Credit Benchmark

## Fallen Angels and Rising Stars: Shifting Corporate Credit

September 2021

September brings more corporate credit shuffling across the investment-grade / high-yield threshold.

The number of firms that have fallen from investment-grade to highyield (known as Fallen Angels) and retained this status continues to grow, moving from 289 to 369 or about 5% out of a global sample of 7,667 firms. Sectors with the highest percentages of companies still classified as Fallen Angels are Travel & Leisure (12%), Leisure Goods (12%), and Mobile Telecommunications (10%). Only one sector, Personal Goods, saw its ranks of Fallen Angels decline in the latest update.

The number of firms that have upgraded from high-yield to investment-grade (known as Rising Stars) and are still classified as such also grew, shifting from 514 to 571 or about 6% of a global sample of 10,161 firms. Sectors with the highest percentages of maintained Rising Stars are Leisure Goods (12%), Forestry & Paper (12%), and Aerospace and Defense (11%). Four sectors – Chemicals, Household Goods & Home Construction, Mobile Telecommunications, and Personal Goods – saw their ranks decline.

Like other sectors, Support Services saw shifts between both categories, each of which ended up at 5%. This sector's default risk is higher than it was at the same point last year but has improved in recent months to 63 bps, suggesting consensus opinion may be improving. No doubt the demand for some services, like those of supply chain experts, could remain strong for some time.

A similar trend can be seen in Industrial Transportation with 6% in each category amid ongoing <u>uncertainty</u> around shipping.

Last month's <u>highlighted sector</u>, Chemicals, saw its ranks of Fallen Angels grow and Rising Stars decline, indicating a negative change in consensus sentiment.

In the last data, default risk for Global Corporates is relatively steady at 60 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**.

## About Credit Benchmark

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 60,000 financials, corporate, funds, and sovereign entities globally across emerging and developed markets, and 90% of the entities covered are otherwise unrated.

CB USA 12 East 49th Street, 9th Floor New York, NY, 10017 Telephone: +1 646 661 3383 CB UK 131 Finsbury Pavement, 5th Floor London, EC2A 1NT Telephone: +44 (0)207 099 4322

**RESTRICTED DISTRIBUTION**: Credit Benchmark does not solicit any action based upon this report, which is not to be construed as an invitation to buy or sell any security or financial instrument. This report is not intended to provide personal investment advice and it does not take into account the investment objectives, financial situation and the particular needs of a particular person who may read this report.



