Weekly Market Monitor

WEEK ENDING 28 AUGUST 2026

28 August 2026
Vol. 3 · No. 35

Data as of 26 to 28 Aug

MM Credit Conditions Index™ **64 · Favorable**

TELLARO WEEKLY VIEW

Warsh resolved the ambiguity in the hawkish direction. At Jackson Hole he named prices the Fed's predominant focus, called financial conditions not broadly restrictive, and moved September to a near coin toss, roughly 46% priced from 35% a day earlier. The curve bear-flattened: the 2-year jumped to 4.30% while the 30-year eased from multi-decade highs as restored credibility calmed the long end. July data set the trap, with core PCE stuck at 3.3% and real spending stalled. The pivot removes the rate-relief optionality that underpinned spread compression. Yet high yield held near 277 bp. Credit still is not pricing the rate risk the Fed just validated. Stay senior, size to sustained-high base rates, and treat 16 September as a live hike.

CREDIT CONDITIONS DASHBOARD

LEVEL · W/W · CONTEXT

RATES & CURVE

SOFR (overnight)	**3.65%**	Fed target 3.50% to 3.75%
2Y Treasury	**4.30%**	▲ +8 w/w; prices hikes
10Y Treasury	**4.68%**	▼ -6 w/w on credibility
30Y Treasury	**5.17%**	near multi-decade high
2s10s slope	**+38 bp**	▲ bear flattening
Sept-16 hike odds	**46%**	▲ from 35% pre-Warsh

PUBLIC CREDIT

IG OAS	**80 bp**	bottom decile, post-GFC
HY OAS	**277 bp**	little changed; shrugged off Fed
HY index yield	**7.2%**	carry, not spread, driven
BSL single-B new-issue	**S+390**	inside 400 bp

DEFAULT & RECOVERY

Lev-loan default (amt)	**1.3%**	payment basis, LTM
Forecast (Sep-26E, count)	**1.5%**	LCD Default Predictor
First-lien recovery	**70 to 80c**	historical range

PRIVATE CREDIT / MIDDLE MARKET

Unitranche all-in yield	**9.1%**	resets off 3.68% term SOFR
Direct lending spread	**S+525**	core MM unitranche
MM gross leverage	**6.1x**	median; steady
MM interest coverage	**1.6x**	median; gains plateaued
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	**$1.1T**	deployment pressure building
PE fundraising (Q1)	**$54B**	2025 down 24% y/y
Direct lending issuance 26E	**$120B**	BofA, down ~15% y/y
CLO issuance 26E	**$200B**	MM CLO spreads widening
DL fund redemptions (Q1)	**$1.8B**	10 largest; ~5% gates tested
PE deal volume (Jun, y/y)	**-5.6%**	exits still constrained

THREE KEY OBSERVATIONS

01

Warsh validated the rates market; September is live

Fact: a deliberately hawkish keynote lifted CME September hike odds to ~46% from 35%, sending the 2-year up 8 bp to 4.30%. **Why:** he called conditions not broadly restrictive and named prices the predominant focus. **Implication:** underwrite to a live hike and a higher-for-longer base rate. The near-term cut scenario is gone.

02

The long-end relief is credibility, not easing

Fact: the 30-year eased from multi-decade highs even as short rates rose. **Why:** restoring inflation-fighting credibility calmed the term-premium selloff that Warsh's July ambiguity had fed. **Implication:** front-end-indexed floating income is reinforced; the relief does not extend to growth or to borrower coverage.

03

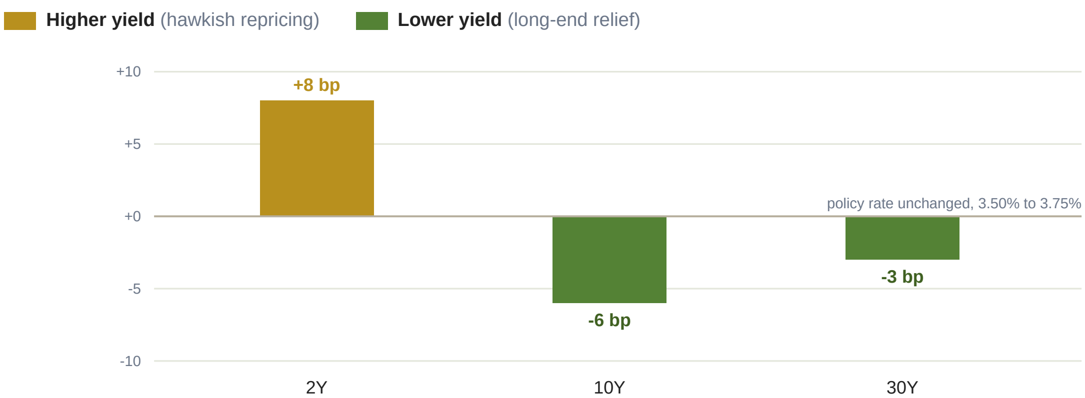
Core inflation is stuck, demand is not collapsing

Fact: core PCE held at 3.3% and Q2 GDP was confirmed at 1.5%, with real final private demand revised up to 4.2%. **Why:** sticky services prices meet still-resilient underlying demand. **Implication:** no disinflation dividend for borrowers and no growth scare to force a cut. Coverage headroom stays the binding variable.

CHART OF THE WEEK

Warsh bear-flattens the curve: weekly change in Treasury yields

How did the market reprice the Fed after Jackson Hole? Change over the week to 28 August, basis points.



Read: The front end repriced toward a September hike while the long end fell, a textbook bear-flattening. Warsh addressed the credibility gap that had driven the 30-year to multi-decade highs, so the very hawkishness that lifted policy expectations relieved term premium. For a floating-rate senior secured book this is the constructive version of higher rates: coupon income is reinforced at the front end without a fresh leg higher in the discount rate applied to enterprise value.

WEEK AHEAD

CATALYSTS FOR PRIVATE CREDIT

Fri 4 Sep	**August jobs report**	Tests whether July's 23,000 contraction was a blip. A second weak print pressures the hawkish stance and signals softening borrower demand.
Sat 6 Sep	**Fed blackout begins**	The last Fedspeak closes before the meeting. Positioning into 16 September sets on the jobs and CPI prints, not further guidance.
Thu 11 Sep	**August CPI**	The final inflation reading before the decision. It, more than any other release, determines whether September delivers a hike.
Tue 16 Sep	**FOMC decision**	Now a near coin toss on a hike, not a cut. The outcome sets the base-rate path that governs coverage headroom across the direct-lending book.

Sources: Federal Reserve Bank of New York and Kansas City Fed (Jackson Hole); U.S. Treasury and FRED (SOFR, DGS2, DGS10, DGS30); CME FedWatch; U.S. Bureau of Economic Analysis (PCE, GDP); ICE BofA indices via FRED (HY OAS BAMLH0A0HYM2, IG OAS BAMLC0A0CM); KBRA Q2 2026 Middle Market Compendium; PitchBook LCD and the Morningstar LSTA US Leveraged Loan Index; Houlihan Lokey; Valuation Research Corp.; BofA Global Research; Preqin. Yield changes are week-over-week to 28 August; some figures 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.