



Weekly Market Monitor

2 October 2026

WEEK ENDING 2 OCTOBER 2026

Vol. 3 · No. 40

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

TELLARO WEEKLY VIEW

The labour market cooled, and the curve began to steepen. September payrolls rose just 29,000 and unemployment ticked to 4.2%, while revisions turned July into a net loss and cut August to 133,000. The front end fell as October hike odds receded toward a coin toss, yet the thirty-year pushed to a fresh twenty-year high of 5.57% on unrelenting fiscal supply. August PCE held at 3.4% headline and 3.0% core after benchmark revisions, so inflation is not retreating. For lenders the signal is a plateauing base rate alongside a still-rising long rate: coverage pressure may stop near a 4% funds rate, but the discount rate on enterprise value does not. Hold seniority, favour defensible cash flow, and reset exit multiples to a 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	4.75%	▼ -13 w/w; jobs cooled
10Y Treasury	5.18%	+2 w/w; near 20-yr high
30Y Treasury	5.57%	▲ +11 w/w; 20-year high
Oct-28 hike odds	~45%	▼ from ~67%; jobs cooled it

PUBLIC CREDIT

IG OAS	83 bp	little changed
HY OAS	285 bp	▲ a touch wider
HY index yield	7.8%	~flat w/w
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	\$1.1T	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

The labour market cooled, and the back data was worse

Fact: September added 29,000 jobs with unemployment at 4.2%; July was revised to a 10,000 loss and August cut to 133,000. **Why:** hiring has slowed to a 45,000 twelve-month pace. **Implication:** the case for rapid further hikes weakens. Base rates may plateau near 4%, easing the coverage trajectory for floating-rate borrowers.

02

The curve is steepening, not shifting

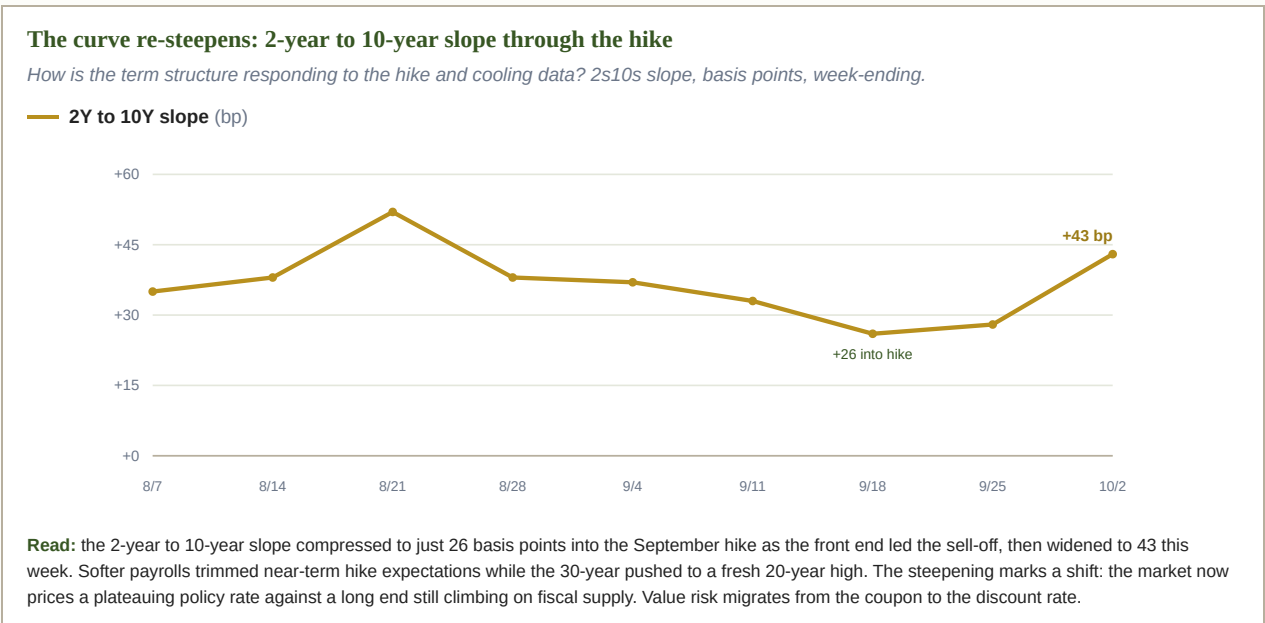
Fact: the 2-year fell 13bp on the week while the 30-year rose to a 20-year high of 5.57%. **Why:** softer jobs trim near-term hike odds while fiscal supply and inflation premium lift the long end. **Implication:** cheaper front-end funding meets a dearer long rate. Term-structure risk now sits in valuation and refinancing, not the coupon.

03

Inflation is cooler on paper, not in substance

Fact: August PCE held at 3.4% headline and 3.0% core; benchmark revisions, not disinflation, lowered prior readings. **Why:** energy near 16% y/y keeps pressure on. **Implication:** the Fed has cover to pause but not to cut. Underwrite to rates that stay high, not to relief that has not arrived.

CHART OF THE WEEK



WEEK AHEAD

CATALYSTS FOR PRIVATE CREDIT

Mon 5 Oct	ISM Services	After a flash services PMI at multi-year highs, a read against the cooling labour data. The two surveys now disagree on momentum.
Wed 7 Oct	September FOMC minutes	Detail behind the unanimous hike and the dot-plot path. Any split on the pace of further tightening moves the front end.
7 to 8 Oct	10Y and 30Y auctions	With the long end at 20-year highs, demand is the swing factor for term premium and the discount rate on enterprise value.
27 to 28 Oct	Next FOMC	A second hike is now roughly a coin toss after soft payrolls. September CPI on 14 October is the next decisive input.

Sources: U.S. Bureau of Labor Statistics (Employment Situation, September 2026); U.S. Bureau of Economic Analysis (PCE, August 2026); Federal Reserve Bank of New York (SOFR, EFFR); U.S. Treasury and FRED (DGS2, DGS10, DGS30); CME FedWatch; CNBC; 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; Valuation Research Corp.; BofA Global Research; Preqin. Slope series computed from DGS2 and DGS10 week-ending levels; current yields to 2 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.

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