



# Weekly Market Monitor

23 October 2026

WEEK ENDING 23 OCTOBER 2026

Vol. 3 · No. 43

MM Credit Conditions Index™ 63 · Favorable

## TELLARO WEEKLY VIEW

**The FOMC will hold on Tuesday. That is not the news. The news is that the decompression held.** High yield spreads finished the week at 327 basis points, essentially unchanged after last week's 37 basis point widening, while the gap between high yield and investment grade climbed to 239, above its four-year average of 220 for the first time this cycle. Treasury yields kept grinding lower, the 10-year to 5.00%, on a flight out of AI-linked risk and renewed Middle East tension, not on disinflation. The tape is now two-sided for the first time since summer: a bid for duration at the front, a repriced risk premium in the tail. For senior secured lenders this is the constructive configuration. All-in yields remain elevated, quality is bid, and the market is finally paying for the structure we never stopped buying.

## CREDIT CONDITIONS DASHBOARD

LEVEL · W/W · CONTEXT

### RATES & CURVE

|                  |            |                               |
|------------------|------------|-------------------------------|
| Fed funds target | 3.75-4.00% | Oct 28 hold ~91% priced       |
| SOFR (overnight) | 3.90%      | EFFR 3.88%                    |
| 2Y Treasury      | 4.69%      | ▼ -3 w/w                      |
| 10Y Treasury     | 5.00%      | ▼ -9 w/w; AI flight to safety |
| 30Y Treasury     | 5.32%      | ▼ -11 w/w                     |
| Dec hike odds    | ~78%       | inflation keeps it live       |

### PUBLIC CREDIT

|                   |        |                                |
|-------------------|--------|--------------------------------|
| IG OAS            | 88 bp  | ▼ quality still bid            |
| HY OAS            | 327 bp | +2 w/w; sticky off the tightts |
| HY-IG quality gap | 239 bp | ▲ vs 220 4-yr avg              |
| HY index yield    | 8.1%   | carry plus repriced spread     |

### DEFAULT & RECOVERY

|                        |           |                                |
|------------------------|-----------|--------------------------------|
| Lev-loan default (amt) | 1.4%      | payment basis, LTM; ticking up |
| CCC share of LL index  | 12%+      | refinancing wall into 5% curve |
| First-lien recovery    | 70 to 80c | historical range               |

### PRIVATE CREDIT / MIDDLE MARKET

|                         |        |                                |
|-------------------------|--------|--------------------------------|
| Unitranche all-in yield | 9.4%   | resets off ~4.00% term SOFR    |
| Direct lending spread   | \$+535 | wider on risk-off; held w/w    |
| MM gross leverage       | 6.1x   | median; steady                 |
| MM interest coverage    | 1.6x   | tail most exposed to repricing |
| MM EBITDA growth        | 24%    | record q/q deceleration        |
| KBRA MM default monitor | 3.3%   | 2.4% by debt, record           |

### ACTIVITY & TECHNICALS

|                             |          |                                |
|-----------------------------|----------|--------------------------------|
| US PE dry powder            | \$1.1Tn  | deployment pressure building   |
| PE fundraising (Q1)         | \$54Bn   | 2025 down 24% y/y              |
| Direct lending issuance 26E | \$120Bn  | BofA, down ~15% y/y            |
| AI-related PC loans O/S     | \$200Bn+ | capex-durability fears persist |
| CLO issuance 26E            | \$200Bn  | MM CLO spreads widening        |
| DL fund redemptions (Q1)    | \$1.8Bn  | 10 largest; ~5% gates tested   |

THREE KEY OBSERVATIONS

01

The quality premium normalized, then kept going

**Fact:** the high yield to investment grade gap reached 239 basis points, above its 220 four-year average after a summer spent below it. **Why:** last week's tail widening did not reverse; the market is holding the repricing. **Implication:** dispersion is now the regime, not an event. Senior secured positioning captures the wider risk premium without owning the tail.

