Tellaro Capital Partners
INSTITUTIONAL PRIVATE CREDIT · LOWER MIDDLE MARKET

WEEKLY MARKET MONITOR
CREDIT MARKET INTELLIGENCE

Weekly Market Monitor

WEEK ENDING 11 SEPTEMBER 2026

11 September 2026

Vol. 3 · No. 37

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

TELLARO WEEKLY VIEW

The case for a September hold collapsed this week. August CPI reaccelerated to 0.4% on the month and 3.4% on the year as a 3.9% gasoline surge from the Iran conflict overwhelmed a cooling core of 2.4%. Producer prices ran hot the day before. Markets now price a 16 September hike near 90%, up from 60%, and the two-year jumped 21 basis points to 4.63%, its largest weekly move in a year. The ten-year touched 4.98% and the thirty-year reached a 2007 high after a Treasury buyback drew weak demand. This would be the first hike of the cycle. Underwrite the book to a 3.75% to 4.00% funds rate taking hold, protect coverage, and hold the line on structure. The cushion is now in seniority, not spread.

CREDIT CONDITIONS DASHBOARD

LEVEL · W/W · CONTEXT

RATES & CURVE

SOFR (overnight)	**3.65%**	Fed 3.50% to 3.75%; last week pre-hike
2Y Treasury	**4.63%**	▲ +21 w/w; largest in a year
10Y Treasury	**4.96%**	▲ highest since late 2023
30Y Treasury	**5.34%**	▲ 2007 high; buyback weak
2s10s slope	**+33 bp**	flatter; bear flattening
Sept-16 hike odds	**~90%**	▲ first hike of the cycle

PUBLIC CREDIT

IG OAS	**83 bp**	▲ a touch wider; still tight
HY OAS	**285 bp**	▲ off the summer tights
HY index yield	**7.5%**	▲ with higher base rates
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 higher on a hike
Direct lending spread	**S+525**	core MM unitranche
MM gross leverage	**6.1x**	median; steady
MM interest coverage	**1.6x**	median; pressured by hike
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

A supply-shock hike, not a demand-strength hike

Fact: headline CPI rose 0.4% on a 3.9% gasoline jump while core eased to a 2.4% annual rate, the lowest since 2021. **Why:** the Iran conflict is driving energy, not broad demand. **Implication:** the coming hike lifts base rates without lifting borrower revenue. Coverage, not growth, is the pressure point.

02

The long end is failing to clear

Fact: Treasury's expanded buyback bought only $5.2bn of a $10.5bn offer, and the 30-year hit a 2007 high near 5.38%. **Why:** a $40tn debt load and heavy supply are overwhelming official demand. **Implication:** the discount rate on enterprise value keeps rising. Refinancing and exit assumptions built on lower long rates need resetting.

03

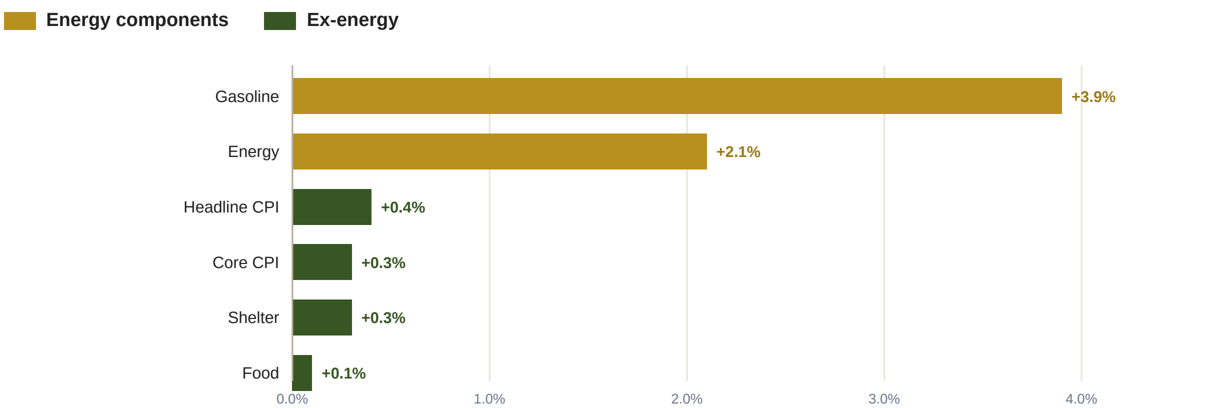
Credit finally edged off the tights

Fact: high yield widened modestly toward 285 bp as equities fell four straight sessions before a Friday bounce. **Why:** rate volatility and the oil shock forced a first repricing of risk. **Implication:** the move is small but directional. Seniority and documentation, not spread, remain the paid positions.

CHART OF THE WEEK

August inflation was an energy story

What drove the 0.4% headline gain? Consumer price change by component, month over month.



Read: August's 0.4% headline gain was almost entirely energy. Gasoline rose 3.9% on the month as the Iran conflict pushed Brent above $107, while core held at 0.3% and shelter cooled to 3.0% on the year. The Fed is being pushed to hike by a supply shock, not by broad demand. For leveraged borrowers that is the adverse mix: a higher base rate without the revenue tailwind inflation usually brings.

WEEK AHEAD

CATALYSTS FOR PRIVATE CREDIT

15 to 16 Sep	**FOMC decision and projections**	The first hike of the cycle, near 90% priced, with a fresh dot plot. The terminal-rate signal resets coverage math across every floating-rate facility.
Wed 16 Sep	**Warsh press conference**	Whether one hike becomes several matters more than the hike itself. The reaction function sets the base-rate path into 2027.
Wed 16 Sep	**August retail sales**	The first read on whether the energy squeeze is denting consumption. Soft sales alongside a hike is the adverse mix for consumer-facing borrowers.
Thu 17 Sep	**Long-end auctions and buybacks**	After a weak $5.2bn operation, the next test of long-end demand governs term premium and the discount rate on enterprise value.

Sources: U.S. Bureau of Labor Statistics (CPI and PPI, August 2026); Federal Reserve (Warsh and Waller remarks); U.S. Treasury (buyback operations) and FRED (SOFR, DGS2, DGS10, DGS30); CME FedWatch; Reuters; Advisor Perspectives; 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 11 September; 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.