

High Yield & Leverage Loans

Downgrades: improvement more likely for HY bonds than loans

In 2019, there were more downgrades than in 2018 for both European HY bonds and leveraged loans. From here, we expect the rate of downgrades for bonds to stabilise if the improved macro growth outlook holds, but we expect the rate for loans to continue to rise.

HY downgrades: Yet to trough, but should improve in our base case

Despite nascent signs of stabilisation in rating downgrades by rating agencies in early December, more bonds have been downgraded than upgraded in the past couple months ([Figure 1](#)). That said, we still think the pace of downgrades will slow this year if the global macro outlook continues to stabilise or even improve ([Global Outlook: A slow grind tighter](#), 5 December 2019). Historically ([Figure 2](#)), improvement in macro sentiment (as measured by the global composite PMI) tends to lead improvement in rating changes for European HY bonds, which is probably because an improved outlook usually takes time to feed into revenue/earnings, to then be followed by any rating changes. Although the time lag between the trough of macro sentiment and net rating downgrades was c.9-12 months in 2005-06, 2008-09 and 2016, it was only a few months in late 2012.

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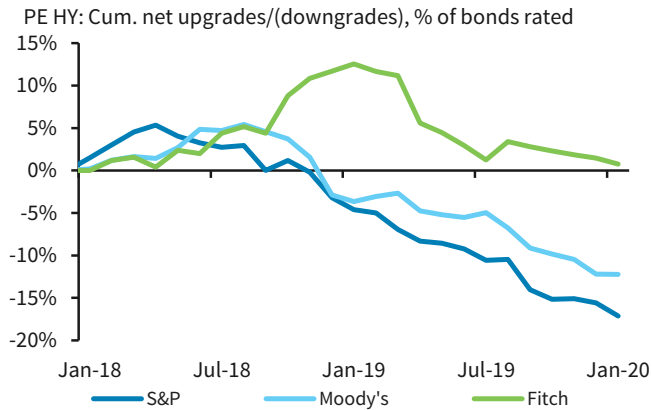
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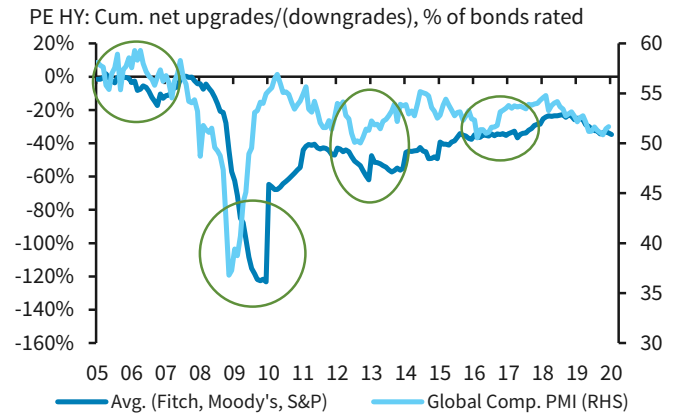
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Completed: 06-Feb-20, 21:23 GMT Released: 07-Feb-20, 05:30 GMT Restricted - External

FIGURE 1. HY bonds net downgrades have yet to turn post the recent uptick in the global PMI...

Note: Pan-Europe HY in this section includes financials.
 Source: Bloomberg Barclays Indices, Bloomberg, Barclays Research

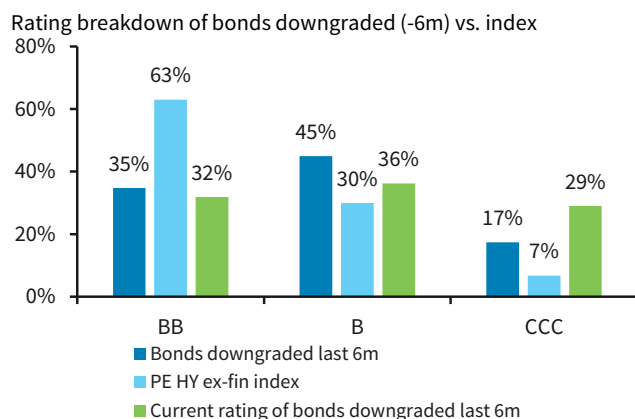
FIGURE 2. ...though historically, improvement in ratings tends to lag improvement in macro sentiment

Note: PMI used is the JPM/Markit Global composite PMI.
 Source: Bloomberg Barclays Indices, Bloomberg, Haver, Barclays Research

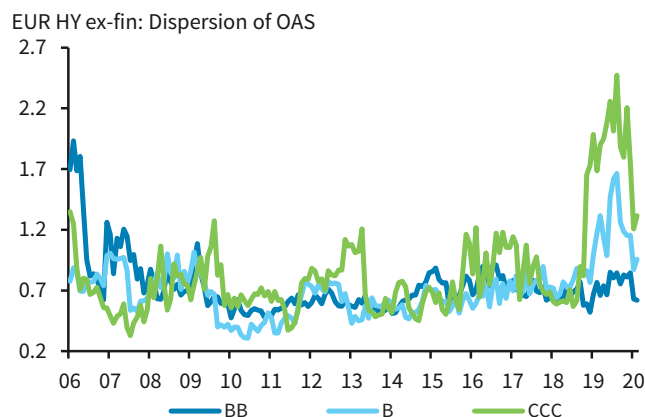
Looking at the list of bonds downgraded by at least one of the three main rating agencies (Figure 12), 78% of the 69 non-financial bonds downgraded in the last 6 months were cyclicals, of which 56% were industrial cyclicals and 44% were consumer cyclicals. Only 6% were in the automotive sector, compared to over 20% when we last reviewed bond downgrades in Jan-Jul 2019 (Bond downgrades on the rise, but steady, 2 August 2019).

Of bonds downgraded in the last 6 months, 35% were BBs, 45% were single Bs and 17% were CCCs (Figure 3). Considering Bs and CCCs made up only 30% and 7%, respectively, of the Pan-Europe HY ex-fin index 6 months ago (Figure 3), this higher rate of downgrades in the lower rating cohorts is in line with the deteriorating growth backdrop most of last year, and can explain the high dispersion in Bs and CCCs (Figure 4); the downgrades between Jan-July 2019 were also largely single Bs and CCCs.

The beta rally on the back of the improving macro growth outlook which started in November and extended for most of January (until the new coronavirus became a risk for growth) has caused dispersion in Bs and CCCs to fall. We are thus still cautious and remain neutral on these rating cohorts, particular given valuation (€-BB vs. B: Focus on single-name RV, 10 January 2020) but, as well, when we look at the list of bonds with negative outlook for at least 6 months by at least two rating agencies (Figure 10), half of the 22 bonds are single B rated while over 25% are CCCs (or 4 out of 9 issuers are single B rated, and another 4 are CCC rated). Of 173 bonds with at least one negative outlook by one rating agency, 49% are BBs, 33% Bs and 16% CCCs.

FIGURE 3. Most downgrades in the last 6m were in/from the single B and CCCs cohorts

Source: Bloomberg Barclays Indices, Bloomberg, Haver, Barclays Research

FIGURE 4. Dispersion was elevated most of last year but started compressing late last year

Note: Dispersion = (80th percentile OAS - 20th percentile OAS) / median OAS.
Source: Bloomberg Barclays Indices, Bloomberg, Haver, Barclays Research

At the aggregate level, the rate of bonds put on negative outlook has been mixed in HY: stabilising at S&P and Fitch (Figure 5), but with Moody's continuing to put more bonds on negative outlook, even though the average rating score is about half a notch lower for non-financial bonds (in our benchmark Bloomberg Barclays Pan-Europe HY index) rated by Moody's versus those rated by S&P. We think part of the explanation for this observation is that Moody's¹ as an agency has a more cautious outlook for global growth this year than S&P² or Fitch³, where Moody's is expecting growth to slow in 2020 compared to 2019. In contrast, Fitch and S&P (in line with our view, [Global Outlook: A slow grind tighter](#), 5 December 2019) expect global growth to stabilise if not improve this year.

