



Weekly Market Monitor

9 October 2026

WEEK ENDING 9 OCTOBER 2026

Vol. 3 · No. 41

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

TELLARO WEEKLY VIEW

The primary market confirmed what the secondary market had signaled: 5% is the floor for duration.

This week's Treasury reopenings cleared at the highest yields since 2000. The 10-year stopped at 5.30% and the 30-year at 5.62%, 31 basis points above September. The 10-year closed the week at 5.24% and the 2-year at 4.80%. The September FOMC minutes named a new culprit: competition for capital from heavy debt issuance to finance AI infrastructure, now a structural driver of term premium. For lower-middle-market lenders the read is twofold. The marginal cost of capital is being set by a mega-cap build-out we do not fund, yet it lifts our borrowers' discount and refinancing rates all the same. Hold seniority, favor defensible cash flow, and price to a durable 5%-plus long end.

CREDIT CONDITIONS DASHBOARD

LEVEL · W/W · CONTEXT

RATES & CURVE

Fed funds target	3.75-4.00%	on hold to 28 Oct
SOFR (overnight)	3.90%	EFFR 3.88%
2Y Treasury	4.80%	▲ +5 w/w
10Y Treasury	5.24%	▲ +6 w/w; auction 5.30%
30Y Treasury	5.62%	▲ +5 w/w; 2000 high
Oct-28 hike odds	~50%	coin toss; CPI 14 Oct decides

PUBLIC CREDIT

IG OAS	84 bp	▲ a touch wider
HY OAS	288 bp	▲ wider; AI-credit chatter
HY index yield	8.0%	▲ with higher UST
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	9.4%	resets off ~4.00% term SOFR
Direct lending spread	S+525	core MM unitranche
MM gross leverage	6.1x	median; steady
MM interest coverage	1.6x	base may plateau near 4%
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+	near zero in 2015; concentration risk
CLO issuance 26E	\$200Bn	MM CLO spreads widening
DL fund redemptions (Q1)	\$1.8Bn	10 largest; ~5% gates tested

THREE KEY OBSERVATIONS

01

Auctions cleared at generational-high yields

Fact: the 10-year reopening stopped at 5.30% and the 30-year at 5.62%, both the highest since 2000, with indirect bidders taking four-fifths of the 10-year. **Why:** record supply met a hawkish Fed. **Implication:** the long-end repricing is confirmed in primary clearing levels, not just secondary quotes. Reset refinancing and exit math to it.

02

The Fed named AI debt as a rate driver

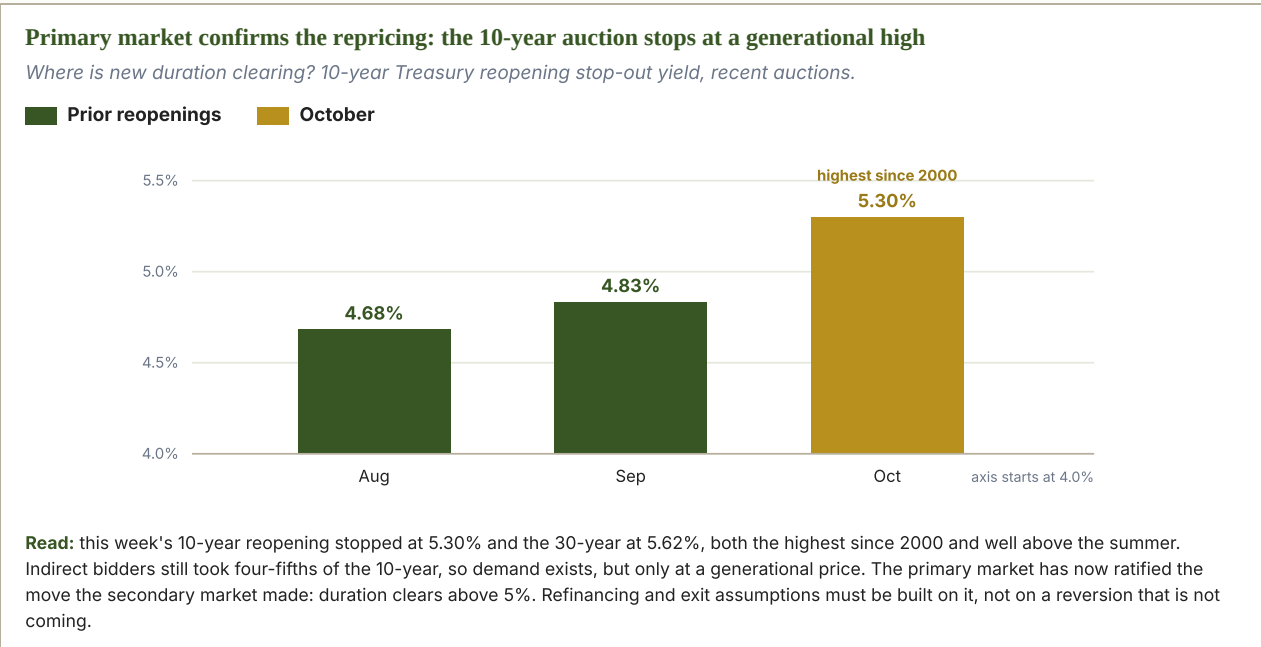
Fact: the September minutes cited competition for capital from heavy AI-infrastructure debt issuance as a term-premium driver. **Why:** over \$200Bn of private credit already funds the build-out, with far more projected. **Implication:** a mega-cap capex cycle we do not lend to is lifting the base and discount rates on borrowers we do. Monitor crowding, not only spreads.

03

The curve's message is plateau, not pivot

Fact: the 2-year held near 4.80% as October hike odds settled around a coin toss, while the 30-year pushed to 5.62%. **Why:** cooling jobs cap the front end; supply lifts the back. **Implication:** coverage pressure stabilizes near a 4% base, but valuation and refinancing risk keep rising. Favor cash-generative, low-reinvestment credits.

CHART OF THE WEEK



WEEK AHEAD

CATALYSTS FOR PRIVATE CREDIT

Tue 14 Oct	September CPI	The decisive inflation input before the 28 October FOMC. With energy still elevated, a firm core keeps the second hike live.
14 to 16 Oct	Q3 bank earnings begin	Money-center results and loan-loss provisions set the tone for credit. Watch commentary on private-credit competition and non-bank exposure.
Wed 15 Oct	September PPI	Pipeline read on margins and tariff pass-through into the inflation picture the Fed will weigh.
28 Oct	Next FOMC	A second hike sits near a coin toss. This week's CPI and earnings will tip it.

Sources: U.S. Treasury (10-year and 30-year reopening auction results, 7 to 8 October); Federal Reserve (FOMC minutes, 7 October; SOFR, EFFR); FRED (DGS2, DGS10, DGS30); U.S. Bureau of Labor Statistics; U.S. Bureau of Economic Analysis; CME FedWatch; CNBC; BIS and Dallas Fed (AI-financing research); ICE BofA indices via FRED (HY OAS BAMLH0A0HYM2, IG OAS BAMLCOA0CM); 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 9 October 2026; credit-spread 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.

For institutional investors only. Information as of the date shown; not investment, legal, or tax advice, nor an offer or solicitation with respect to any security. Estimates and forward-looking statements are probabilistic and subject to change. © 2026 Tellaro Capital Partners.