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Announcement: Moody's: Global speculative-grade default rate dips again in July as slow pace of defaults continues

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New York, August 09, 2018 -- Moody's Investors Service global trailing 12-month speculative-grade default rate closed 2.8% in July, down from 3.0% in June and 3.3% a year ago, the rating agency says in its latest global default report. Just three Moody's-rated companies defaulted last month, continuing the overall slow pace of defaults.

"Higher oil prices, stronger economic growth across most regions and generally accommodative monetary policies have been the main drivers of the year-over-year decline in the global speculative-grade default rate," said Sharon Ou, a Moody's Vice President and Senior Credit Officer. "We expect these same drivers to keep the default rate benign for the foreseeable future."

Moody's forecasts the default rate to finish this year at 2.1%, before reaching 2.0% this time next year. The rating agency notes, however, that the recent escalation of global trade tensions will create headwinds for global economic growth. Moody's currently assumes the impact of the trade dispute on global economic growth and inflation will be manageable overall, though a large hit to the financial markets or confidence would put upward pressure on its default rate forecast.

July's three defaulting companies pushed the number of defaults to 49 this year, with 38 in North America and seven in Europe. July's defaults included retailer House of Fraser (UK & Ireland) Limited, which brought the number of retail defaults since January to 11, making it the most troubled corporate sector. July's other defaulters were Westmoreland Coal Company and Windstream Services LLC.

Across regions, Moody's expects the default rates to fall in both the US and Europe, with the US rate declining to 2.7% and the European rate to 1.5% a year from now. In the US, Moody's anticipates that the Media: Advertising, Printing & Publishing will have the highest default rate in the coming year, while in Europe the most troubled sector is likely to be Consumer Services.

Moody's research subscribers can access this report, "Cross Sector: July 2018 Default Report," at:

http://www.moodys.com/viewresearchdoc.aspx?docid=PBC_1137204

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