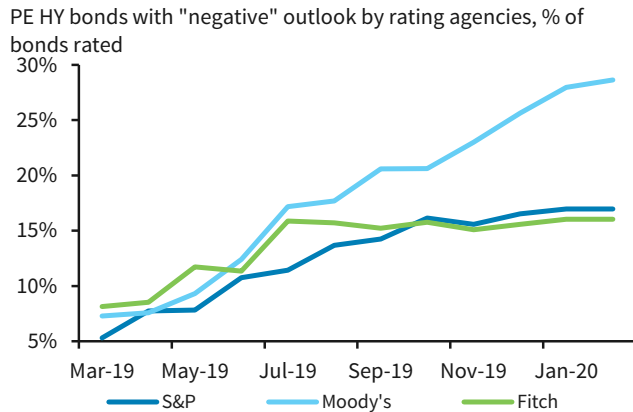
Finally, the rate of bonds on negative watch as well as the composition of names on negative watch are more mixed. In Figure 6, we see that the rate of bonds on negative watch in the past year was relatively flat and low around 1-2% for S&P and Moody's and, although higher for Fitch (which also has a smaller universe of bonds rated), the rate is also relatively stable there. Looking in more detail at bonds on negative watch (Figure 11), there isn't an obvious trend in terms of sector or rating composition, suggesting more idiosyncratic risks at play.

Given our base case for growth to stabilise and potentially improve this year, we think the rate of bond downgrades should stabilise too. We caution, however, that recent developments relating to the new coronavirus may well delay this improvement or potentially worsen the rate of downgrades, depending on the development of the epidemic and for how long it persists before containment ([Economics of the epidemic](#), 31 January 2020).

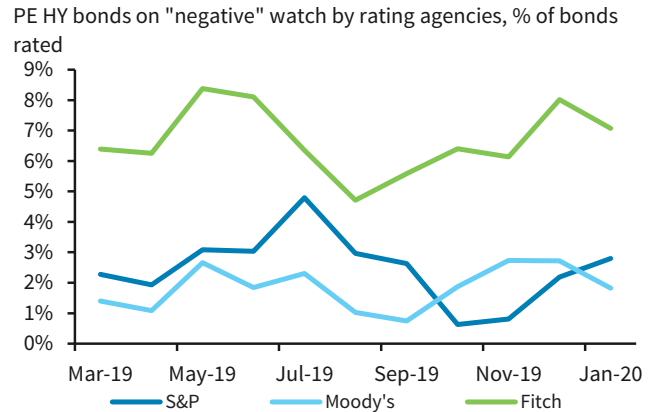
¹ Moody's: Default Trends - Global, 30 January 2020

² S&P: 2020 Vision: Global Macroeconomic Outlook Steady For Now, 4 December 2019

³ Fitch: Global Economic Outlook - December 2019

FIGURE 5. Rate of bonds on negative outlook has stabilised for S&P and Fitch, but not Moody's

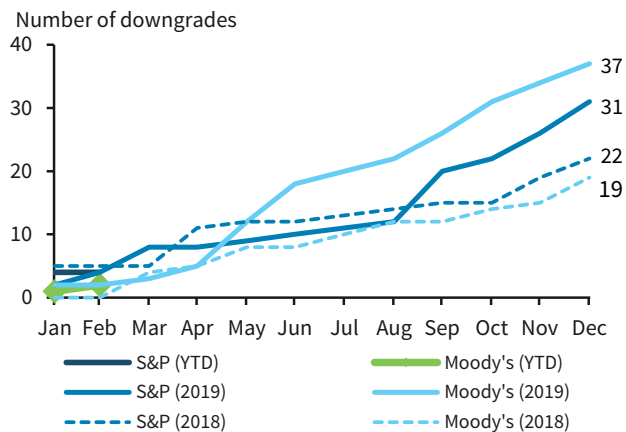
Source: Bloomberg Barclays Indices, Bloomberg, Barclays Research

FIGURE 6. Rate of bonds on negative watch is more mixed, but at a low 1-2% for S&P and Moody's

Source: Bloomberg Barclays Indices, Bloomberg, Barclays Research

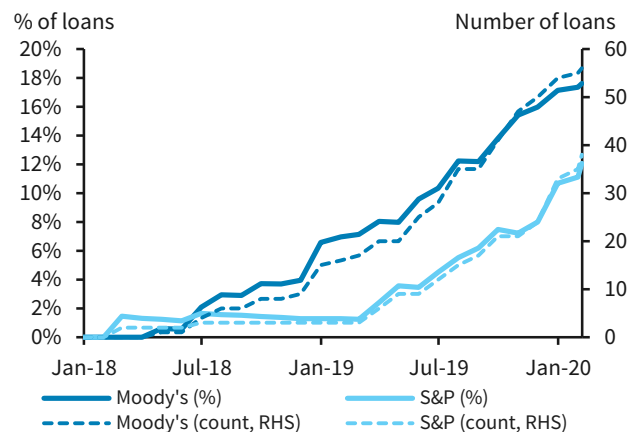
Loan downgrades: No sign of stabilisation yet

In European leveraged loans, the message is clearer: downgrades have continued across S&P and Moody's (Figure 7), and importantly, the rate of loans on negative outlook continues to rise (Figure 8), with 38 (or 12%) of loans in the European Leveraged Loan Index (S&P ELLI) currently rated by S&P on negative outlook, and 56 (or 18%) on the equivalent at Moody's. Similar to observations in the HY bond market though, the rate of downgrades and loans being put on negative outlook is more severe at Moody's than S&P. Looking at the list of loans downgraded in the last 6 months (Figure 14), we do not see a clear trend in terms of sectors or rating. Although most downgrades involve single B rated loans, about three quarters of the European loan index is composed of single B rated loans.

FIGURE 7. S&P ELLI: Number of downgrades continued to rise...

Note: Feb 2020 observation is the latest available.

Source: S&P LCD, Bloomberg, Barclays Research

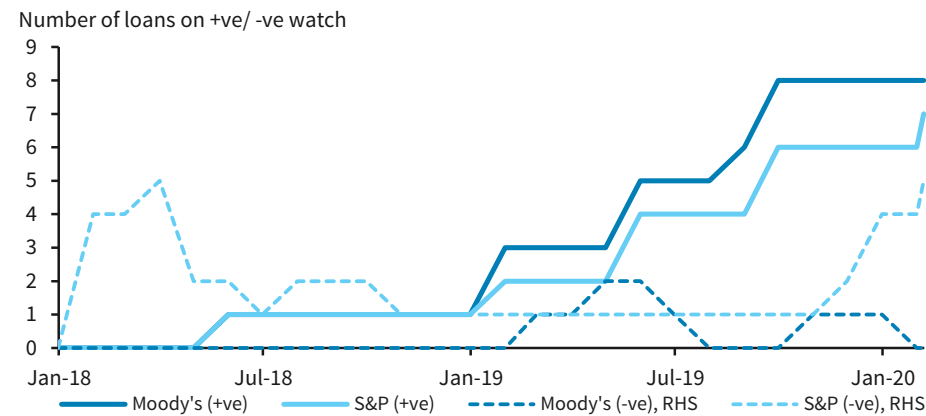
FIGURE 8. ... as has the rate of loans being put on negative outlook

Note: % of loans is calculated as a percentage of the total number of loans rated by S&P and Moody's respectively.

