

Fallen Angels and Rising Stars: Credit Volatility Persists

August 2021



Credit volatility remains in the picture for global corporates. The latest consensus data show increases in both the number of Fallen Angels - companies that have seen their credit scores fall from investment-grade to high-yield status - and Rising Stars - companies that have risen from high-yield to investment grade.

The total number of firms still classified as Fallen Angels has grown from 235 to 289 or roughly 4% out of a global sample of 7,667 companies spanning several sectors. Those with the highest percentages of investment-grade firms that shifted to high-yield are Leisure Goods at 12%, Travel & Leisure at 11%, and Mobile Telecommunications at 10%. Two sectors, Personal Goods and Technology Hardware & Equipment, saw their ranks of Fallen Angels shrink.

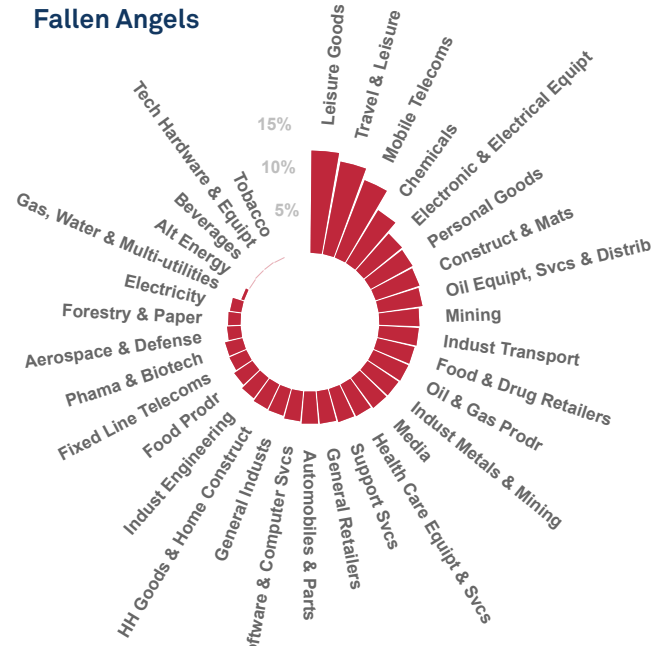
The total number of firms upgraded to Rising Star status has also increased, from 343 to 514 or about 5% out of a global sample of 10,161 companies across almost all sectors. Those with the highest percentages of high-yield firms that shifted to investment-grade are Leisure Goods at 12% (showing that even the worst affected sectors have a chance for redemption), Forestry & Paper at 11%, and Aerospace & Defense and Technology Hardware and Equipment each at 9%. Three sectors - General Industrials, Travel & Leisure, and Food & Drug Retailers - saw their numbers of Rising Stars decline.

One area that stands out is Chemicals, which saw shifts to and from both categories that left it with 7% movement in each direction. Default risk for this sector on a global basis has seen only minor changes over the last year and is now 52 bps. Whether the movement is due to firm-specific factors or part of a broader industry trend is unclear, however macro pressures like supply chain challenges should not be discounted.

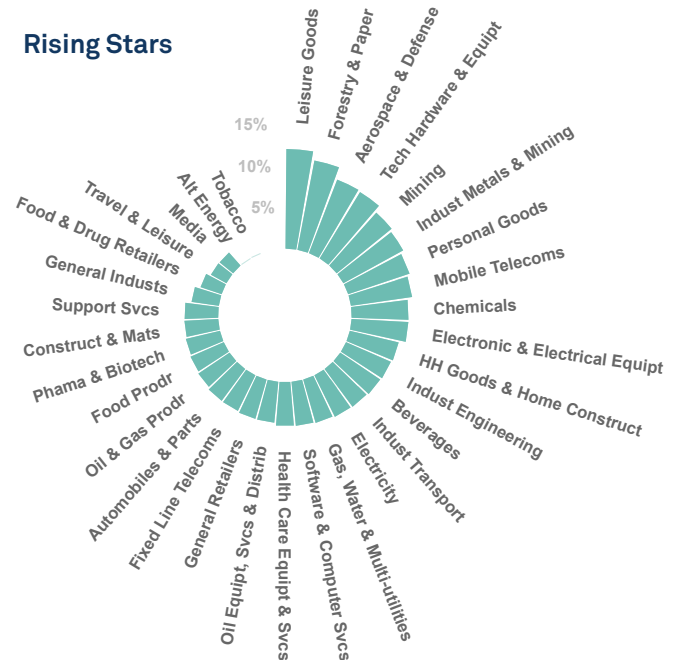
Global corporate credit default risk has leveled off in the past year and is now 59 bps.

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**.

Fallen Angels



Rising Stars



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