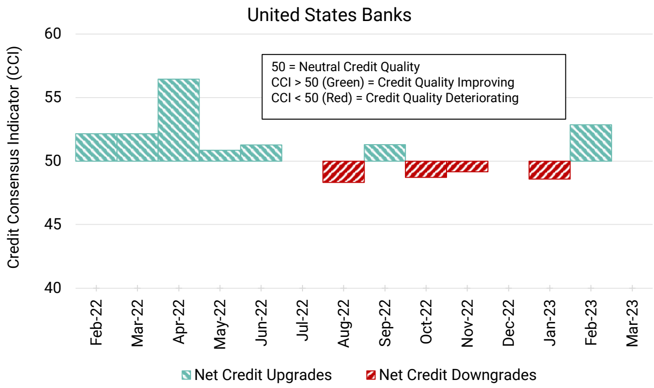
Problems in the commercial real estate sector are well known and many of the consensus credit subsector indices are now heading down (starting with Industrial and Office in late 2022). Equity volatility and interest rate risks have not surprisingly hit Hedge Funds, but Mutual Funds are usually credit-stable. LDI issues in the UK, possibly illiquid holdings, and general outflows have all contributed to modest re-assessment.

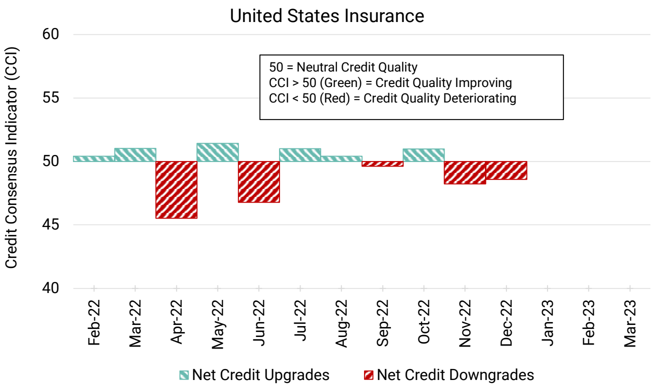
[3] *The CCI tracks the total number of upgrades and downgrades made each month by credit analysts to chart the long-term trend in analyst sentiment. A monthly CCI score of 50 indicates neutral credit quality, with an equal number of upgrades and downgrades made over the course of a month. Scores above 50 indicate that credit quality is improving. Scores below 50 indicate that credit quality is deteriorating.*

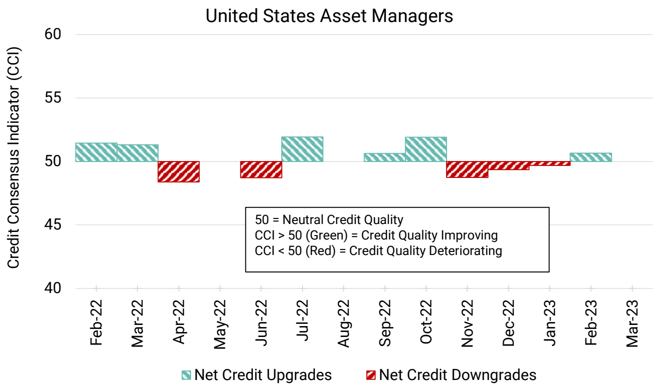
US Financials (Banks, Insurance, Asset Managers)

These show multiple months of recent deteriorations ahead of this month's volatility, but with a pause in the latest data for US Banks and Asset Management.





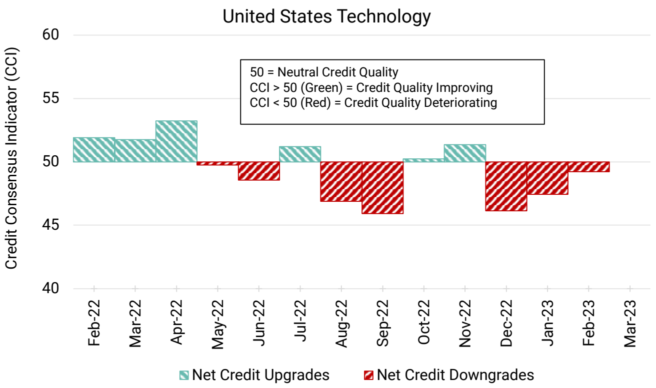


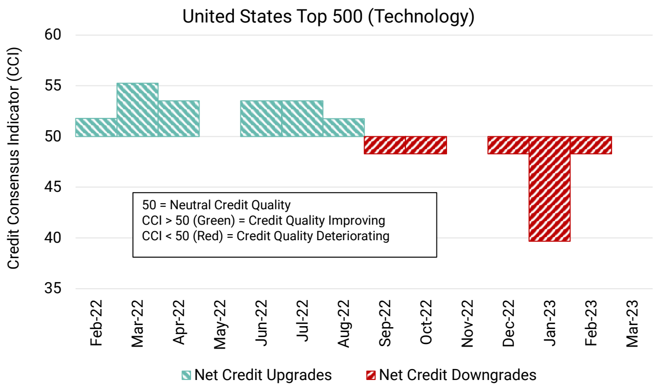


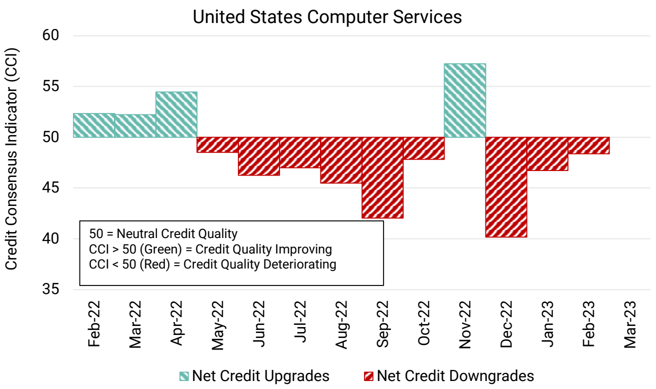
Banking issues are covered in detail in this report, but there are concerns that financial volatility and credit issues may also affect insurance companies. Insurance companies (and pension funds) have the advantage of being able to take a long-term view, but they are not immune to industry issues.

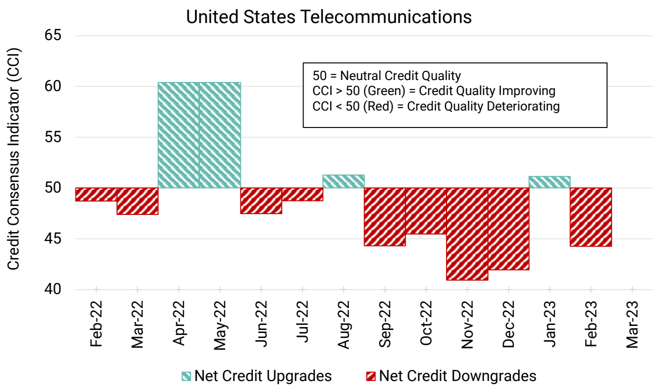
US Technology

US Technology is still suffering, especially the larger listed firms, and Telecomms have returned to significant net deterioration.









Technology sector layoffs continue while start-ups now face the prospect of a funding crunch in coming months if credit remains tight for their backers. Credit downgrades have been concentrated in some of the largest firms, mainly those with a major social media or online presence.

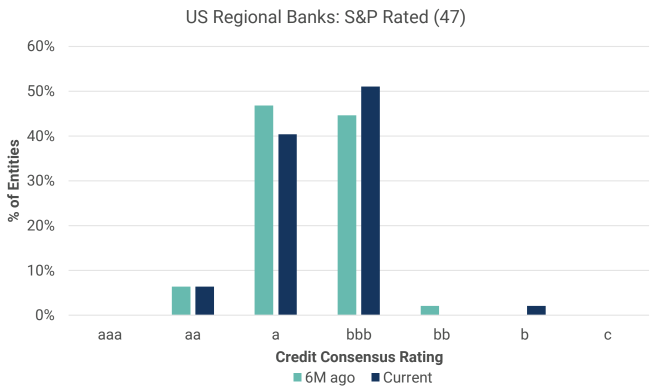
Investment in climate technology is growing rapidly (key priority in the 2024 US Budget) so the tech sector may start to show some divergent credit trends.

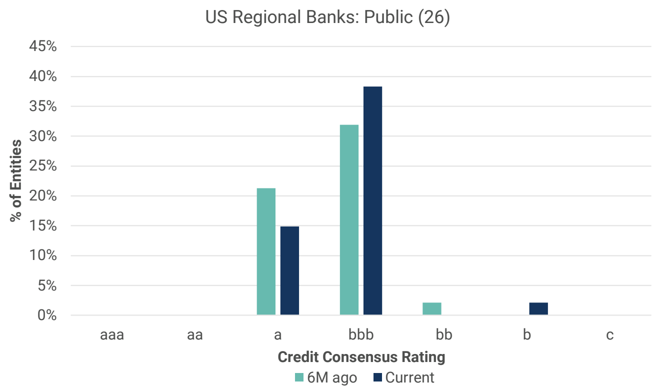
Telecomms took a major hit after COVID lockdowns ended; after the recent pause latest data shows risk of further bad news.