Source: S&P LCD, Bloomberg, Barclays Research

That said, the rate of loans on negative watch does not seem worrying (though there's been a slight increase recently by S&P): there are currently more loans on positive than negative watch (Figure 9).

FIGURE 9. Fewer loans on negative watch than positive watch



Source: S&P LCD, Bloomberg, Barclays Research

Appendix

FIGURE 10. List of HY bonds with negative outlook for at least 6 months by at least two rating agencies

Issuer Name	Security Name	Curr	A/O, mn	Price	OAS	YTW	OAD	Latest index rating	Sector	Total downgrade, # of notches*	Latest Rating			Rating, 6m ago			Rating Outlook		
											S&P	Moody's	Fitch	S&P	Moody's	Fitch	S&P	Moody's	Fitch
JAGUAR LAND ROVER AUTOMO	TTMTIN 5 02/15/22	GBP	400	102	339	3.8	1.9	B1	Consumer Cyclical	-	B+	B1	BB-u	B+ *	B1	BB-u	NEG	NEG	NEG
JAGUAR LAND ROVER AUTOMO	TTMTIN 3 7/8 03/01/23	GBP	400	99	380	4.2	2.8	B1	Consumer Cyclical	-	B+	B1	BB-u	B+ *	B1	BB-u	NEG	NEG	NEG
JAGUAR LAND ROVER AUTOMO	TTMTIN 2.2 01/15/24	EUR	650	96	402	3.4	3.7	B1	Consumer Cyclical	-	B+	B1	BB-u	B+ *	B1	BB-u	NEG	NEG	NEG
JAGUAR LAND ROVER AUTOMO	TTMTIN 5 7/8 11/15/24	EUR	500	106	506	4.4	4.0	B1	Consumer Cyclical	-	B+	B1	BB-	-	-	-	NEG	NEG	NEG
JAGUAR LAND ROVER AUTOMO	TTMTIN 4 1/2 01/15/26	EUR	500	99	530	4.7	5.1	B1	Consumer Cyclical	-	B+	B1	BB-u	B+ *	B1	BB-u	NEG	NEG	NEG
JAGUAR LAND ROVER AUTOMO	TTMTIN 6 7/8 11/15/26	EUR	500	107	617	5.6	5.3	B1	Consumer Cyclical	-	B+	B1	BB-	-	-	-	NEG	NEG	NEG
ALTICE FRANCE SA	SFRFP 5 7/8 02/01/27	EUR	1,000	111	290	2.5	2.4	B2	Communications	-	B	B2	-	B	B2	-	NEG	NEG	-
ALTICE FRANCE SA	SFRFP 2 1/2 01/15/25	EUR	550	100	289	2.5	3.4	B2	Communications	-	B	B2	-	-	-	-	NEG	NEG	-
ALTICE FRANCE SA	SFRFP 3 3/8 01/15/28	EUR	1,000	102	313	3.0	4.3	B2	Communications	-	B	B2	-	-	-	-	NEG	NEG	-
ALTICE LUXEMBOURG SA	ATCNA 6 1/4 02/15/25	EUR	750	103	332	2.9	0.1	CAA1	Communications	-	B-	Caa1	-	B-	Caa1	-	NEG	NEG	-
ALTICE LUXEMBOURG SA	ATCNA 8 05/15/27	EUR	1,400	113	409	3.6	2.4	CAA1	Communications	-	B-	Caa1	-	B-	Caa1	-	NEG	NEG	-
DIAMOND BC BV	DIVRSY 5 5/8 08/15/25	EUR	450	98	610	6.0	3.1	CAA2	Consumer Non-Cyclical	-	B-	Caa2	-	B-	Caa2	-	NEG	NEG	-
DIST INTER DE ALIMENTACI	DIASM 1 04/28/21	EUR	300	88	1,282	12.2	1.1	CA	Consumer Non-Cyclical	-	CC	Caa2	-	CC	Caa2	-	NEG	NEG	-
DIST INTER DE ALIMENTACI	DIASM 0 7/8 04/06/23	EUR	300	53	2,332	22.6	2.8	CA	Consumer Non-Cyclical	-	CC	Caa2	-	CC	Caa2	-	NEG	NEG	-
IHO VERWALTUNGS GMBH	SHAEFF 3 5/8 05/15/25	EUR	800	103	361	2.6	4.7	BA1	Consumer Cyclical	-	BB+	Ba1	BB+	BB+	Ba1	BB+	NEG	NEG	-
IHO VERWALTUNGS GMBH	SHAEFF 3 3/4 09/15/26	EUR	750	104	368	2.5	5.8	BA1	Consumer Cyclical	-	BB+	Ba1	BB+	BB+	Ba1	BB+	NEG	NEG	-
IHO VERWALTUNGS GMBH	SHAEFF 3 7/8 05/15/27	EUR	500	104	379	2.9	6.3	BA1	Consumer Cyclical	-	BB+	Ba1	BB+	BB+	Ba1	BB+	NEG	NEG	-
LA FINAC ATALIAN SA	ATALIA 4 05/15/24	EUR	625	85	880	8.1	3.7	CAA1	Consumer Cyclical	-	B	Caa1	-	B	Caa1	-	NEG	NEG	-
LA FINAC ATALIAN SA	ATALIA 6 5/8 05/15/25	GBP	225	84	1,012	10.5	4.2	CAA1	Consumer Cyclical	-	B	Caa1	-	B	Caa1	-	NEG	NEG	-
LA FINAC ATALIAN SA	ATALIA 5 1/8 05/15/25	EUR	350	85	930	8.7	4.3	CAA1	Consumer Cyclical	-	B	Caa1	-	B	Caa1	-	NEG	NEG	-
LSF10 WOLVERINE INVEST	STKGRP 5 03/15/24	EUR	250	102	409	4.0	1.2	B2	Capital Goods	-	B	B2	-	B	B2	-	NEG	NEG	-
SGL CARBON SE	SGLGR 4 5/8 09/30/24	EUR	250	95	645	5.9	3.7	B2	Basic Industry	-	B	B2	-	B	B2	-	NEG	NEG	-

Note: *Total number of downgrade notches across S&P, Moody's and Fitch. "-" means there has been no downgrade in the last 6 months.

