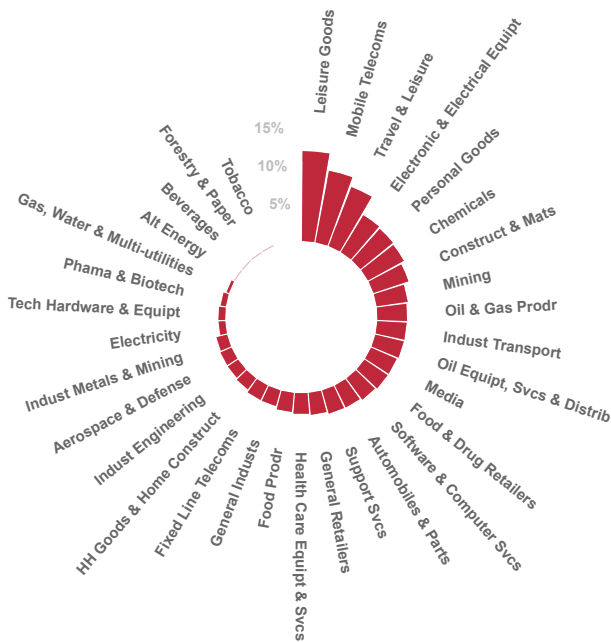


Sector Risks Revealed in Fallen Angels and Rising Stars

July 2021



Fallen Angels

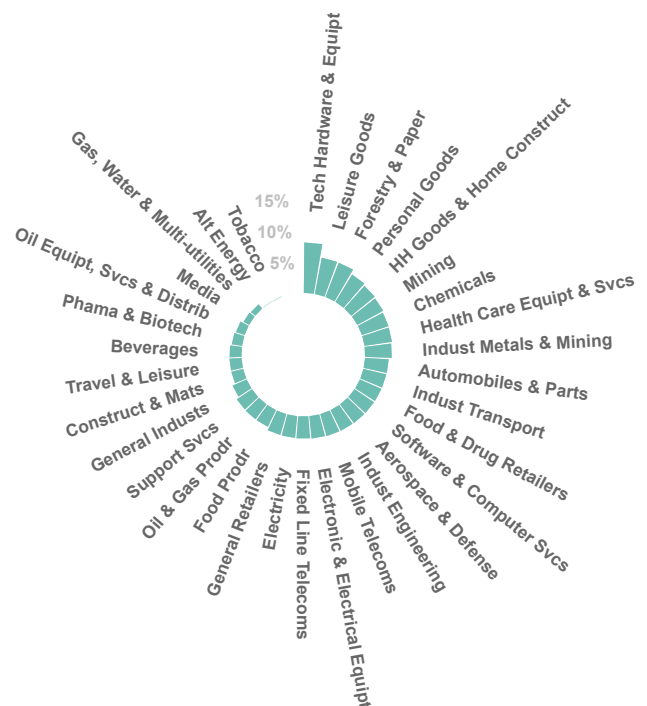


While corporate credit risk has been improving across many industries, some sectors are still dealing with large numbers of Fallen Angels, or companies that have seen their credit scores fall from investment grade to high-yield status. Since January 2021, a total of 235 companies (about 3%) out of global sample of 7667 have become Fallen Angels and still retain this status.

Of these, sectors with a heavy consumer focus tend to be in worse shape, such as Leisure Goods, which counts roughly 12% of its constituents as Fallen Angels, Travel & Leisure, with 8% and Construction & Materials with 5%.

On the flip side, in the Rising Stars category, which captures firms whose credit quality was high-yield but then moved to investment-grade, counts 343 entities out of a total global sample of 10,161 (3.4%). Of this group, the Technology & Hardware sector has the largest number of Rising Stars, with 8%.

Rising Stars



As is the case with Fallen Angels, most sectors have seen some shifting, with many at 4% or more, such as General Retailers at 4% and Household Good & Home Construction and Personal Goods each at 5%.

In recent months, default risk for Global Corporates has levelled off and is currently 62 bps, an indication that the worst may be over. Data from individual sectors may provide a clearer picture of trends in the months ahead.

The Fallen Angels and Rising Stars Monthly Monitor reflects shifts to and from investment-grade and high-yield status for a global sample of companies starting from January 2021. Data are classified using the Credit Consensus Rating (CCR), a 21-category scale explicitly linked to probability of default estimates sourced from major financial institutions. The letter grades range from **aaa** to **d**.

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