4. US Regional Banking: Expect Consolidations and Even Some Failures

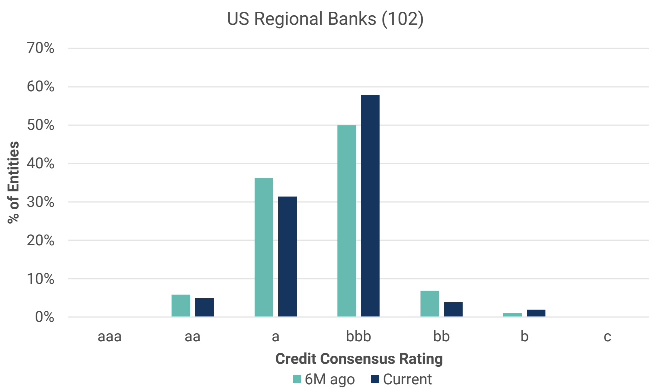
The BTFP effectively allows the lender of last resort to offer a classic banking service – maturity transformation – to commercial lenders; provided those lenders have collateral with low or no credit risk. They can borrow against the par value (and pay interest) while they re-establish their depositor base. But many banks do not have that type of collateral and have increasingly nervous depositors. And the US banking system has nearly 5,000 banks in the FDIC system - many of them small and local, often specialising in one sector (e.g., agriculture)[4].

The charts show that less than half of the Credit Benchmark universe of 102 Regional Banks are rated by S&P, and only 26 are listed.





The Credit Benchmark US Regional Banks index (102 constituents) below shows the credit distribution shifting to the right, (i.e., cumulative downgrades) in the past 6 months:

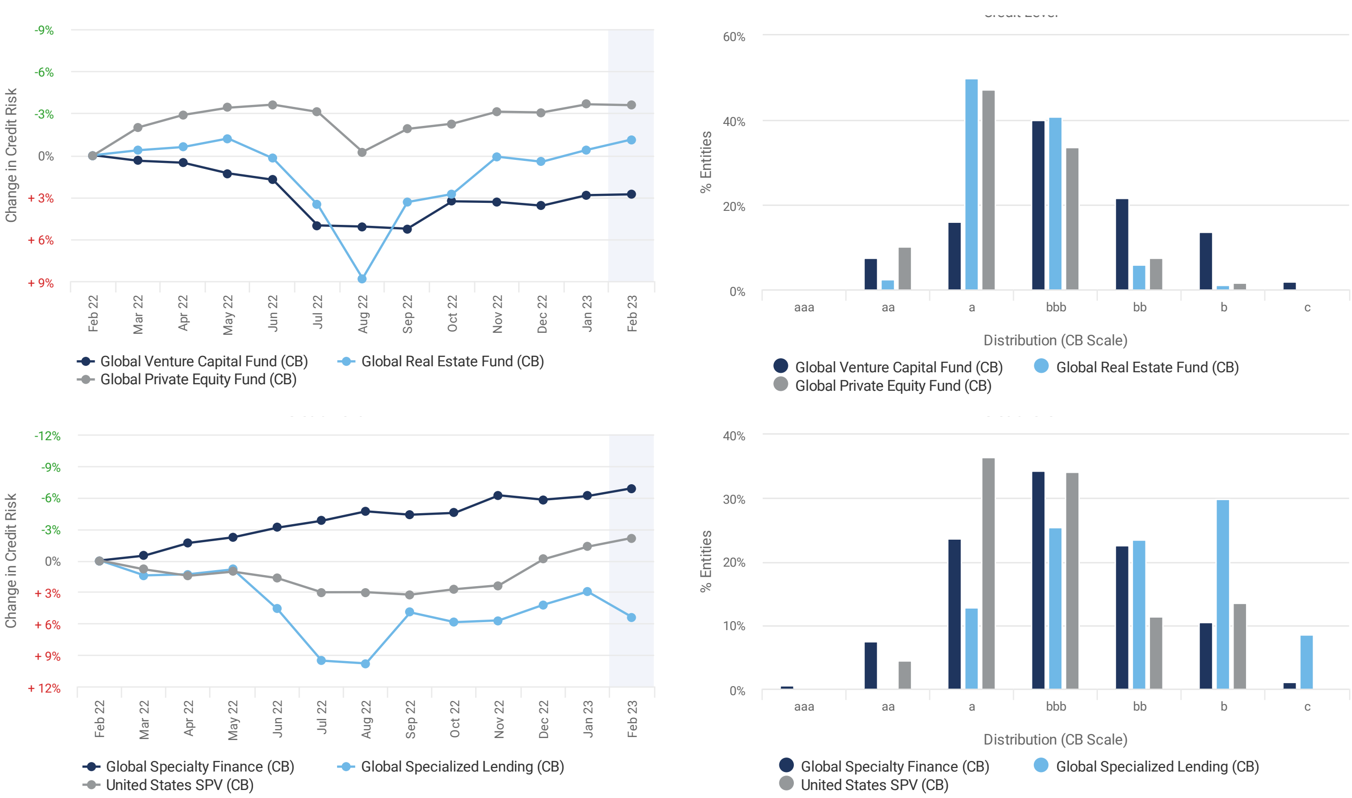


Regional bank solvency is likely to suffer from a flight to quality as depositors abandon smaller, less regulated, less well capitalised banks – relatively good for GSIBs. SVB may also be the tip of a larger bank risk iceberg – as rates rise and liquidity tightens, defaults will climb; even the largest banks need to reserve against those, and they need to raise capital more widely. At the very least, this means cash calls and rights issues – negative for share prices.

[4] Silicon Valley Bank – officially "regional" – was the 16th largest in the US before being acquired. It is the latest casualty of the Fed assault on inflation[1]. Regulated as a regional bank, it certainly specialised in one sector – tech – but with a global reach. With assets of less than $250bn, they benefited from looser regulation and built a loan portfolio of start-ups with limited assets, patchy cash flows, and no profits. Customers included Biotech, Fintech, Crypto and even California wineries. COVID and war put many venture capital projects on hold, so SVB had excess deposits which it invested in medium maturity US Treasuries. If the Fed pivoted and interest rates dropped, SVB would profit; but rates rose – the classic banking trap of borrowing short and lending long. In the same week that SVB were shut down, two crypto banks closed – Silvergate (voluntary) and Signature (FDIC), both due to bank runs and similar duration mismatches in Treasuries. SVB's loan book was also squeezed by a tech recession that has brought layoffs to Amazon, Meta, Twitter etc.

5. Specialized Finance: Improvements Fading, Specialized Lending Dips

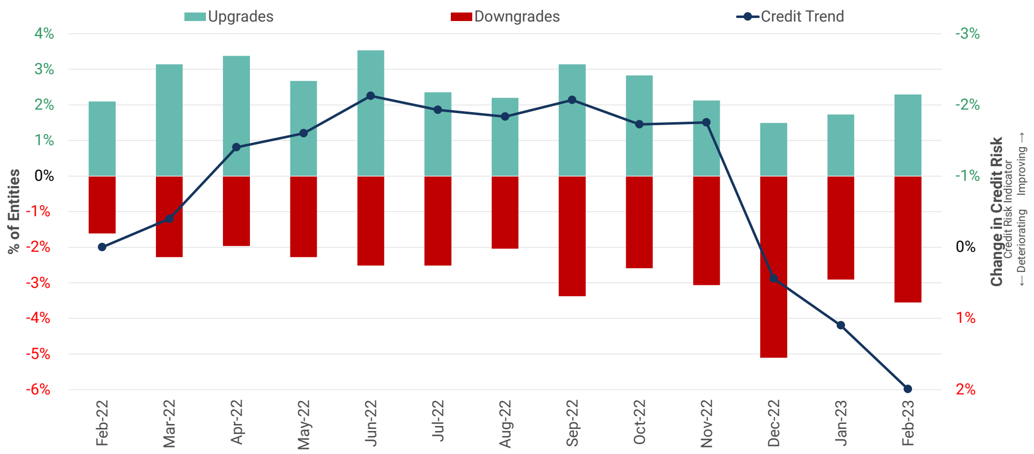
The non-bank funding sector is estimated to be as much as 30% of the overall financial system. The charts below show some sub-sector trends.