Source: Bloomberg Barclays Indices, Bloomberg, Barclays Research

FIGURE 11. List of HY bonds on negative watch by at least one rating agency

Issuer Name	Security Name	Curr	A/O, mn	Price	OAS	YTW	OAD	Latest index rating	Sector	Total downgrade, # of notches*	Latest Rating			Rating, 6m ago			Rating Watch Date		
											S&P	Moody's	Fitch	S&P	Moody's	Fitch	S&P	Moody's	Fitch
AMIGO LUXEMBOURG SA	AMIGLN 7 5/8 01/15/24	GBP	234	96	838	8.9	2.9	B3	Finance Companies	-2	B- *	B1	-	B+	B1	-	Jan-20	-	-
SILGAN HOLDINGS INC	SLGN 3 1/4 03/15/25	EUR	650	101	255	2.5	1.1	BA3	Capital Goods	-	BB- *	Ba3 *	-	BB-	Ba3	-	Jan-20	Jan-20	-
ATLANTIA SPA	ATLIM 1 5/8 02/03/25	EUR	750	100	231	1.7	4.8	BA2	Transportation	-8	BB- *	Ba2 *	BB *	BBB- *	Baa3 *	BBB	Jan-20	Jan-20	Jan-20
ATLANTIA SPA	ATLIM 1 7/8 07/13/27	EUR	1,000	100	237	1.9	6.8	BA2	Transportation	-8	BB- *	Ba2 *	BB *	BBB- *	Baa3 *	BBB	Jan-20	Jan-20	Jan-20
AUTOSTRADA PER L'ITALIA	ATOSTR 6 1/4 06/09/22	GBP	500	107	268	3.1	2.1	BA1	Transportation	-9	BB- *	Ba1 *	BB+ *	BBB *	Baa2 *	BBB+	Jan-20	Jan-20	Jan-20
AUTOSTRADA PER L'ITALIA	ATOSTR 5 7/8 06/09/24	EUR	1,000	117	246	1.8	3.8	BA1	Transportation	-9	BB- *	Ba1 *	BB+ *	BBB *	Baa2 *	BBB+	Jan-20	Jan-20	Jan-20
AUTOSTRADA PER L'ITALIA	ATOSTR 4 3/8 09/16/25	EUR	500	114	240	1.8	5.0	BA1	Transportation	-9	BB- *	Ba1 *	BB+ *	BBB *	Baa2 *	BBB+	Jan-20	Jan-20	Jan-20
AUTOSTRADA PER L'ITALIA	ATOSTR 1 1/8 11/04/21	EUR	480	99	264	2.0	1.7	BA1	Transportation	-9	BB- *	Ba1 *	BB+ *	BBB *	Baa2 *	BBB+	Jan-20	Jan-20	Jan-20
AUTOSTRADA PER L'ITALIA	ATOSTR 1 7/8 11/04/25	EUR	500	99	265	2.1	5.4	BA1	Transportation	-9	BB- *	Ba1 *	BB+ *	BBB *	Baa2 *	BBB+	Jan-20	Jan-20	Jan-20
AUTOSTRADA PER L'ITALIA	ATOSTR 1 3/4 06/26/26	EUR	750	98	260	2.0	6.0	BA1	Transportation	-9	BB- *	Ba1 *	BB+ *	BBB *	Baa2 *	BBB+	Jan-20	Jan-20	Jan-20
AUTOSTRADA PER L'ITALIA	ATOSTR 1 3/4 02/01/27	EUR	600	98	261	2.1	6.6	BA1	Transportation	-9	BB- *	Ba1 *	BB+ *	BBB *	Baa2 *	BBB+	Jan-20	Jan-20	Jan-20
AUTOSTRADA PER L'ITALIA	ATOSTR 1 7/8 09/26/29	EUR	700	98	255	2.1	8.7	BA1	Transportation	-9	BB- *	Ba1 *	BB+ *	BBB *	Baa2 *	BBB+	Jan-20	Jan-20	Jan-20
TRAVELEX FINANCING PLC	TRVLEX 8 05/15/22	EUR	360	95	1,090	10.3	1.9	B3	Other Financial	-	B- *	B3	-	B-	B3	-	Jan-20	-	-
ANGLIAN WATER OSPREY FIN	OSPRAQ 5 04/30/23	GBP	210	104	315	3.6	2.8	BA3	Other Utility	-	-	Ba3 *	BB+ *	-	Ba3	BB+	-	Dec-19	Dec-19
ANGLIAN WATER OSPREY FIN	OSPRAQ 4 03/08/26	GBP	240	100	354	4.0	5.2	BA3	Other Utility	-	-	Ba3 *	BB+ *	-	Ba3	BB+	-	Dec-19	Dec-19
NEXI SPA	NEXIIM 1 3/4 10/31/24	EUR	825	102	199	1.4	4.5	BA3	Technology	-	BB-	Ba3	BB *	-	-	-	-	-	Dec-19
TEOLLISUUDEN VOIMA OYJ	TVOYFH 2 1/2 03/17/21	EUR	154	102	86	0.2	1.1	BA1	Electric	-	BB+ *	-	BBB-	BB+	-	BBB-	Dec-19	-	-
TEOLLISUUDEN VOIMA OYJ	TVOYFH 2 1/8 02/04/25	EUR	500	106	141	0.8	4.6	BA1	Electric	-	BB+ *	-	BBB-	BB+	-	BBB-	Dec-19	-	-
TEOLLISUUDEN VOIMA OYJ	TVOYFH 2 5/8 01/13/23	EUR	500	106	113	0.5	2.9	BA1	Electric	-	BB+ *	-	BBB-	BB+	-	BBB-	Dec-19	-	-
TEOLLISUUDEN VOIMA OYJ	TVOYFH 2 05/08/24	EUR	400	105	132	0.7	3.9	BA1	Electric	-	BB+ *	-	BBB-	BB+	-	BBB-	Dec-19	-	-
TEOLLISUUDEN VOIMA OYJ	TVOYFH 1 1/8 03/09/26	EUR	650	100	169	1.1	5.8	BA1	Electric	-	BB+ *	-	BBB-	-	-	-	Dec-19	-	-
THAMES WATER KEMBLE FINA	THAMES 5 7/8 07/15/22	GBP	175	104	369	4.1	2.3	B1	Other Utility	-	-	B1 *	BB- *	-	B1	BB-	-	Dec-19	Dec-19
PINNACLE BIDCO PLC	PURGYM 6 3/8 02/15/25	GBP	430	105	372	4.7	1.6	B2	Consumer Cyclical	-	B- *	B2	B+	B	B2	B+	Dec-19	-	-
DREAM GLOBAL FUNDING 1	DRGUCN 1 3/8 12/21/21	EUR	148	101	159	0.9	1.9	B1	REITs	-5	-	B1 *	-	-	Baa2	-	-	Dec-19	-
SHOP DIRECT FUNDING PLC	SHODFP 7 3/4 11/15/22	GBP	550	97	827	8.8	2.2	B2	Consumer Cyclical	-	-	B2 *	B *	-	B2	B	-	Oct-19	Nov-19
BANIJAY GROUP SAS	BANIJA 4 07/01/22	EUR	365	102	206	1.5	0.4	B1	Communications	-	B+ *	B1	BB *	B+	B1	BB	Oct-19	-	Oct-19
PRO-GEST SPA	PROGST 3 1/4 12/15/24	EUR	250	60	1,574	15.1	4.1	CAA2	Capital Goods	-6	B- *	Caa2	-	BB	B2	-	Oct-19	-	-
THYSSENKRUPP AG	TKAGR 1 7/8 03/06/23	EUR	1,000	100	239	1.7	2.9	BA3	Capital Goods	-	BB-	Ba3	BB+ *	-	-	-	-	-	Sep-19
THYSSENKRUPP AG	TKAGR 2 7/8 02/22/24	EUR	1,500	103	267	2.0	3.6	BA3	Capital Goods	-2	BB-	Ba3	BB+ *	BB	Ba2 *	BB+ *	-	-	Feb-19
THYSSENKRUPP AG	TKAGR 2 1/2 02/25/25	EUR	600	102	272	2.1	4.7	BA3	Capital Goods	-2	BB-	Ba3	BB+ *	BB	Ba2 *	BB+ *	-	-	Oct-18
THYSSENKRUPP AG	TKAGR 2 3/4 03/08/21	EUR	850	101	168	1.1	0.8	BA3	Capital Goods	-2	BB-	Ba3	BB+ *	BB	Ba2 *	BB+ *	-	-	Oct-18
THYSSENKRUPP AG	TKAGR 1 3/8 03/03/22	EUR	1,250	100	192	1.3	1.9	BA3	Capital Goods	-2	BB-	Ba3	BB+ *	BB	Ba2 *	BB+ *	-	-	Oct-18

Note: *Total number of downgrade notches across S&P, Moody's and Fitch. "-" means there has been no downgrade in the last 6 months.

