Tellaro Capital Partners
INSTITUTIONAL PRIVATE CREDIT · LOWER MIDDLE MARKET

WEEKLY MARKET MONITOR
CREDIT MARKET INTELLIGENCE

Weekly Market Monitor

WEEK ENDING NOVEMBER 20, 2026

November 20, 2026

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MM Credit Conditions Index™ **61 · Favorable**

TELLARO WEEKLY VIEW

The credit shock arrived. As the AI trade unwound, high yield spreads widened for the first time this cycle while Treasuries rallied on a flight to safety. Equities headed for their steepest weekly loss since April 2025 on doubts about AI spending and data-center demand. Capital fled to Treasuries: the 10-year fell to 4.91%, its biggest weekly drop since April 2025, and the 2-year to 4.61%. This time credit followed. High yield OAS climbed from 320 to 347 basis points across the week, and investment grade widened to 93. The October FOMC minutes, released November 18th, named the catalyst in advance: almost all officials expect further hikes, and most flagged AI-related debt and its complex and opaque financing structures as a risk to financial stability. A December hike remains near 92% priced. For lower-middle-market lenders the repricing is the one underwritten for. Spread now pays for risk. Hold seniority, avoid AI-adjacent exposure, and let the tail widen without the book.

CREDIT CONDITIONS DASHBOARD

LEVEL · CONTEXT · OBSERVATION DATE

RATES & CURVE

Fed funds target	**3.75-4.00%**	held October 27th-28th; minutes hawkish
SOFR (overnight)	**~3.90%**	EFFR ~3.88%; within target range
2Y Treasury	**4.61%**	November 20th; ~ -25 bp w/w
10Y Treasury	**4.91%**	November 20th; biggest weekly drop since Apr 2025
30Y Treasury	**5.30%**	November 20th; ~ -13 bp w/w
Dec hike pricing	**25 bp ~92%**	50 bp faded on the risk-off

PUBLIC CREDIT

IG OAS	**93 bp**	November 18th; +4 bp w/w
HY OAS	**347 bp**	November 18th; +27 bp off the week's low
HY-IG quality gap	**254 bp**	widening; was 241 last week
HY index yield	**~8.0%**	approximate; OAS up, UST down

DEFAULT & RECOVERY

BSL lev-loan default	**1.4%**	by amount, LTM; Morningstar LSTA (approx.)
KBRA MM default	**3.6% / 2.4%**	Q3; by count / by debt
Lower-MM default	**5.8%**	Q3; by count and by debt
First-lien recovery	**70 to 80c**	historical average, not current

PRIVATE CREDIT / MIDDLE MARKET KBRA Q3, Nov 5

MM gross leverage	**6.2x**	Q3; first rise in 2+ years
MM interest coverage	**1.6x**	Q3; held steady
MM EBITDA growth	**23% CAGR**	Q3; slowing
CCC+ new assessments	**31%**	Q3 record; 19% in Q2
Unitranche all-in yield	**~9.3%**	new-issue; rises with a hike (approx.)
Direct lending spread	**~S+525**	core MM unitranche (approx.)

ACTIVITY & TECHNICALS

US PE dry powder	**~$1.1Tn**	Preqin range (approx.)
PE fundraising (Q1)	**$54Bn**	dated; Q1 2026
Direct lending issuance 26E	**~$120Bn**	BofA estimate (approx.)
AI-infra / data-center PC	**$200Bn+**	Fed flagged opaque structures
CLO issuance 26E	**~$200Bn**	estimate
DL fund redemptions	**$1.8Bn**	Q1; 10 largest (dated)

THREE KEY OBSERVATIONS

01

The credit shock arrived

Fact: high yield OAS widened from 320 to 347 basis points over the week and investment grade from 89 to 93, climbing each day. **Why:** the AI-trade unwind hit credit, not just equities; the quality gap widened to 254. **Implication:** the dispersion underwritten for weeks is now repricing. Spread finally compensates risk. Stay senior and avoid AI-adjacent credit.