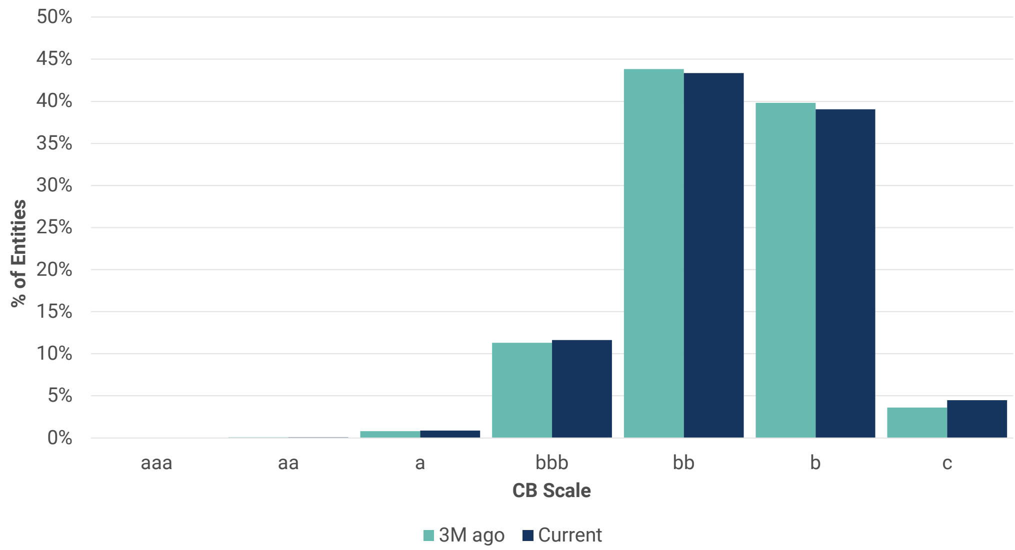


The improving trends that began in August 2022 have now run their course, but tighter credit has had little impact on average default risks; the only area that shows a recent downturn is Specialized Lending. The SVB collapse and the crackdown on crypto markets may bring opportunities, but some contagion is also likely – these effects may play out very differently for individual firms in these subsectors depending on their individual exposures and access to spare funds.

6. CB Leveraged Loan Universe: Recent Jump in Downgrades, Now Easing; Flight to Quality Possible

The Credit Benchmark Leverage Loan universe now covers about 1,200 issuers (69% North America, 29% Europe). The charts below show the latest trends.

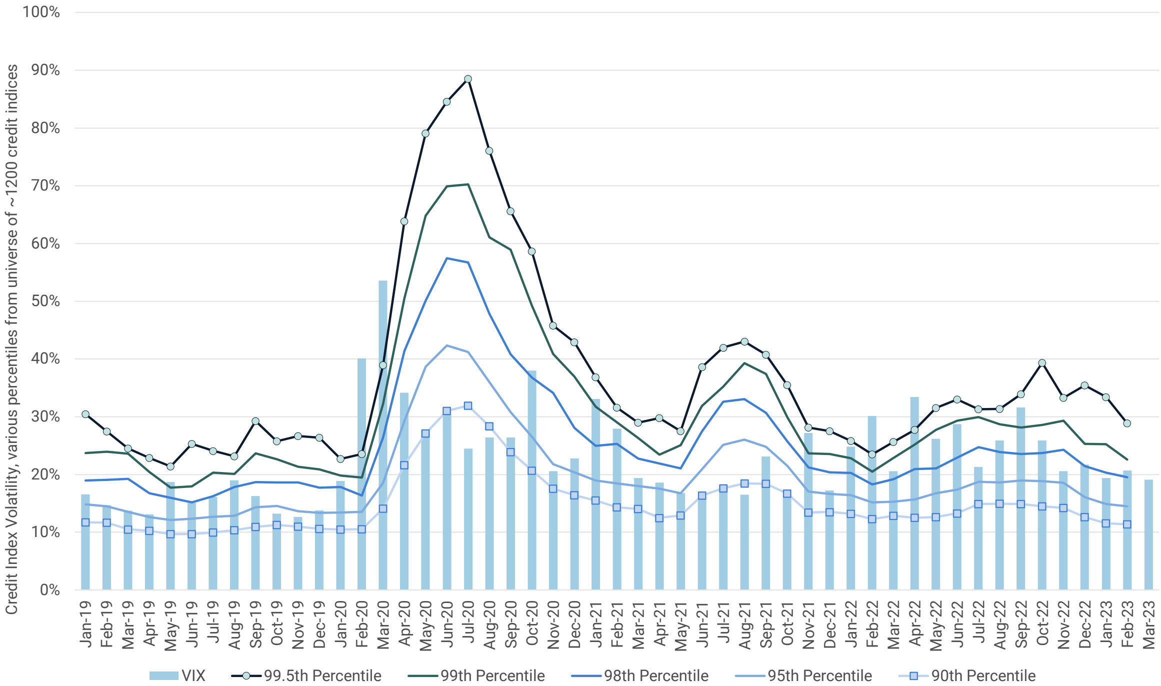




The average PD shows a drop this quarter, driven by a large number of downgrades at the end of the year. The bias to downgrades continued into Q1 2023. The credit distribution has shifted in recent months – there are more issuers in the **c** category, but also more in the **bbb** groups. This suggests that – like some other sectors covered in this quarterly – there may be two tiers emerging. Stronger issuers will see upgrades, weaker issuers may have to withdraw.

7. Credit Index Volatility: Tracking Equity VIX Lower as Soft-Landing Hopes Return

The chart below shows percentiles for credit index 6-month rolling volatility. For more than 1,200 indices, rolling volatility shows the speed and scale of PD changes; these can give advance warning of changes in transition rates. The percentiles plotted here are the most sensitive to turning points in PD volatility. The equity VIX is from the St. Louis Fed.



Sources: Credit Benchmark, CBOE / St. Louis Fed.

Based on these percentiles, credit volatility is back to Q2 2022 levels after climbing steadily in the second half of last year. This is consistent with a “soft-landing” and expectations that the Fed will pause rate hikes soon and could even cut rates this year (despite the Fed’s continued hawkish rhetoric). March equity VIX peaked at more than 30%, but started and finished the month at about 20%. Recent issues in the banking sector will likely feed into financial credit volatility in coming months, but until those issues lead to a sustained contraction in bank lending, broader credit volatility is likely to remain subdued.

8. Transition Matrices: Global Corporates and Financials: Upgrades Bias of Past 6 Months Likely to Disappear

Global Corporates

6M ago \ Current	IGa	IGb	HYb	HYc
IGa	95.4%	4.6%	0.0%	0.0%
IGb	4.4%	87.1%	8.5%	0.0%
HYb	0.1%	5.6%	93.3%	0.9%
HYc	0.0%	0.0%	34.5%	65.5%

Global Financials

6M ago \ Current	IGa	IGb	HYb	HYc
IGa	96.0%	3.8%	0.2%	0.0%
IGb	5.4%	89.9%	4.7%	0.0%
HYb	0.1%	6.2%	93.2%	0.6%
HYc	0.0%	0.0%	17.2%	82.8%

Both categories of borrowers show a very skewed bias to upgrades; Global Corporates have 44.6% upgrades vs. just 14% downgrades; a ratio of 3:1.

Global Financials have an almost identical ratio with 28.9% upgrades vs 9.3% upgrades.

However, the majority of these upgrades are within the High Yield categories. For Investment Grade, Corporates are balanced (4.4% upgrades vs. 4.6% downgrades) while Financials show 5.4% upgrades vs. 3.8% downgrades.

In the crossover category, Corporates are skewed to downgrades (8.5% vs. 5.6% downgrades) and Financials are biased to upgrades (6.2% vs 4.7% downgrades).

As 2023 unfolds, the “Downgrade Triangle” (the upper right) is likely to dominate.

Appendix: CCI Chartbook

The CCI is an index of forward-looking credit opinions based on the consensus views of over 20,000 credit analysts at 40+ of the world's leading financial institutions.

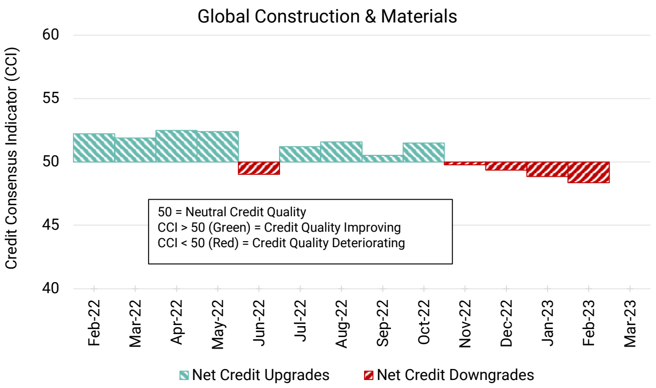
Drawn from more than 950,000 contributed credit observations, the CCI tracks the total number of upgrades and downgrades made each month by credit analysts to chart the long-term trend in analyst sentiment.

