

IN Q2, 16 COMPANIES JOINED THE HIGH DEFAULT RISK CATEGORY

Tariff risk nudged firms close to default: Moody's

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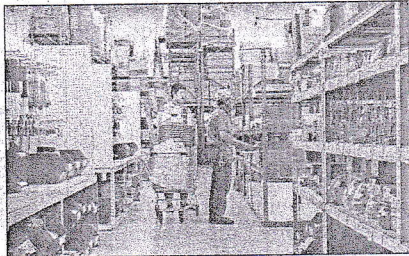
THE NUMBER OF companies at the greatest risk of defaulting are at an 11-month high, as uncertainty around US trade and tariffs worsened credit conditions, according to a Moody's Ratings report.

In the second quarter, 16 companies were added to the cohort of businesses with the highest default risk, according to Moody's. The group now stands at 241 companies, the report shows.

"With US tariffs and trade uncertainty unsettling global commerce in April, credit conditions have deteriorated" since the beginning of the year, the analysts wrote. The group includes US non-financial corporates with a Moody's rating at or below the highly speculative Caa1 rung or with a higher B3 rating but are at risk of a downgrade.

Beauty products company Conair Holdings and brake kit company Power Stop are among companies Moody's downgraded further into junk in the second quarter, given "significant pressure on their earnings

RISKY BUSINESS



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■ Beauty products firm, Conair Holdings, brake kit company Power Stop among firms downgraded

■ No of firms that defaulted also increased last quarter compared to prior period

and cash flow from high tariffs on goods sourced from China and other countries," according to the report.

With market volatility, the number of companies that defaulted also increased last quarter compared to the prior period. More than four times as many companies moved off the highly speculative list because of a default than companies that moved off the list via an upgrade, according to Moody's.

Most were technology companies, though Moody's expects companies within the consumer products sector to see

more defaults in coming months. Distressed debt exchanges remain the leading type of defaults, according to Moody's. Companies propose distressed exchanges—a kind of restructuring agreement—to avoid bankruptcy, improve liquidity, reduce liabilities and manage upcoming debt maturities, the ratings firm said.

Private equity-owned companies, which comprise 76% of those on Moody's highly speculative list, opt into distressed exchanges more frequently than non-PE owned businesses.

Thailand to offer Trump no duties on 90% of goods

THAILAND IS SET to offer scrapping tariffs on 90% of US goods, up from a previous plan for over 60%, in a bid to avert a punishing levy threatened by President Donald Trump, according to a business group advising Thai negotiators.

Bangkok's third proposal would potentially eliminate tariffs and non-tariff barriers on about 10,000 US products, Chanintr Chalissarapong, vice chairman of the Thai Chamber of Commerce, told Bloomberg News in an interview Thursday.

He added that he expects the final tariff on Thailand will be set in a range of 18% to 20%—down from Trump's most recent threatened level of 36%. The new proposal could reduce Thailand's \$46 billion trade surplus with the US by 70% within three years and lead to balanced trade within five years, according to Chanintr. **BLOOMBERG**