Tellaro Capital Partners
INSTITUTIONAL PRIVATE CREDIT · LOWER MIDDLE MARKET

WEEKLY MARKET MONITOR
CREDIT MARKET INTELLIGENCE

Weekly Market Monitor

WEEK ENDING NOVEMBER 6, 2026

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MM Credit Conditions Index™ **62 · Favorable**

TELLARO WEEKLY VIEW

Two forces collided: a hot jobs report that revived the December hike, and an AI rout that tested the engine behind the whole expansion. October payrolls rose 165,000 against a 59,000 consensus, and August and September were revised up a combined 84,000. The labor-is-cooling narrative is gone, and a December hike sits near 85% priced. Two days earlier the Nasdaq fell 5.5%, led by AI chip names, as investors questioned the capex cycle that drove Q3 growth. Treasury yields finished little changed as the two forces offset. For senior secured lenders the message is singular. There is no rate relief coming, and the one engine carrying the expansion is now wobbling. Hiring is narrow, real wages are negative, and spreads are widening off their tights. Hold seniority and watch AI-exposed credit for the first marks.

CREDIT CONDITIONS DASHBOARD

		LEVEL · W/W · CONTEXT
RATES & CURVE		
Fed funds target	**3.75-4.00%**	held October 28th; 2 hike dissents
SOFR (overnight)	**3.90%**	EFFR 3.88%
2Y Treasury	**4.66%**	▬ ~flat; jobs firmed it
10Y Treasury	**4.96%**	▬ little changed w/w
30Y Treasury	**5.33%**	~flat; near 24-year high
Dec hike odds	**~85%**	▲ hot payrolls keep it firm
PUBLIC CREDIT		
IG OAS	**91 bp**	▲ wider on equity rout
HY OAS	**335 bp**	▲ +7 w/w; AI selloff
HY-IG quality gap	**244 bp**	above 220 4-yr avg; widening
HY index yield	**8.2%**	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	**S+540**	▲ wider on AI risk-off
MM gross leverage	**6.1x**	median; steady
MM interest coverage	**1.6x**	no base-rate relief coming
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+**	equity rout tests the thesis
CLO issuance 26E	**$200Bn**	MM CLO spreads widening
DL fund redemptions (Q1)	**$1.8Bn**	10 largest; ~5% gates tested

THREE KEY OBSERVATIONS

01

The labor market did not crack; it was revised up

Fact: October added 165,000 jobs, nearly triple consensus, with prior months revised up 84,000 and unemployment at 4.1%. **Why:** resilient demand for labor persists despite a 4% base rate. **Implication:** the December hike is firmly in play. Underwrite to a rising base rate, not the cut the market abandoned weeks ago.

02

Hiring is narrow and defensive

Fact: health care and professional services supplied 112,000 of the 165,000 gain, while construction, retail, leisure and government were flat. **Why:** cyclical, consumer-facing demand is stalling even as defensive sectors hire. **Implication:** this is where lower-middle-market borrowers sit. Favor non-cyclical, contractual revenue over consumer-exposed credits.

03

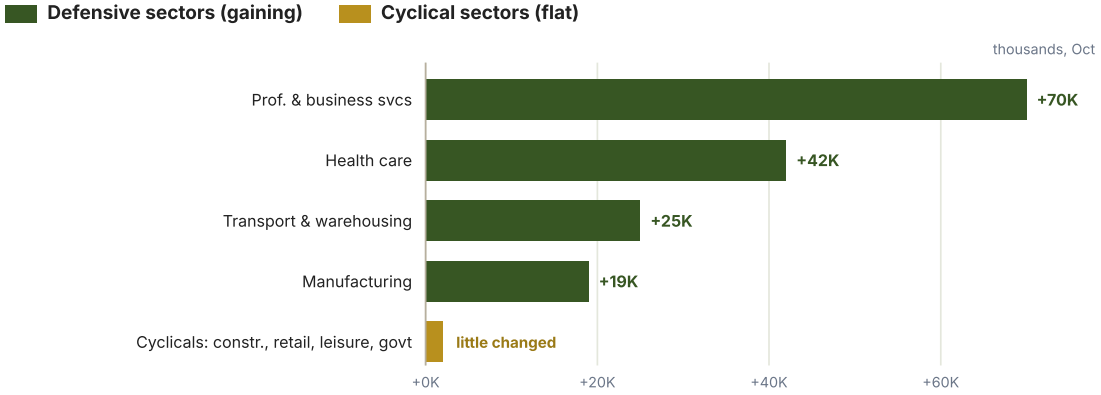
The AI trade cracked, and credit felt it

Fact: the Nasdaq fell 5.5% on November 5th on AI cash-burn concerns, and high yield widened to 335 basis points. **Why:** the capex cycle behind Q3 growth and $200Bn+ of private credit is being repriced. **Implication:** dispersion is accelerating. Stress-test AI-adjacent exposures now, ahead of Q3 direct-lending marks.

CHART OF THE WEEK

Where the jobs are: October payroll gains concentrated in defensives

Is the labor strength broad or narrow? Change in payrolls by sector, October 2026.



Read: the 165,000 gain is real but narrow. Health care and professional services supplied 112,000 of it, while construction, retail, leisure and government, the sectors where lower-middle-market borrowers concentrate, added almost nothing. A resilient headline masks a stalling cyclical economy. Size borrower revenue to the sector, not the aggregate, and favor defensive, contractual demand.

WEEK AHEAD

CATALYSTS FOR PRIVATE CREDIT

November 13th	**October CPI**	The decisive inflation read before the December meeting. A firm core with the labor market this strong makes the hike near-certain.
Mid-November	**Q3 BDC prints conclude**	Final non-accrual, PIK and NAV marks across large direct lenders. The clearest read on whether equity-market stress has reached private portfolios.
November 19th	**October FOMC minutes**	Detail behind the 10 to 2 hold and the two hike dissents. Any sign of broader support for tightening firms the December path.
December 9th	**FOMC decision**	A hike is roughly 85% priced. The decision and projections set the base-rate path into 2027 and the coverage math across the book.

Sources: U.S. Bureau of Labor Statistics (Employment Situation, October 2026, released November 6, 2026); Federal Reserve (FOMC, October 28, 2026; SOFR, EFFR); FRED (DGS2, DGS10, DGS30; HY OAS BAMLH0A0HYM2, IG OAS BAMLC0A0CM); U.S. Treasury; CME FedWatch; CNBC; Morningstar; 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 November 6, 2026; payroll figures are seasonally adjusted; 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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