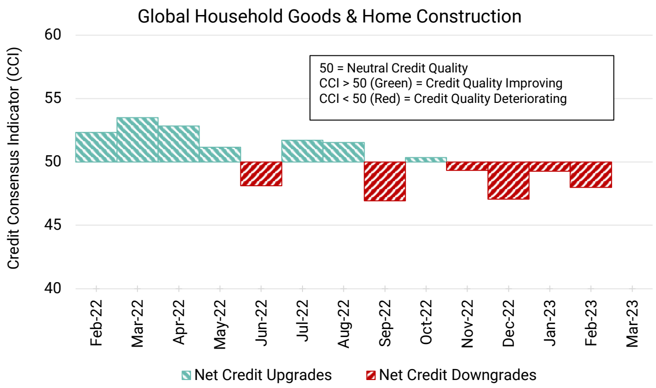
A monthly CCI score of 50 indicates neutral credit quality, with an equal number of upgrades and downgrades made over the course of a month. Scores above 50 indicate that credit quality is improving. Scores below 50 indicate that credit quality is deteriorating.

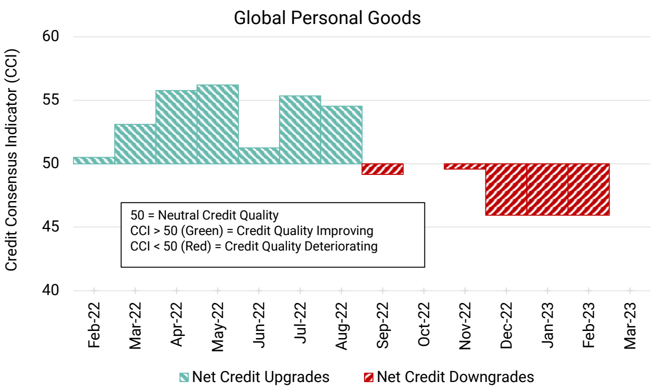
CCI monitors, tracking various sectors and regions, are available to view and download here. They are updated monthly.

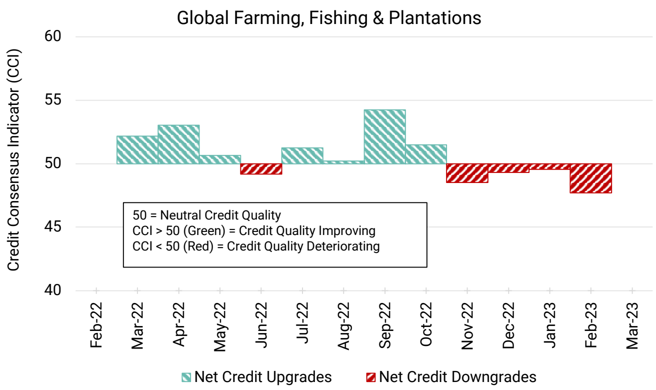
Individual CCI charts can be produced for approximately 1,200 credit indices. Below is a selected sample of CCI charts.

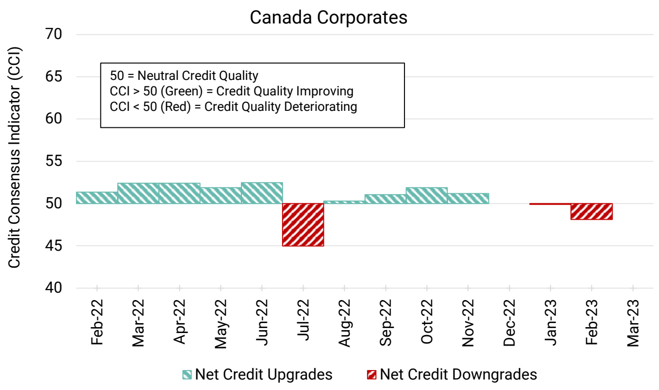
Contact us to learn more by emailing info@creditbenchmark.com.

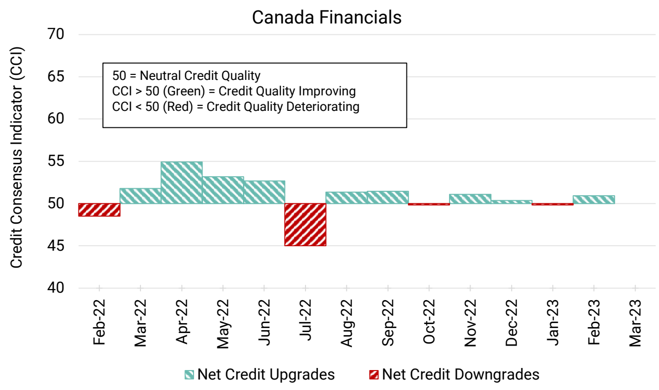


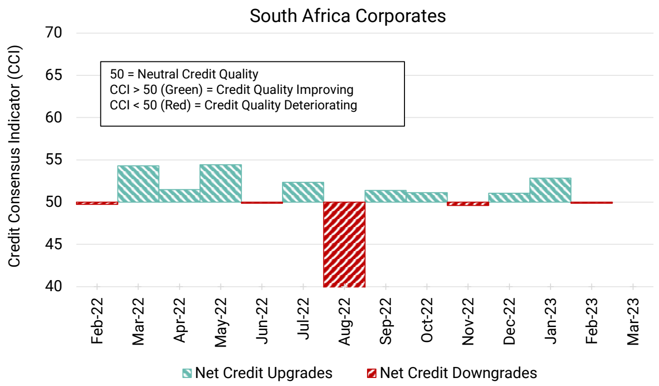


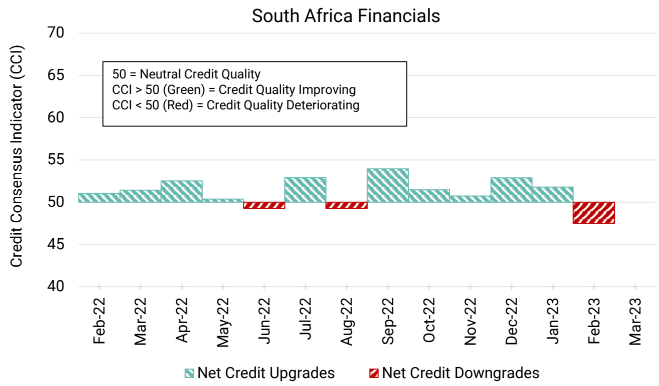





Canada Corporates
50 = Neutral Credit Quality
CCI > 50 (Green) = Credit Quality Improving
CCI < 50 (Red) = Credit Quality Deteriorating
Credit Consensus Indicator (CCI)
Net Credit Upgrades
Net Credit Downgrades


Canada Financials
50 = Neutral Credit Quality
CCI > 50 (Green) = Credit Quality Improving
CCI < 50 (Red) = Credit Quality Deteriorating
Credit Consensus Indicator (CCI)
Net Credit Upgrades
Net Credit Downgrades


South Africa Corporates
50 = Neutral Credit Quality
CCI > 50 (Green) = Credit Quality Improving
CCI < 50 (Red) = Credit Quality Deteriorating
Credit Consensus Indicator (CCI)
Net Credit Upgrades
Net Credit Downgrades