Source: Bloomberg Barclays Indices, Bloomberg, Barclays Research

FIGURE 12. List of HY bonds downgraded in the last 6 months

Issuer Name	Security Name	Curr	A/O, mn	Price	OAS	YTW	OAD	Latest index rating	Sector	Total downgrade, # of notches*	Latest Rating			Rating, 6m ago			Rating Outlook		
											S&P	Moody's	Fitch	S&P	Moody's	Fitch	S&P	Moody's	Fitch
OFFICINE MACCAFERRI SPA	OFFMAC 5 3/4 06/01/21	EUR	190	35	9,026	96.8	1.0	C	Capital Goods	-9	-	Ca	C	-	B3 *	B-	-	NEG	-
ATLANTIA SPA	ATLIM 1 5/8 02/03/25	EUR	750	96	296	2.5	4.8	BA1	Transportation	-8	BB- *	Ba2 *	BB *	BBB- *	Baa3 *	BBB	-	-	-
ATLANTIA SPA	ATLIM 1 7/8 07/13/27	EUR	1,000	93	320	2.9	6.9	BA1	Transportation	-8	BB- *	Ba2 *	BB *	BBB- *	Baa3 *	BBB	-	-	-
PRO-GEST SPA	PROGST 3 1/4 12/15/24	EUR	250	59	1,604	15.5	4.2	CAA2	Capital Goods	-6	B *	Caa2	-	BB	B2	-	-	NEG	-
SAFARI VERWALTUNGS GMBH	LPLAYG 5 3/8 11/30/22	EUR	350	80	1,460	14.0	2.5	CAA2	Consumer Cyclical	-4	CCC	B3	-	B	B2	-	-	-	-
HEIDELBERGER DRUCKMASCHI	HDDGR 8 05/15/22	EUR	150	95	1,108	10.5	2.0	CAA2	Capital Goods	-3	CCC	Caa2	-	CCC+	B3	-	-	NEG	-
HEMA BONDCO II BV	HEMABV 8 1/2 01/15/23	EUR	150	45	4,274	41.4	1.9	CA	Consumer Cyclical	-3	CC	Caa3	-	CCC	Caa2	-	-	NEG	-
OBRASCON HUARTE LAIN SA	OHLSM 4 3/4 03/15/22	EUR	323	70	2,381	23.2	1.8	CAA1	Capital Goods	-3	-	Caa1	CCC+	-	Caa1	B+	-	-	-
OBRASCON HUARTE LAIN SA	OHLSM 5 1/2 03/15/23	EUR	270	69	1,925	18.6	2.6	CAA1	Capital Goods	-3	-	Caa1	CCC+	-	Caa1	B+	-	-	-
PIZZAEXPRESS FINANCING 2	PIZEXP 6 5/8 08/01/21	GBP	465	90	1,313	13.7	1.4	CAA3	Consumer Cyclical	-3	CCC-	Caa1	-	CCC+	B3	-	-	NEG	-
SCHMOLZ+BICKEN LX FIN SA	STLNSW 5 5/8 07/15/22	EUR	350	98	703	6.5	2.0	CAA2	Basic Industry	-3	CCC+	Caa1	-	B	B3	-	-	NEG	-
YELL BONDCO PLC	YELLUK 8 1/2 05/02/23	GBP	214	67	2,247	23.0	2.5	CAA1	Communications	-3	CCC+	Caa1	-	B	B3	-	-	-	-
AMIGO LUXEMBOURG SA	AMIGLN 7 5/8 01/15/24	GBP	289	95	861	9.3	3.0	B2	Finance Companies	-2	B- *	B1	-	B+	B1	-	-	-	-
ASTON MARTIN CAPITAL HOL	ASTONM 5 3/4 04/15/22	GBP	285	96	737	7.9	2.0	CAA1	Consumer Cyclical	-2	CCC+	Caa1	-	B-	B3	-	-	NEG	-
CASINO GUICHARD PERRACHO	COFP 5.976 05/26/21	EUR	597	105	295	2.3	1.3	B3	Consumer Non-Cyclical	-2	B	B3	WD	B *	B1	WD	NEG	NEG	-
CASINO GUICHARD PERRACHO	COFP 3.311 01/25/23	EUR	720	98	578	5.2	2.7	B3	Consumer Non-Cyclical	-2	B	B3	WD	B *	B1	WD	NEG	NEG	-
CASINO GUICHARD PERRACHO	COFP 4.498 03/07/24	EUR	900	91	743	6.9	3.6	B3	Consumer Non-Cyclical	-2	B	B3	WD	B *	B1	WD	NEG	NEG	-
CASINO GUICHARD PERRACHO	COFP 4.048 08/05/26	EUR	508	85	723	6.8	5.6	B3	Consumer Non-Cyclical	-2	B	B3	WD	B *	B1	WD	NEG	NEG	-
CASINO GUICHARD PERRACHO	COFP 3.58 02/07/25	EUR	444	86	733	6.9	4.4	B3	Consumer Non-Cyclical	-2	B	B3	WD	B *	B1	WD	NEG	NEG	-
CASINO GUICHARD PERRACHO	COFP 1.865 06/13/22	EUR	452	96	410	3.5	2.3	B3	Consumer Non-Cyclical	-2	B	B3	WD	B *	B1	WD	NEG	NEG	-
CODERE FINANCE 2 LUXEMBO	CDRSM 6 3/4 11/01/21	EUR	500	93	1,182	11.2	1.6	B3	Consumer Cyclical	-2	B-	B3	-	B	B2	-	-	-	-
DOUGLAS GMBH	DOUGR 6 1/4 07/15/22	EUR	300	100	605	6.2	1.0	B2	Consumer Cyclical	-2	B-	B2	-	B	B1	-	-	-	-
GRUPO-ANTOLIN IRAUSA SA	ANTOLN 3 1/4 04/30/24	EUR	385	97	442	4.0	3.4	B2	Consumer Cyclical	-2	B	B2	-	B+	B1	-	NEG	-	-
GRUPO-ANTOLIN IRAUSA SA	ANTOLN 3 3/8 04/30/26	EUR	250	94	476	4.4	5.0	B2	Consumer Cyclical	-2	B	B2	-	B+	B1	-	NEG	-	-
KIRK BEAUTY ONE GMBH	DOUGR 8 3/4 07/15/23	EUR	335	73	2,024	19.6	2.6	CAA2	Consumer Cyclical	-2	CCC	Caa2	-	CCC+	Caa1	-	-	-	-
NASSA TOPCO AS	NETSDC 2 7/8 04/06/24	EUR	220	102	285	2.3	3.8	B1	Consumer Cyclical	-2	B	B1	BB	BB-	B1	BB	-	NEG	-
NOVAFIVES SAS	NVSVES 5 06/15/25	EUR	325	89	788	7.4	4.5	CAA1	Other Industrial	-2	B	Caa1	-	B+	B3	-	NEG	NEG	-
THYSSENKRUPP AG	TKAGR 2 1/2 02/25/25	EUR	600	102	254	2.1	4.8	BA3	Capital Goods	-2	BB-	Ba3	BB+ *	BB	Ba2 *	BB+ *	-	NEG	-
THYSSENKRUPP AG	TKAGR 2 3/4 03/08/21	EUR	850	102	138	0.7	0.9	BA3	Capital Goods	-2	BB-	Ba3	BB+ *	BB	Ba2 *	BB+ *	-	NEG	-
THYSSENKRUPP AG	TKAGR 1 3/8 03/03/22	EUR	1,250	101	171	1.1	2.0	BA3	Capital Goods	-2	BB-	Ba3	BB+ *	BB	Ba2 *	BB+ *	-	NEG	-
THYSSENKRUPP AG	TKAGR 2 7/8 02/22/24	EUR	1,500	103	250	2.0	3.7	BA3	Capital Goods	-2	BB-	Ba3	BB+ *	BB	Ba2 *	BB+ *	-	NEG	-
ALDESA FINANCIAL SERVC	ALDESA 7 1/4 04/01/21	EUR	250	88	1,856	18.2	1.1	CAA1	Capital Goods	-1	-	Caa1 *	B- *	-	B3	B-	-	-	-
ALMAVIVA THE ITALIAN INN	ALMAIN 7 1/4 10/15/22	EUR	250	92	1,130	10.7	2.4	B2	Technology	-1	B	B2	-	B+	B2	-	-	-	-
ALTICE FINANCING SA	ALTICE 5 1/4 02/15/23	EUR	500	102	-30	-1.1	0.1	B2	Communications	-1	B	B2	-	B+	B2	-	-	NEG	-
BANFF MERGER SUB INC	BMC 8 3/8 09/01/26	EUR	302	95	965	9.5	4.1	CAA2	Technology	-1	CCC	Caa2	-	CCC+	Caa2	-	-	-	-
BOMBARDIER INC	BBDDBCN 6 1/8 05/15/21	EUR	414	105	297	2.3	1.3	B3	Capital Goods	-1	B-	Caa1	B-u	B-	Caa1	Bu	NEG	NEG	NEG
CHEMOURS CO	CC 4 05/15/26	EUR	450	90	622	5.8	5.3	B1	Basic Industry	-1	B+	Ba3	-	BB-	Ba3	-	-	NEG	-
CIRSA FINANCE INTER	LHMCFI 6 1/4 12/20/23	EUR	663	106	154	0.8	0.5	B2	Consumer Cyclical	-1	B	B2	-	B+	B2	-	-	-	-
CIRSA FINANCE INTER	LHMCFI 4 3/4 05/22/25	EUR	390	105	318	2.9	2.0	B2	Consumer Cyclical	-1	B	B2	-	B+	B2	-	-	-	-
CMA CGM SA	CMACG 6 1/2 07/15/22	EUR	650	91	1,148	10.9	2.2	CAA1	Transportation	-1	B-	Caa1	-	B-	B3	-	-	NEG	-

