

S&P warns 1 in 10 US firms may default on debt

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A wave of company defaults is likely to sweep the United States and Europe as measures to contain the coronavirus spark a recession, S&P Global Ratings said Friday.

The agency said it believes the [global economy](#) will go into reverse under the impact of the coronavirus crisis and that companies will see [cash flow](#) whither and financing conditions tighten.

"These factors will likely result in a surge in defaults, with a default rate on nonfinancial corporates in the US that may rise above 10 percent and into the high single digits in Europe over the next 12 months," said S&P.

Central banks in the US and Europe have flooded markets with liquidity and freed up banks to boost lending in an effort to help firms weather drops in demand and halts in operations due to confinement measures.

S&P said companies rated B- and below will likely suffer most from financing needs and would face rapid downgrades.

A B- credit rating is already several notches into speculative territory, and corporate bonds with these sort of rating are often called by traders "junk bonds".

S&P noted that the number of companies rated B- and below had increased significantly in the US and Europe.

"These low ratings indicate a higher vulnerability to adverse business, financial or economic conditions," said S&P.

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