South Africa Financials
50 = Neutral Credit Quality
CCI > 50 (Green) = Credit Quality Improving
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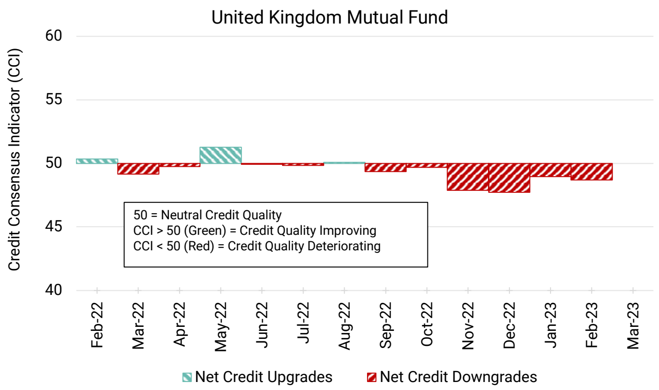
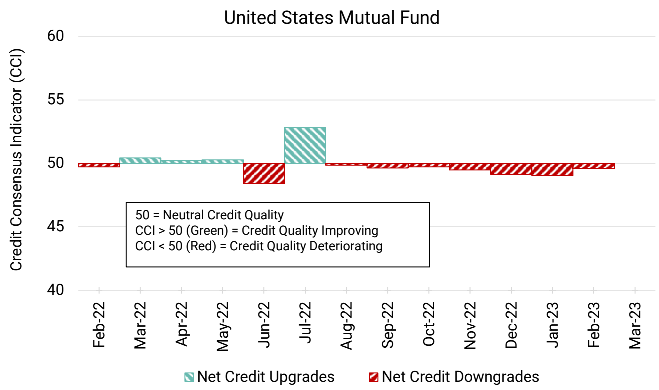
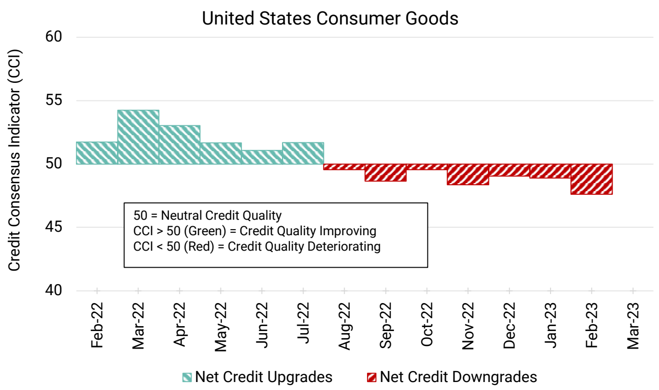
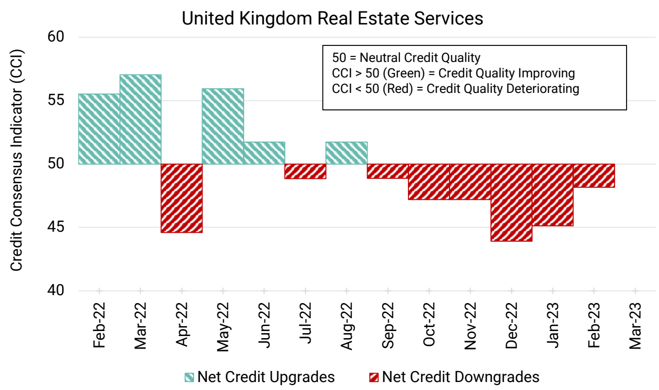
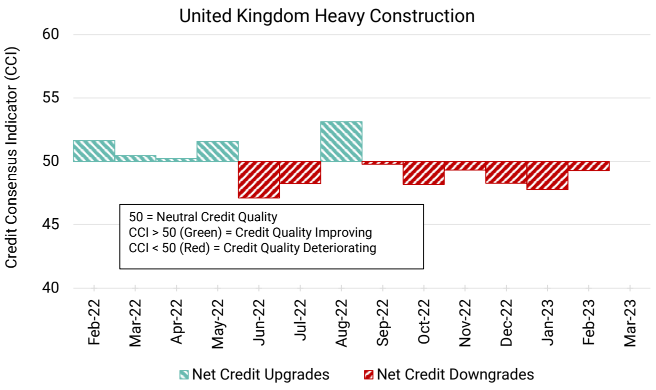
Credit Consensus Indicator (CCI)
Net Credit Upgrades
Net Credit Downgrades

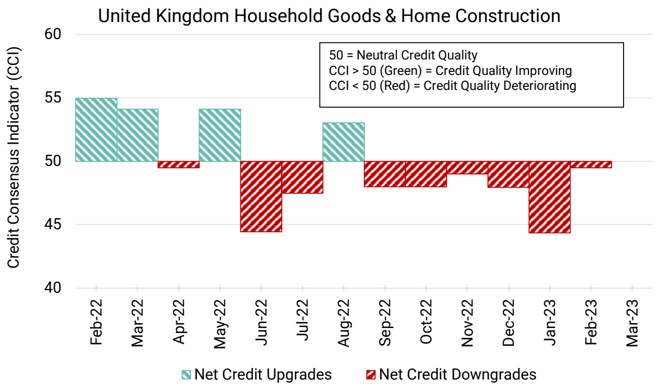

United Kingdom Mutual Fund
50 = Neutral Credit Quality
CCI > 50 (Green) = Credit Quality Improving
CCI < 50 (Red) = Credit Quality Deteriorating
Credit Consensus Indicator (CCI)
Net Credit Upgrades
Net Credit Downgrades

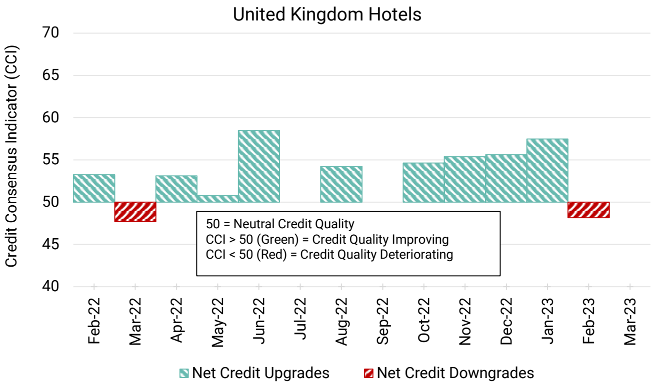

United States Mutual Fund
50 = Neutral Credit Quality
CCI > 50 (Green) = Credit Quality Improving
CCI < 50 (Red) = Credit Quality Deteriorating
Credit Consensus Indicator (CCI)
Net Credit Upgrades
Net Credit Downgrades

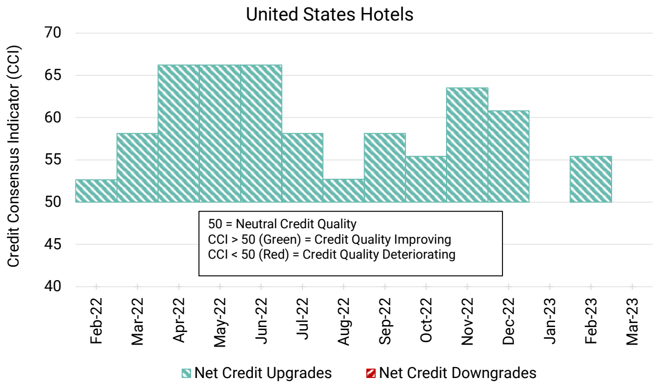

United States Consumer Goods
50 = Neutral Credit Quality
CCI > 50 (Green) = Credit Quality Improving
CCI < 50 (Red) = Credit Quality Deteriorating
Credit Consensus Indicator (CCI)
Net Credit Upgrades
Net Credit Downgrades

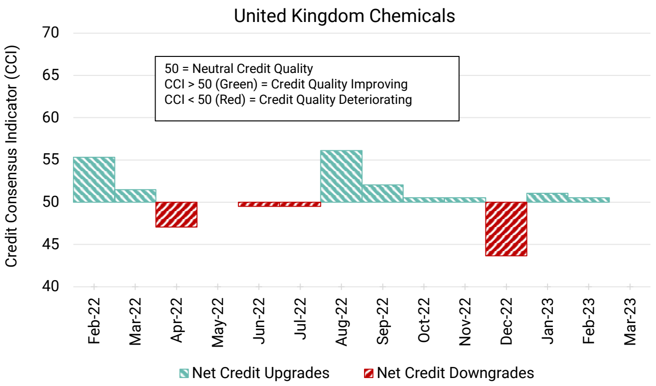

United Kingdom Real Estate Services
50 = Neutral Credit Quality
CCI > 50 (Green) = Credit Quality Improving
CCI < 50 (Red) = Credit Quality Deteriorating
Credit Consensus Indicator (CCI)
Net Credit Upgrades
Net Credit Downgrades

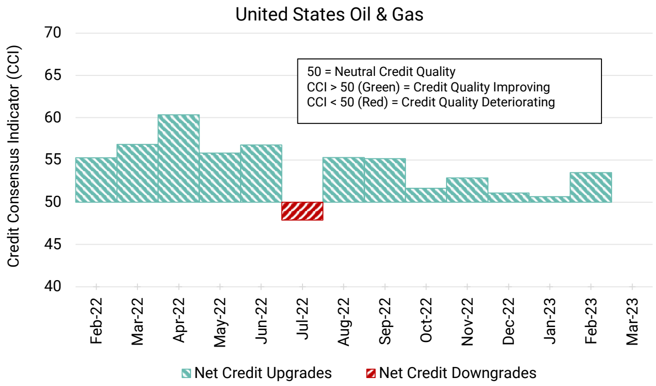

United Kingdom Heavy Construction
Credit Consensus Indicator (CCI)
50 = Neutral Credit Quality
CCI > 50 (Green) = Credit Quality Improving
CCI < 50 (Red) = Credit Quality Deteriorating
Net Credit Upgrades
Net Credit Downgrades

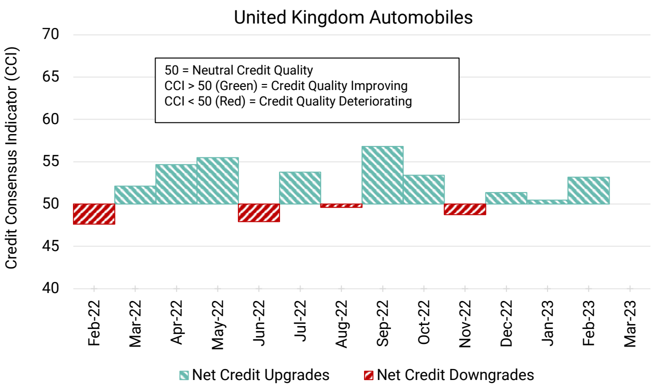

United Kingdom Household Goods & Home Construction
Credit Consensus Indicator (CCI)
50 = Neutral Credit Quality
CCI > 50 (Green) = Credit Quality Improving
CCI < 50 (Red) = Credit Quality Deteriorating
Net Credit Upgrades
Net Credit Downgrades