02

Duration is bid on fear, not relief

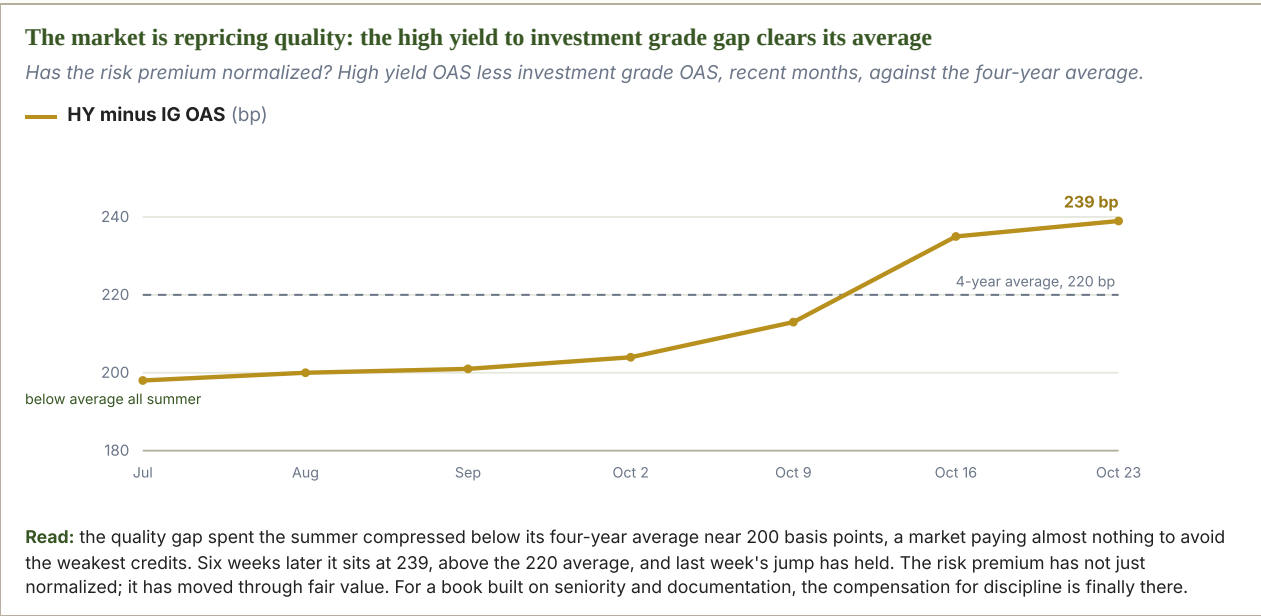
**Fact:** the 10-year fell to 5.00% as capital exited AI-linked equities and oil pushed above \$103 on Middle East risk. **Why:** growth and geopolitical aversion, not cooling inflation, drove the move. **Implication:** lower long rates ease discount-rate pressure on enterprise value, but the driver is fragile. Do not underwrite to a durable rate decline.

03

The Fed pauses into sticky inflation

**Fact:** an October 28 hold is roughly 91% priced, yet a December hike remains near 78% with September CPI at 3.7%. **Why:** energy and goods pass-through keep core elevated while growth softens. **Implication:** the base rate plateaus near 4%, not lower. Coverage stabilizes; the live variable for credit is spread dispersion, not policy.

CHART OF THE WEEK



WEEK AHEAD

CATALYSTS FOR PRIVATE CREDIT

|            |                              |                                                                                                                                                           |
|------------|------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| Tue 28 Oct | FOMC decision and statement  | A hold is the base case. The statement's inflation-versus-growth balance and any December signal set the base-rate path for every floating-rate facility. |
| Wed 29 Oct | Q3 GDP (advance)             | First read on whether AI-capex concern is reaching the real economy. A soft print alongside sticky inflation sharpens the stagflation question.           |
| Late Oct   | Private-credit BDC Q3 prints | Non-accruals, PIK share and NAV marks. The direct read on whether public-market tail stress has reached direct lending portfolios.                        |
| Fri 31 Oct | September PCE                | The Fed's preferred gauge, delayed. Frames the December decision the market is already 78% pricing.                                                       |

**Sources:** U.S. Bureau of Labor Statistics (CPI, September 2026); Federal Reserve (SOFR, EFFR); FRED (DGS2, DGS10, DGS30; HY OAS BAMLH0A0HYM2, IG OAS BAMLCOA0CM); U.S. Treasury; CME FedWatch; TradingEconomics; marketsfn credit dashboard; ICE BofA indices; KBRA Q2 2026 Middle Market Compendium; PitchBook LCD and the Morningstar LSTA US Leveraged Loan Index; Houlihan Lokey; Preqin. Yield changes are week-over-week to 23 October 2026; the quality gap is HY OAS less IG OAS; some levels are approximate.

The Weekly Market Monitor is the quantitative complement to the Tellaro *Quarterly CIO Perspective* and *Monthly Investment Committee Insights*. It does not duplicate the strategic positioning of the former or the transaction commentary of the latter.

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