Note: *Total number of downgrade notches across S&P, Moody's and Fitch.

Source: Bloomberg Barclays Indices, Bloomberg, Barclays Research

FIGURE 13. List of HY bonds downgraded in the last 6 months (continued)

Issuer Name	Security Name	Curr	A/O, mn	Price	OAS	YTW	OAD	Latest index rating	Sector	Total downgrade, # of notches*	Latest Rating			Rating, 6m ago			Rating Outlook		
											S&P	Moody's	Fitch	S&P	Moody's	Fitch	S&P	Moody's	Fitch
CMA CGM SA	CMACG 5 1/4 01/15/25	EUR	750	80	1,083	10.5	4.0	CAA1	Transportation	-1	B-	Caa1	-	B-	B3	-	-	NEG	-
DKT FINANCE APS	TDCDC 7 06/17/23	EUR	1,050	106	244	1.7	0.5	B3	Communications	-1	B-	Caa1	B-	B-	B3	B-	NEG	-	-
GOODYEAR EUROPE BV	GT 3 3/4 12/15/23	EUR	250	101	60	-0.2	0.1	BA2	Consumer Cyclical	-1	BB-	Ba2	BBu	BB	Ba2	BBu	-	-	-
INTRALOT CAPITAL LUX	INLOTG 6 3/4 09/15/21	EUR	250	63	3,906	38.4	1.3	CAA2	Consumer Cyclical	-1	NR	Caa1	CCC	NR	Caa1	CCC+	-	NEG	-
INTRALOT CAPITAL LUX	INLOTG 5 1/4 09/15/24	EUR	500	43	2,808	27.5	3.3	CAA2	Consumer Cyclical	-1	NR	Caa1	CCC	NR	Caa1	CCC+	-	NEG	-
K+S AG	SDFGR 3 06/20/22	EUR	500	105	169	1.1	2.4	BA3	Basic Industry	-1	BB-	WR	-	BB	Ba2u	-	-	-	-
K+S AG	SDFGR 4 1/8 12/06/21	EUR	500	107	112	0.5	1.9	BA3	Basic Industry	-1	BB-	-	-	BB	-	-	-	-	-
K+S AG	SDFGR 2 5/8 04/06/23	EUR	625	105	160	1.0	2.9	BA3	Basic Industry	-1	BB-	-	-	BB	-	-	-	-	-
K+S AG	SDFGR 3 1/4 07/18/24	EUR	600	107	212	1.6	4.1	BA3	Basic Industry	-1	BB-	-	-	BB	-	-	-	-	-
KRONOS INTERNATIONAL INC	KRO 3 3/4 09/15/25	EUR	400	102	341	3.3	2.8	B1	Basic Industry	-1	B+	B2	BB	BB-	B2	BB	-	-	-
METRO BANK PLC	MTROLN 5 1/2 06/26/28	GBP	250	81	781	12.2	2.7	BA3	Banking	-1	-	-	BB- *	-	-	-	-	-	NEG
MOBY SPA	MOBYIT 7 3/4 02/15/23	EUR	300	35	5,306	52.5	1.9	CAA3	Transportation	-1	CCC	Caa3	-	CCC	Caa2	-	NEG	NEG	-
NH HOTEL GROUP SA	NHSM 3 3/4 10/01/23	EUR	357	102	25	-0.4	0.0	BA3	Consumer Cyclical	-1	NR	Ba3	BB-	NR	Ba3	BB	-	-	-
NIDDA BONDCO GMBH	SAZGR 5 09/30/25	EUR	340	105	261	2.1	1.0	CAA1	Consumer Non-Cyclical	-1	CCC+	Caa2	CCC+	B-	Caa2	CCC+	-	-	-
NIDDA BONDCO GMBH	SAZGR 7 1/4 09/30/25	EUR	250	107	282	2.2	0.8	CAA1	Consumer Non-Cyclical	-1	CCC+	Caa2	CCC+	B-	Caa2	CCC+	-	-	-
NIDDA HEALTHCARE HOLDING	SAZGR 3 1/2 09/30/24	EUR	735	103	183	1.2	1.0	B1	Consumer Non-Cyclical	-1	B	B2	B+	B+	B2	B+	-	-	-
NOKIA OYJ	NOKIA 1 03/15/21	EUR	500	101	82	0.2	1.1	BA1	Technology	-1	BB+	Ba2	BBB-u	BB+	Ba1	BBB-u	NEG	-	-
NOKIA OYJ	NOKIA 2 03/15/24	EUR	750	105	130	0.8	3.8	BA1	Technology	-1	BB+	Ba2	BBB-u	BB+	Ba1	BBB-u	NEG	-	-
NOKIA OYJ	NOKIA 2 03/11/26	EUR	750	104	175	1.3	5.7	BA1	Technology	-1	BB+	Ba2	BBB-u	BB+	Ba1	BBB-u	NEG	-	-
OI EUROPEAN GROUP BV	OI 4 7/8 03/31/21	EUR	118	106	74	0.1	1.2	BA3	Capital Goods	-1	BB-	Ba3	-	BB	Ba3	-	-	NEG	-
OI EUROPEAN GROUP BV	OI 3 1/8 11/15/24	EUR	725	106	215	1.7	4.4	BA3	Capital Goods	-1	BB-	Ba3	-	BB	Ba3	-	-	NEG	-
OUTOKUMPU OYJ	OUTOK 4 1/8 06/18/24	EUR	250	101	387	3.7	2.2	B1	Basic Industry	-1	-	B1	-	-	Ba3	-	-	-	-
PROMONTORIA HOLDING	PRMHL 6 3/4 08/15/23	EUR	400	89	1,092	10.4	3.0	B3	Transportation	-1	B	B3	-	B	B2	-	-	NEG	-
SCIENTIFIC GAMES INTERNA	SGMS 3 3/8 02/15/26	EUR	325	104	242	2.4	2.2	B1	Consumer Cyclical	-1	B+	B1	-	B+	Ba3	-	-	-	-
TDC A/S	TDCDC 6 7/8 02/23/23	GBP	425	114	179	2.4	2.8	BA3	Communications	-1	BB-	B1	BB	BB-	Ba3	BB	NEG	-	-
TDC A/S	TDCDC 5 03/02/22	EUR	500	109	126	0.7	2.0	BA3	Communications	-1	BB-	B1	BB	BB-	Ba3	BB	NEG	-	-
TELE COLUMBUS AG	TCGR 3 7/8 05/02/25	EUR	650	97	476	4.4	4.0	B3	Communications	-1	-	B3	B+	-	B2	B+	NEG	-	NEG
TEREOS FINANCE GROUPE I	TEREOS 4 1/8 06/16/23	EUR	600	80	1,173	11.2	3.0	B1	Consumer Non-Cyclical	-1	B+	-	B+	BB-	-	B+	-	-	-
TITAN GLOBAL FINANCE PLC	TITKGA 3 1/2 06/17/21	EUR	300	104	124	0.6	1.4	BA2	Capital Goods	-1	BB	-	-	BB+	-	-	-	-	-
TITAN GLOBAL FINANCE PLC	TITKGA 2 3/8 11/16/24	EUR	350	103	206	1.6	4.3	BA2	Capital Goods	-1	BB	-	-	BB+	-	-	-	-	-
TUI AG	TUIGR 2 1/8 10/26/21	EUR	300	102	127	0.6	1.6	BA3	Consumer Cyclical	-1	BB	Ba3	-	BB	Ba2	-	NEG	NEG	-