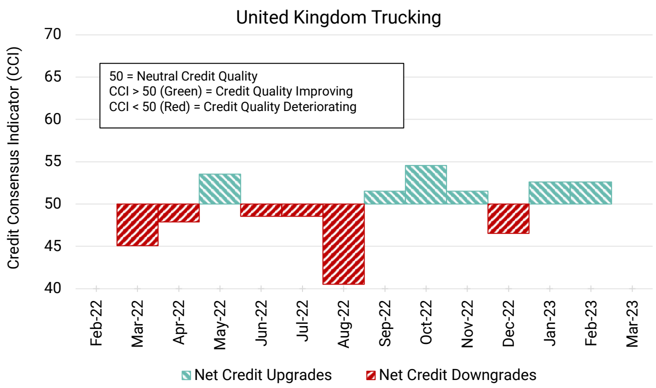

United Kingdom Hotels
Credit Consensus Indicator (CCI)
50 = Neutral Credit Quality
CCI > 50 (Green) = Credit Quality Improving
CCI < 50 (Red) = Credit Quality Deteriorating
Net Credit Upgrades
Net Credit Downgrades


United States Hotels
Credit Consensus Indicator (CCI)
50 = Neutral Credit Quality
CCI > 50 (Green) = Credit Quality Improving
CCI < 50 (Red) = Credit Quality Deteriorating
Net Credit Upgrades
Net Credit Downgrades


United Kingdom Chemicals
Credit Consensus Indicator (CCI)
50 = Neutral Credit Quality
CCI > 50 (Green) = Credit Quality Improving
CCI < 50 (Red) = Credit Quality Deteriorating
Net Credit Upgrades
Net Credit Downgrades

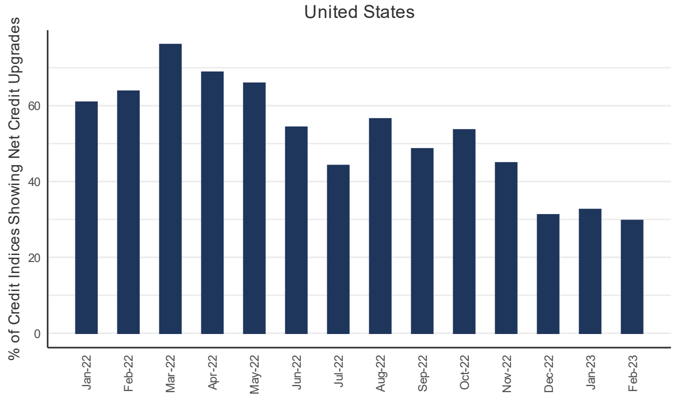

United States Oil & Gas
Credit Consensus Indicator (CCI)
50 = Neutral Credit Quality
CCI > 50 (Green) = Credit Quality Improving
CCI < 50 (Red) = Credit Quality Deteriorating
Net Credit Upgrades
Net Credit Downgrades

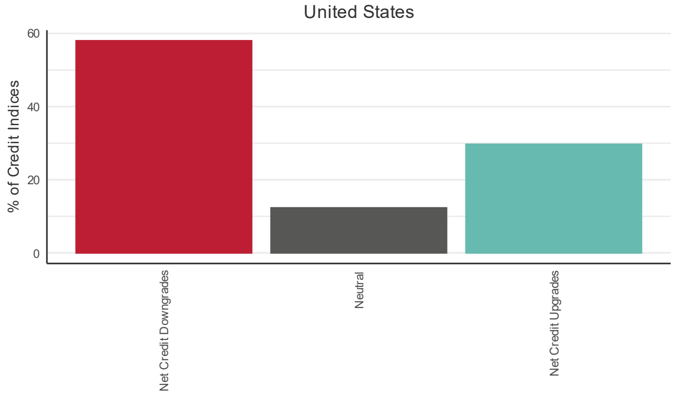

United Kingdom Automobiles
Credit Consensus Indicator (CCI)
50 = Neutral Credit Quality
CCI > 50 (Green) = Credit Quality Improving
CCI < 50 (Red) = Credit Quality Deteriorating
Net Credit Upgrades
Net Credit Downgrades

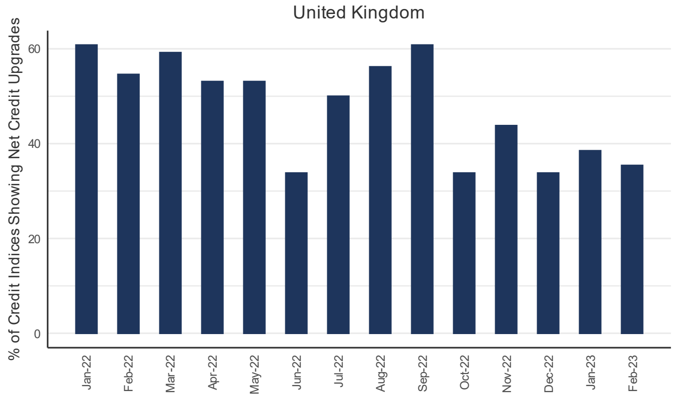

United Kingdom Trucking
Credit Consensus Indicator (CCI)
50 = Neutral Credit Quality
CCI > 50 (Green) = Credit Quality Improving
CCI < 50 (Red) = Credit Quality Deteriorating
Net Credit Upgrades
Net Credit Downgrades

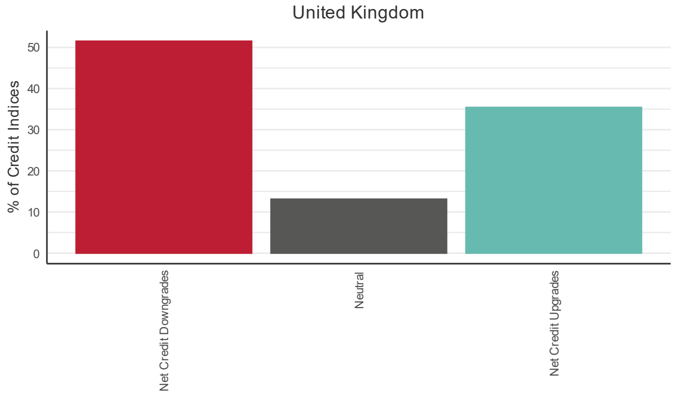
The charts below show details on index types and regions.

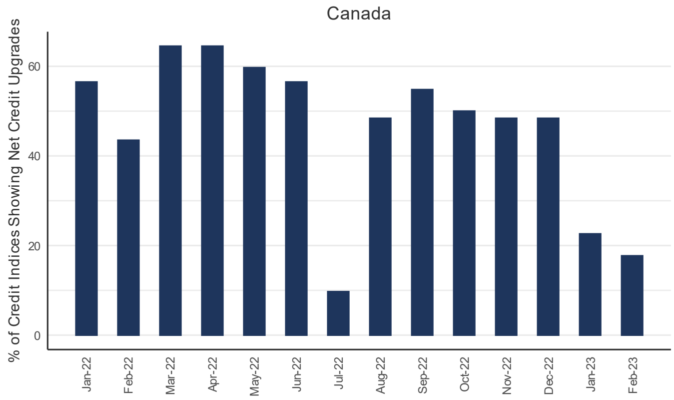
Left charts show the proportion of indices upgrading over time. Right charts show the current split between downgrades, no change, and upgrades.

