

# Rising Stars: Who is Shining Brightly?

October 2020

Amid an onslaught of negative credit news, there are some bright spots. So-called Rising Stars, sectors whose credit quality has moved from high-yield or “junk” status to investment-grade, are growing, slowly but surely.

According to consensus credit data from Credit Benchmark, which gathers the collective credit quality estimates of lenders to these firms, the total number of new Rising Stars has increased by 49 from the prior update.

Each month, Credit Benchmark tracks a global sample of corporations across all sectors to gauge the percentage of firms that have improved to investment-grade status. This month’s report captures consensus credit data for 6,901 companies that were classified as High Yield as at end-Feb 2020 and finds that since that time, 305 (about 4%) have migrated into Investment-grade, based on the internal risk views of over 40 leading global financial institutions. Of the 32 sectors examined, 14 have a higher percentage of Rising Stars than the average for the full sample.

Figure 1: Rising Stars % by Global Sector

CB_Risk_Entity_Sector	Sample of HY companies end-Feb20	Cumulative # of Rising Stars Mar - Aug20	Cumulative % of Rising Stars Mar - Aug20
Aerospace & Defense	32	5	15.6%
Electricity	136	16	11.8%
Fixed Line Telecommunications	171	15	8.8%
Food & Drug Retailers	93	8	8.6%
Beverages	39	3	7.7%
Technology Hardware & Equipment	116	8	6.9%
Mining	223	15	6.7%
Support Services	546	33	6.0%
Gas, Water & Multi-utilities	51	3	5.9%
Personal Goods	103	6	5.8%
Pharmaceuticals & Biotechnology	86	5	5.8%
Construction & Materials	291	15	5.2%
General Retailers	634	30	4.7%
Industrial Metals & Mining	152	7	4.6%
Full Sample	6,901	305	4.4%
Software & Computer Services	407	17	4.2%
Mobile Telecommunications	24	1	4.2%
Industrial Transportation	437	18	4.1%
Electronic & Electrical Equipment	174	7	4.0%
Media	230	9	3.9%
Chemicals	323	12	3.7%
Household Goods & Home Construction	113	4	3.5%
Industrial Engineering	216	7	3.2%
Oil & Gas Producers	467	15	3.2%
Food Producers	564	16	2.8%
Health Care Equipment & Services	216	6	2.8%
Leisure Goods	37	1	2.7%
General Industrials	76	2	2.6%
Travel & Leisure	405	10	2.5%
Automobiles & Parts	299	7	2.3%
Oil Equipment, Services & Distribution	158	3	1.9%
Forestry & Paper	78	1	1.3%
Tobacco	4	0	0.0%

**Aerospace & Defence** has the highest percentage of Rising Stars at 16%, followed by **Electricity** at 12% and **Fixed Line Telecommunications** at 9%. Of these three, **Electricity** is the sector whose percentage has grown.

Other sectors with rising stars include but are not limited to **Food & Drug Retailers**, now at 9%; **Support Services**, now at 6%; **General Retailers**, now at 5%; **Industrial Transportation**, now at 4%; and **Food Producers**, now at 3%.

In part, the positions of these sectors reflect underlying strength. The **Health Care Equipment & Services** sector, for example, is heavily skewed toward investment-grade names and is therefore less likely to see a great deal of month-to-month volatility in the number of new rising stars.

Ongoing economic malaise and uncertainty continue to make it difficult for many sectors to show significant improvement in credit quality. **Travel & Leisure**, for example, will face multiple pressure points, including reduced vacationing amid safety concern. Airline [job cuts](#) are already close to 50,000. In turn, that will weigh on **Oil & Gas Producers** and **Oil Equipment, Services & Distribution** – all of whom have been slow to show any signs of credit quality improvement. Recent news for the energy sector is scarcely better, whether it’s [US energy firms](#) or those [around the world](#).

## About Credit Benchmark

This Credit Benchmark brings together internal credit risk views from 40+ of the world’s leading financial institutions. The contributions are anonymized, aggregated, and published in the form of entity-level consensus ratings and aggregate analytics to provide an independent, real-world perspective of risk. Consensus ratings are available for 50,000+ financials, corporate, funds, and sovereign entities globally across emerging and developed markets, and 75% of the entities covered are otherwise unrated.

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