02

Lower yields are flight, not relief

Fact: the 10-year fell to 4.91%, its biggest weekly drop since April 2025, the fifth straight daily decline. **Why:** a classic flight to safety as equities slid, not disinflation. **Implication:** do not read lower yields as easing. A December hike is still near 92% priced, and the base rate rises again into a weakening risk backdrop.

03

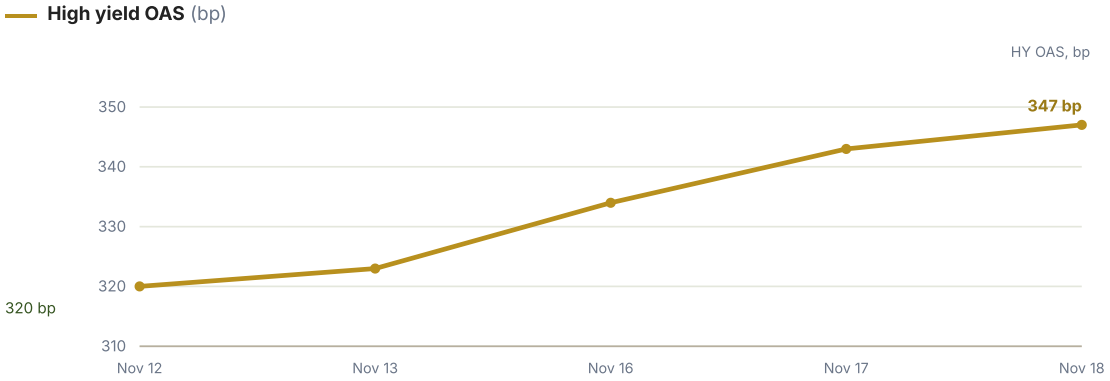
The Fed named AI debt as a systemic risk

Fact: the October minutes show almost all officials expecting further hikes and most citing AI-related debt and its complex and opaque financing structures as a financial-stability concern. **Why:** fast-growing, poorly-disclosed AI leverage worries policymakers. **Implication:** scrutinize AI-infrastructure and data-center exposure. The structures the Fed flagged overlap parts of private credit.

CHART OF THE WEEK

The credit shock arrives: high yield OAS climbs through the week

Did credit finally reprice? ICE BofA US High Yield OAS, daily, mid-November 2026.



Read: for ten weeks credit held near its tights while rates did the moving. This week it broke. High yield OAS rose 27 basis points, 320 to 347, climbing every session as the AI-trade unwind pushed investors out of risk and into Treasuries. The same AI-related leverage the Fed had just flagged as a stability risk is where the repricing began. For a book built on seniority, the widening is not a threat but the compensation finally arriving. Own the top of the structure; let the tail reprice.

WEEK AHEAD

CATALYSTS FOR PRIVATE CREDIT

November 25th	**October PCE (BEA)**	The Fed's preferred inflation gauge, expected to run hotter than CPI. The decisive read before the December meeting, schedule permitting after the shutdown.
November 26th	**Thanksgiving holiday**	Markets closed. Thin pre-holiday and month-end liquidity can amplify the spread widening now underway.
December 4th	**November jobs report**	The labor read four days before the FOMC. A weak print against the AI-driven risk-off would complicate the hike.
December 8th to 9th	**FOMC decision**	A 25 bp hike is near 92% priced; the half-point case faded this week. The decision and projections set the base-rate path into 2027.

Sources: Federal Reserve (FOMC minutes for the October 27-28, 2026 meeting, released November 18, 2026; H.15); Federal Reserve Bank of New York (SOFR, EFFR); U.S. Treasury and Reuters/rallies compilation (yields, November 20, 2026); FRED (HY OAS BAMLH0A0HYM2 and IG OAS BAMLC0A0CM, daily to November 18, 2026); CME FedWatch (December hike pricing, market-implied ~92%); KBRA Q3 2026 Middle Market Compendium (November 5, 2026; 3,070 borrowers, $1.4Tn+ direct-lending debt, LTM to September 30, 2026); Morningstar LSTA US Leveraged Loan Index; Preqin; BofA Global Research. Yields are November 20, 2026 levels; spread levels are latest posted (November 18); private-market activity figures are estimates or dated as noted.

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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