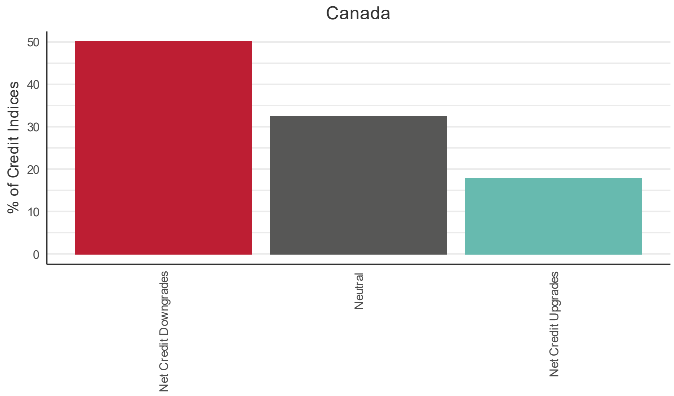


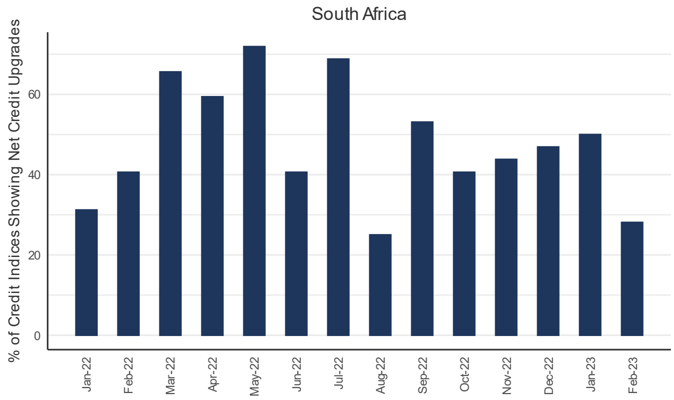


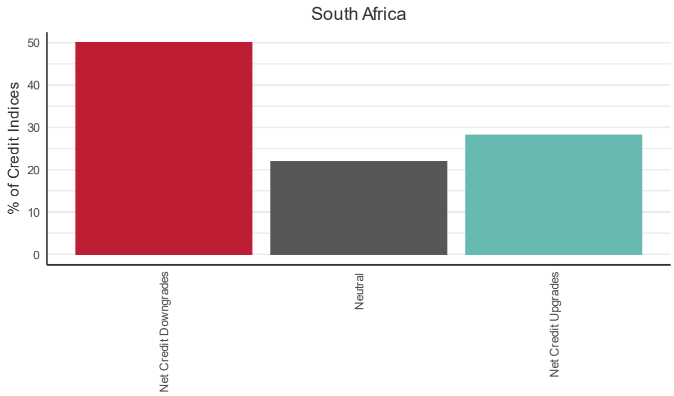


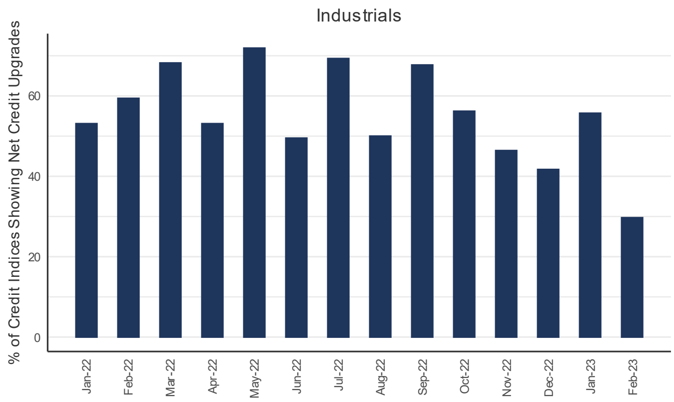


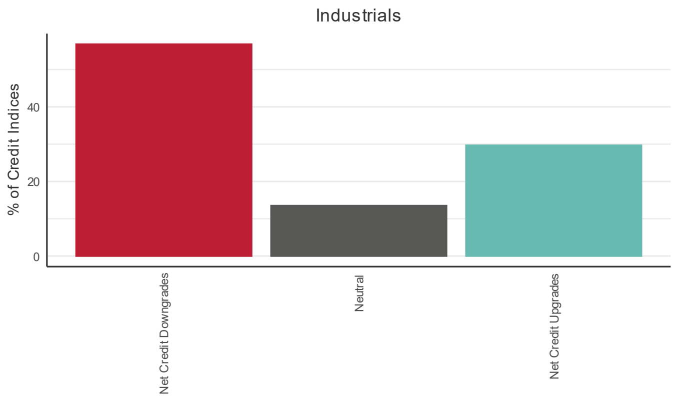


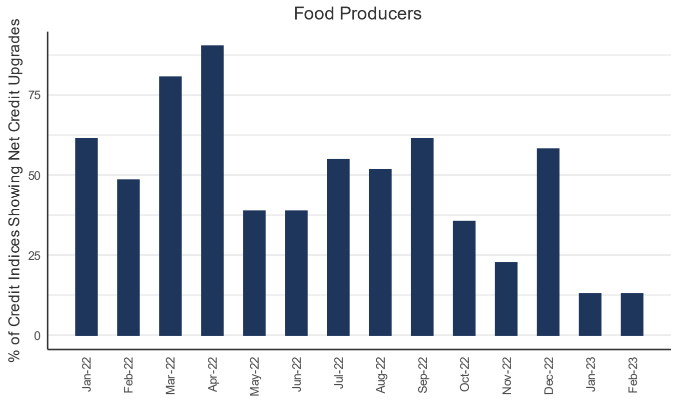


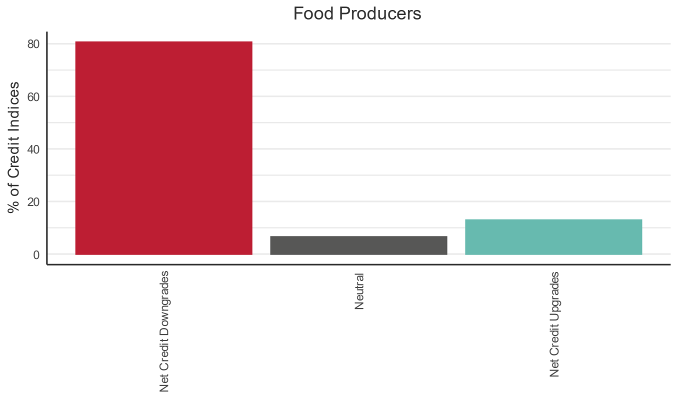


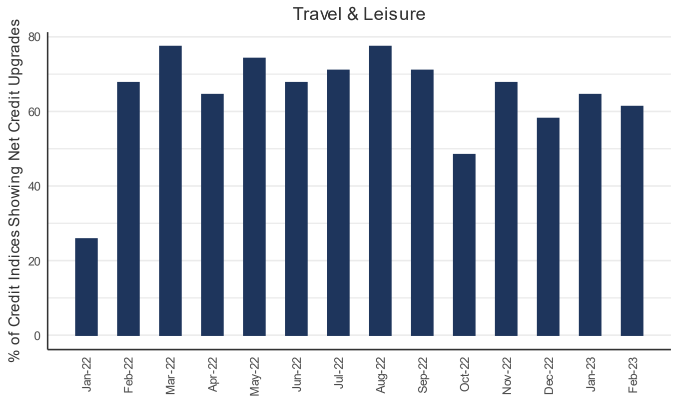


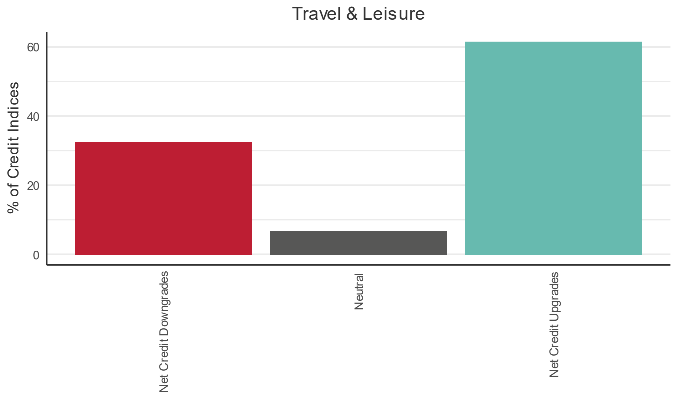

Industrials
% of Credit Indices Showing Net Credit Upgrades
0
20
40
60
Jan-22
Feb-22
Mar-22
Apr-22
May-22
Jun-22
Jul-22
Aug-22
Sep-22
Oct-22
Nov-22
Dec-22
Jan-23
Feb-23

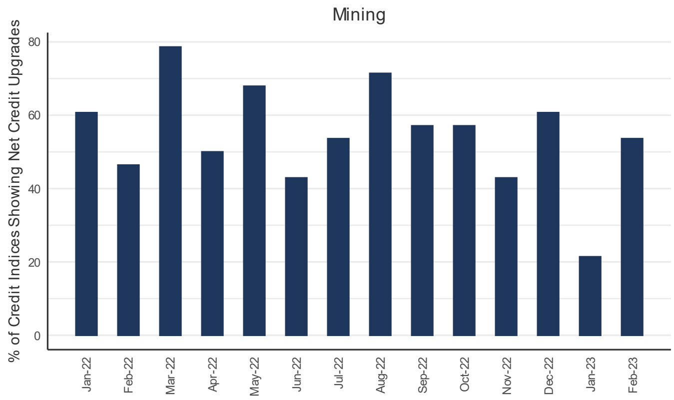

Industrials
% of Credit Indices
0
20
40
Net Credit Downgrades
Neutral
Net Credit Upgrades

