

# Default rate falls steadily as companies stabilize finances

By Matt Krantz  
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Events in Europe still pose a threat to U.S. markets, but U.S. companies at least are giving investors less to worry about.

The number of U.S. companies missing debt payments is steadily falling and dropped to just 1.9 percent of companies in the 12 months ended in September, down from 11.5 percent as of November 2009, says Standard & Poor's.

That's the lowest default rate since April 2008.

The lack of corporate deadbeats amid a chal-

lenging economy is an encouraging sign that companies, after going overboard on debt just a few years ago, have their finances in order.

"Companies are pretty healthy, despite what's going on in the rest of the economy," says Mario DeRose, fixed income strategist at Edward Jones. "It's a nice position to be in."

A 1.9 percent default rate, while low, is still up from the record-breaking low 1 percent default rate notched at the end of 2007, S&P says. And investors aren't completely at ease; they have demanded higher interest rates from com-

panies with low credit ratings, relative to U.S. Treasuries, since the end of August.

Still, investors are marveling at how steadfast companies have been in meeting their debt obligations.

Meanwhile, weakness remains.

Roughly 80 companies hold S&P's lowest credit rating, double the normal level after a recession, and could stumble if the economy falters, says S&P's Diane Vazza.

"If we go into a double-dip recession, that will paint a very different picture," she says.