Note: *Total number of downgrade notches across S&P, Moody's and Fitch.

Source: Bloomberg Barclays Indices, Bloomberg, Barclays Research

FIGURE 14. S&P ELLI: List of loans downgraded by S&P and/or Moody's in the last 6 months

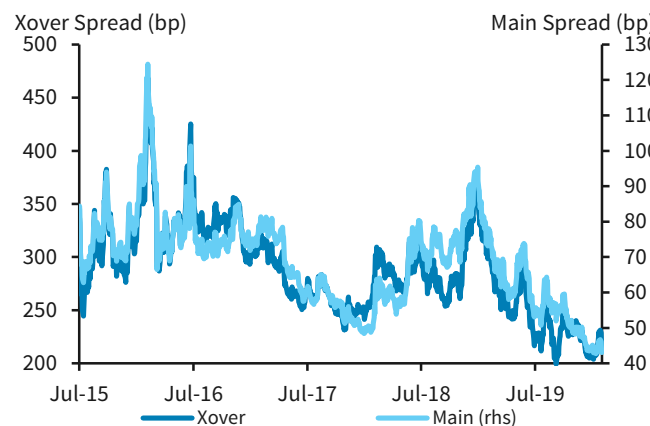
Issuer Name	Security Detail	Sector	Issue Date	Maturity Date	Coupon	Total downgrade, # notches*	Current Rating		Prior Rating		Outlook	
							S&P	Moody's	S&P	Moody's	S&P	Moody's
DEOLEO SA	SOSSM TL B 1L EUR	Food products	13/06/2014	12/06/2021	4.50	-3	D	Ca	CCC+	Ca	-	-ve
AENOVA HOLDING GMBH	AENOVA TL B 1L EUR	Drugs	07/08/2014	29/09/2020	5.00	-2	CCC	B3	B-	B3	-	stable
BRITAX CHILDCARE LTD	BRITLN TL B 1L EUR	Automotive	15/10/2013	15/10/2020	4.75	-2	CCC+	Caa3u	CCC+	Caa1	-	-
DONCASTERS FINANCE US LLC	DONCAS TL C 1L GBP	Aerospace and Defense	15/04/2014	09/04/2020	5.00	-2	D	Caa3	CCC-	Caa1	-	-ve
DOUGLAS GMBH	DOUGR TL B1 1L EUR	Retailer	01/08/2017	13/08/2022	3.50	-2	B-	B2	B	B1	-	stable
DOUGLAS GMBH	DOUGR TL B8 1L EUR	Retailer	01/08/2017	13/08/2022	3.25	-2	B-	B2	B	B1	-	stable
L1R HB FINANCE LTD	LRHBF1 TL B 1L GBP	Food products	17/08/2017	31/08/2024	6.04	-2	B-	B3	B	B2	-ve	-ve
L1R HB FINANCE LTD	LRHBF1 TL B 1L EUR	Food products	17/08/2017	31/08/2024	4.25	-2	B-	B3	B	B2	-ve	-ve
ALPHA AB BIDCO BV	ALPBID TL B 1L EUR	Industrial equipment	11/09/2018	11/09/2025	3.75	-1	B	B3	B	B2	stable	stable
ALTICE FINANCING SA	ALTICE TL B 1L EUR	Cable television	02/11/2017	31/01/2026	2.75	-1	B	B2	B+	B2	-	-ve
ARVOS BIDCO SARL	ALIBID TL B1 1L EUR	Industrial equipment	29/08/2014	29/08/2021	5.50	-1	B-	B3	B	B3	-	stable
BOXER PARENT CO INC	BMC TL B 1L EUR	Electronics/electric	02/10/2018	02/10/2025	4.75	-1	B-	B2	B	B2	-	stable
BVI MEDICAL INC	BEAVST TL B 1L EUR	Health care	28/02/2019	28/02/2026	4.25	-1	NR	WR	B	B2	-	+ve
CHEMOURS CO	CC TL B2 1L EUR	Chemical/Plastics	03/04/2018	03/04/2025	2.50	-1	BB+	Baa3	BBB-	Baa3	stable	-ve
CHEPLAPHARM ARZNEIMITTEL	CHEPDE TL B3 1L EUR	Drugs	21/06/2019	20/07/2025	4.00	-1	B	B2	B	B1	stable	stable
DEOLEO SA	SOSSM TL 2L EUR	Food products	13/06/2014	13/06/2022	7.75	-1	D	C	CCC-	C	-	-ve
EVEREST BIDCO SASU	EXCLLN TL B 1L EUR	Business Equip. and svcs.	01/07/2018	01/07/2025	4.00	-1	B-	B1	B	B1	stable	-ve
FAERCH PLAST BIDCO APS	FAEPLA TL B1 1L EUR	Packaging	15/08/2017	15/08/2024	3.50	-1	B-	B3	B	B3	stable	stable
FAERCH PLAST BIDCO APS	FAEPLA TL B 1L GBP	Packaging	28/09/2018	15/08/2024	5.29	-1	B-	-	B	-	stable	stable
FLINT GROUP GMBH	FLINT TL B6 1L EUR	Chemical/Plastics	03/03/2017	07/09/2021	3.75	-1	CCC+	Caa1	B-	Caa1	-ve	-
HNVR HOLDCO LTD	HOTELB TL B 1L EUR	Leisure	20/11/2017	12/09/2023	4.25	-1	B-	B2	B	B2	-	-ve
HNVR HOLDCO LTD	HOTELB TL C 1L EUR	Leisure	08/04/2019	30/09/2025	4.50	-1	B-	B2	B	B2	-	-ve
ION TRADING FINANCE LTD	IONTRA TL B 1L EUR	Business Equip. and svcs.	15/08/2018	21/11/2024	4.25	-1	B	B3	B	B2	stable	-
KETER GROUP BV	KETGRO TL B3-B 1L EUR	Home furnishings	09/02/2017	31/10/2023	5.25	-1	CCC+	Caa1	B-	Caa1	stable	-ve
KETER GROUP BV	KETGRO TL B1 1L EUR	Home furnishings	15/10/2016	01/10/2023	5.25	-1	CCC+	Caa1	B-	Caa1	stable	-ve
NEP EUROPE FINCO BV	NEPBRO TL B 1L EUR	Telcommunications	19/10/2018	20/10/2025	3.50	-1	B+	B2	B+	B1	-	stable
OBOL FRANCE 3 SAS	VESCAP TL B 1L EUR	Business Equip. and svcs.	23/10/2018	12/04/2023	3.25	-1	B+	B3	B+	B2	-ve	stable
PRAESIDIAD LTD	BETABB TL B 1L EUR	Building and Dev.	02/10/2017	04/10/2024	4.00	-1	B-	Caa1	B-	B3	-	-
SAPPHIRE BIDCO BV	TMFG TL B 1L EUR	Business Equip. and svcs.	12/12/2017	08/06/2025	3.25	-1	B-	B2	B	B2	-ve	stable
SEQENS GROUP BIDCO SASU	NOVAFR TL B 1L EUR	Chemical/Plastics	01/08/2017	22/06/2023	3.50	-1	B	B3	B	B2	-ve	stable
SOLENIS INTERNATIONAL LP	SOLEIN TL 1L EUR	Chemical/Plastics	26/06/2018	26/06/2025	4.75	-1	B-	B3	B-	B2	-	-
STYROLUTION	STYRO TL B 1L EUR	Chemical/Plastics	22/11/2017	30/03/2024	2.50	-1	NR	WR	BB+	Ba2	-	stable
TDC A/S	TD CDC TL B 1L EUR	Telcommunications	07/12/2018	11/06/2025	2.75	-1	BB-	B1	BB-	Ba3	-ve	stable
TECH FINANCE & CO SCA	TCHFP TL B 1L EUR	Leisure	30/03/2017	31/12/2023	3.00	-1	B	B3	B	B2	stable	-ve
TECHNICOLOR SA	TCHFP TL B 1L EUR	Leisure	06/12/2016	23/12/2023	3.50	-1	B	B3	B	B2	stable	-ve
TELE COLUMBUS AG	TCGR TL A2 1L EUR	Cable television	27/04/2018	15/10/2024	3.00	-1	B-	B3	B-	B2	-ve	stable