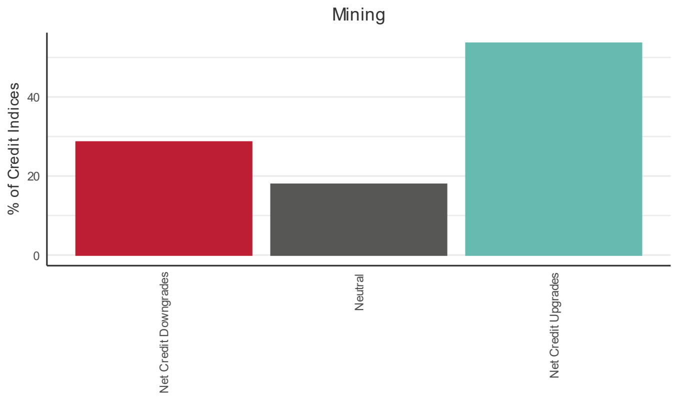

Food Producers
% of Credit Indices Showing Net Credit Upgrades
0
25
50
75
Jan-22
Feb-22
Mar-22
Apr-22
May-22
Jun-22
Jul-22
Aug-22
Sep-22
Oct-22
Nov-22
Dec-22
Jan-23
Feb-23


Food Producers
% of Credit Indices
0
20
40
60
80
Net Credit Downgrades
Neutral
Net Credit Upgrades


Travel & Leisure
% of Credit Indices Showing Net Credit Upgrades
0
20
40
60
80
Jan-22
Feb-22
Mar-22
Apr-22
May-22
Jun-22
Jul-22
Aug-22
Sep-22
Oct-22
Nov-22
Dec-22
Jan-23
Feb-23


Travel & Leisure
% of Credit Indices
0
20
40
60
Net Credit Downgrades
Neutral
Net Credit Upgrades


Mining
% of Credit Indices Showing Net Credit Upgrades
0
20
40
60
80
Jan-22
Feb-22
Mar-22
Apr-22
May-22
Jun-22
Jul-22
Aug-22
Sep-22
Oct-22
Nov-22
Dec-22
Jan-23
Feb-23


Mining
% of Credit Indices
0
20
40
Net Credit Downgrades
Neutral
Net Credit Upgrades

Q1 Research Roundup

Data at a Glance: US and EU Banks

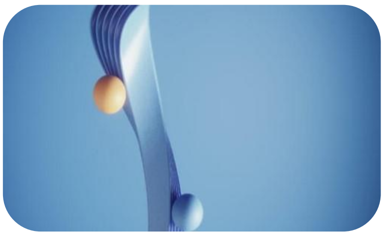
Recent bank failures and mergers have uncovered transatlantic tensions in the global banking sector. This data at a glance looks at US and EU Banks sectors. Average default risk for US Banks deteriorated for much of H2 2022 ahead of recent volatility. EU Banks default risk has been steadily improving.

AT1 Bonds: Investor Risk Means Stronger Banks

Bail-in bonds are a powerful extra prop for bank balance sheets in times of turmoil: AT1 bond issuers showed faster post-COVID credit recovery than most Global Systematically Important Banks, and the gap continues to widen.

After SVB: What's the Next Shoe to Drop?

The sudden collapse of Silicon Valley Bank has raised questions as to what warning signs were missed. While this may have been a black swan event, bank credit warning signs have been flashing in consensus credit data for the past few months



Credit Portfolio Risk: Consensus Data Fills in the Blanks

Investors in credit portfolios make extensive use of credit agency ratings and market-driven risk models. But some segments are faced with less visibility and a lack of public ratings, while credit portfolio management models are only as good as the credit risk data available to them. This paper reviews a data-driven framework for portfolio risk analysis and discusses practical applications of consensus credit risk estimates.

Renewable Energy: Credit Tide Turning?

Renewable energy is at the centre of efforts to tackle climate change, but there have been setbacks to growth. 80%+ of energy demand is still met by fossil fuels, with fossil fuel companies reporting record profits as global energy prices spike. In the past two years, renewable credit risk has deteriorated and traditional energy has improved. However, there are some signs that the credit tide may be turning.

The End of 3G: A Credit Boost for US Telecoms?

3G has been a major legacy network overhead and consumer of spectrum bandwidth in the US. But as 5G moves into high gear the Big 3 wireless carriers needed to reallocate capacity to fully support the 5G network, and free up resource for the development of 6G and beyond. With the 3G burden removed, the sector's Big 3 are better placed to invest in future technologies with less strain on balance sheets.

Credit Correlations: Avoiding Unnecessary Risks

With default risks expected to rise in 2023, correlations between those risks are increasingly important for credit portfolio management. Exposures to different sectors – that normally diversify the portfolio – may show a simultaneous increase in risk during difficult economic conditions. This paper shows how Consensus credit data can be used to estimate credit correlations between regions, countries, industries, and sectors.

Credit Consensus Indicators (CCIs) – Global, UK & US Oil & Gas Monitor

UK Oil & Gas firms return to positive credit balance this month after ended their run of five months of positive credit balance last month. Global and US Oil & Gas firms also record net credit improvement.

Credit Consensus Indicators (CCIs) – UK, EU and US Industrials Monitor

EU Industrial firms continue their run of positive credit movement, with an 18th month of improvement. UK Industrial firms continue to register a negative CCI this month. US Industrial firms return to positive credit balance.

Credit Consensus Indicators (CCIs) – UK, EU and US Consumer Services Monitor

This month the consensus outlook on EU Consumer Services is back in negative territory. US Consumer Services net deterioration continues. UK Consumer Services have experienced recent instability in their collective credit balance.

Credit Consensus Indicators (CCIs) – UK, EU and US Consumer Goods Monitor

UK Consumer Goods have experienced recent instability in their collective credit balance. US Consumer Goods register a sixth consecutive instance of a negative CCI this month. EU Consumer Goods return to net deterioration.

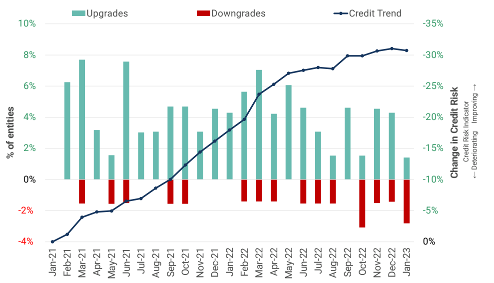
Financial Counterpart Monitor

The Financial Counterpart Monitor from Credit Benchmark provides a unique analysis of the changing creditworthiness of financial institutions.

Industry Monitor

Credit Benchmark have released the latest end-month industry update, based on the final and complete set of the contributed credit risk estimates from 40+ global financial institutions.

Credit Trend: Apple Suppliers



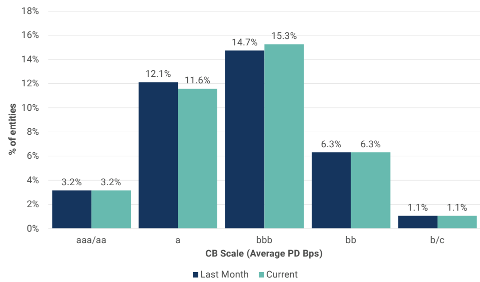
This chart is based on 71 of Apple suppliers. Their combined credit shows a recent **turning point.**

In the latest month, Apple suppliers shows a slight **decrease** in their credit trend.

The percentage of entities upgrading has decreased, combined with an increase in the percentage of **downgrades**.

Source: Credit Benchmark **Date**: March 2023.

Credit Distribution: Apple Suppliers



This chart is based on 71 of Apple suppliers.

There has been a **negative shift** in their credit distribution, compared to last month.

The percentage of entities with an **a** credit rating has decreased from **12.1%** last month to **11.6%** currently.

Source: Credit Benchmark **Date**: March 2023.

More from Credit Benchmark

Credit Benchmark provides Credit Consensus Ratings and Analytics based on contributed risk views from 40+ of the world's leading financial institutions, almost half of which are GSIBs, domiciled in the US, Continental Europe, Switzerland, UK, Japan, Canada, Australia and South Africa.

The risk views are collected, aggregated, and anonymized to provide an independent, real-world perspective of credit risk, delivered twice monthly to our partners. Credit Consensus Ratings and Analytics are available on 75,000 corporate, financial, fund and sovereign entities globally, most of which are unrated by credit rating agencies. Credit Benchmark also produces over 1,200 aggregates, which help risk practitioners better understand industry and sector macro trends.

Risk professionals at banks, insurance companies, asset managers and other firms use the data to gain visibility on entities without a public rating, inform risk sharing transactions (CRT / SRT), monitor and be alerted to changes within the portfolio, benchmark, assess and analyze trends, and fulfil regulatory requirements and capital.

The data is available via the Credit Benchmark Web App, Excel add-in, flat file download, and **third-party platforms including Bloomberg.** High level credit assessments on the single name constituents of the sectors mentioned in this report can be accessed on CRPR <GO> or via CRDT <GO>.

Get in touch with us to start a trial for Credit Benchmark Credit Consensus Ratings and Analytics on Bloomberg.

Credit Benchmark

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