Note: *Total number of downgrade notches across S&P, Moody's and Fitch. Where rating is currently "D" or defaulted by the agency, cumulative downgrade(s) by the agency does not contribute to the total notches of downgrades.

Source: S&P LCD, Bloomberg, Barclays Research

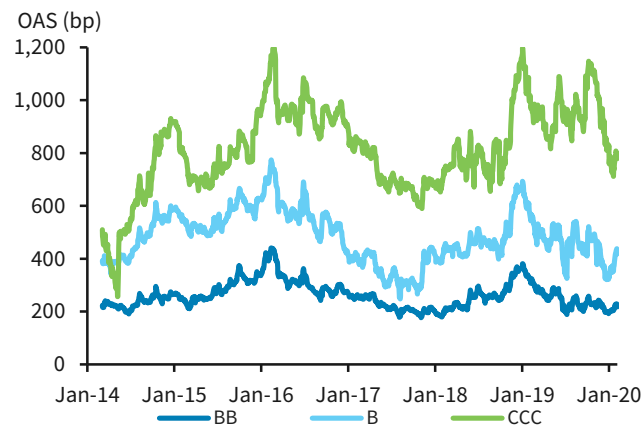
HY credit at a glance

FIGURE 15. iTraxx Crossover vs. iTraxx Main



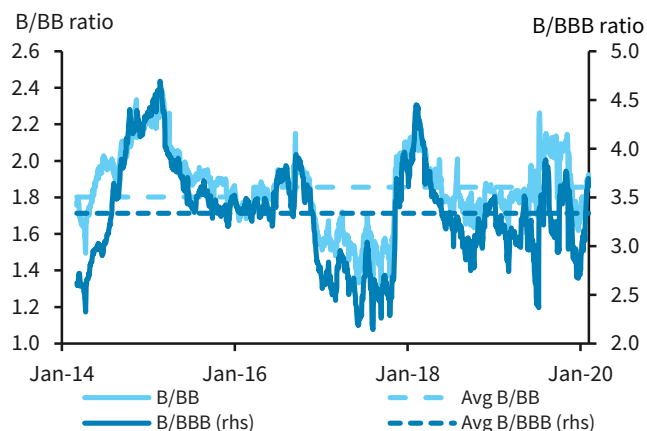
Source: Markit, Barclays Research. Please click [here](#) to see on Barclays Live.

FIGURE 16. Pan-Europe HY (ex-financials) spread by rating



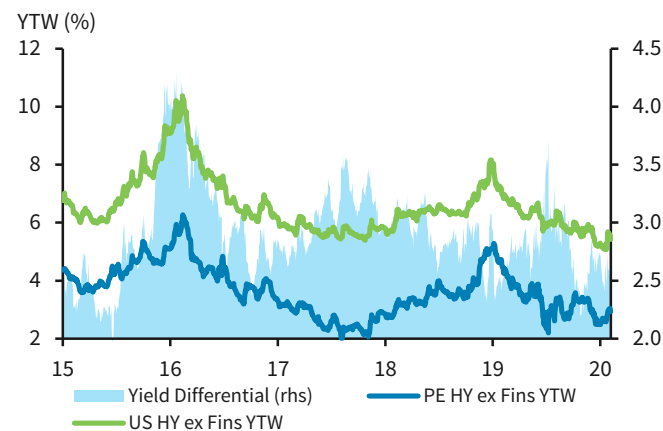
Source: Bloomberg Barclays Indices, Barclays Research. Please click [here](#) to see on Barclays Live

FIGURE 17. Pan-Europe HY (ex-financials): B vs. BB and BBB ratios



Source: Bloomberg Barclays Indices, Barclays Research. Please click [here](#) to see on Barclays Live

FIGURE 18. Pan-Europe HY vs. US HY (ex-financials for both)



Source: Bloomberg Barclays Indices, Barclays Research. Please click [here](#) to see on Barclays Live

FIGURE 19. European HY issuance (including FRNs)

Issuers:	All firms, in any European currency		European firms
Market:	Pan-European High Yield		US High Yield
Crcny:	€	£, CHF, other	\$
WTD	2.1	0.0	0.8
MTD	2.1	0.0	0.8
FY '20	15.3	0.5	2.2
YoY	+407%	-	-
YTD '19	3.0	0.2	0.0

Note: Supply in billion
Source: S&P LCD, Bloomberg, Barclays Research

FIGURE 20. European HY issuance monthly trends (including FRNs)

Issuers:	All firms, in any European currency				European firms	
Market:	Pan-European High Yield				US High Yield	
Crcny:	€		£, CHF, other		\$	
Year:	2019	2020	2019	2020	2019	2020
Jan	2.8	13.2	0.2	0.5	1.4	
Feb	2.7	2.1	0.1		0.8	
Mar	5.0					
Apr	8.1		0.9			
May	6.6		0.7		3.6	
Jun	2.1		1.0		0.5	
Jul	7.0		0.5		2.4	
Aug	0.9				0.5	
Sep	7.8		0.6		1.0	
Oct	9.0				2.2	
Nov	10.6		0.4		1.0	
Dec	3.3					
Total	65.8	15.3	4.3	0.5	11.3	2.2

Note: Supply in billion
Source: S&P LCD, Bloomberg, Barclays Research

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BRCF2242