



Weekly Market Monitor

16 October 2026

WEEK ENDING 16 OCTOBER 2026

Vol. 3 · No. 42

MM Credit Conditions Index™ 63 · Favorable

TELLARO WEEKLY VIEW

Credit finally decompressed, and it began where it should: in the tail. After ten weeks pinned near cycle tightness through a relentless rate selloff, high yield spreads widened 37 basis points this week to 325. The move was not uniform. CCC spreads are up 134 basis points over four weeks while BBB is up seven. Treasury yields fell as capital rotated out of AI-linked trades into safety, the 10-year down to 5.09%. September CPI at 3.7% and a 1.3% PPI keep a December hike live even as growth questions build. This is the dispersion the prior vintages were underwritten for. Seniority and documentation are repricing from liability to asset. Hold the top of the structure and let the tail widen without the book.

CREDIT CONDITIONS DASHBOARD

LEVEL · W/W · CONTEXT

RATES & CURVE

Fed funds target	3.75-4.00%	Oct hold ~85% priced
SOFR (overnight)	3.90%	EFFR 3.88%
2Y Treasury	4.72%	▼ -8 w/w; bid returns
10Y Treasury	5.09%	▼ -15 w/w; flight to safety
30Y Treasury	5.43%	▼ -19 w/w; off 2000 high
Dec hike odds	~80%	inflation keeps it live

PUBLIC CREDIT

IG OAS	90 bp	▲ +6 w/w; quality held
HY OAS	325 bp	▲ +37 w/w; off the tightness
CCC OAS, 4-wk chg	+134 bp	▲ tail decompressing
HY index yield	8.2%	▲ carry plus spread

DEFAULT & RECOVERY

Lev-loan default (amt)	1.4%	payment basis, LTM; ticking up
CCC share of LL index	12%+	rising; refinancing wall ahead
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	\$+535	▲ wider on risk-off
MM gross leverage	6.1x	median; steady
MM interest coverage	1.6x	tail most exposed to repricing
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+	capex-slowdown fears this week
CLO issuance 26E	\$200Bn	MM CLO spreads widening
DL fund redemptions (Q1)	\$1.8Bn	10 largest; ~5% gates tested

THREE KEY OBSERVATIONS

01

Decompression, not a selloff

Fact: CCC spreads widened 134 basis points over four weeks, B by 35, BBB by just 7. **Why:** the weakest borrowers face a refinancing wall into a 5%-plus curve with no rate relief. **Implication:** index-level calm masks tail stress. Quality and seniority are being repriced upward. This is where senior secured discipline earns its premium.

02

The bid returned to duration, for the wrong reason

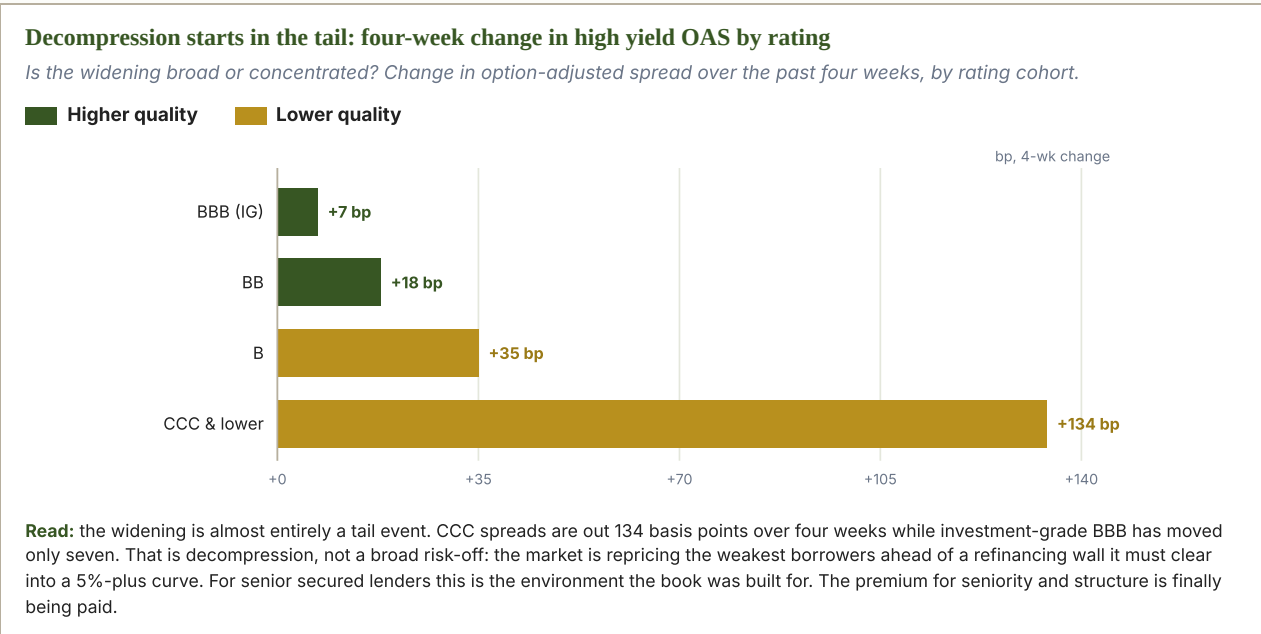
Fact: the 10-year fell 15 basis points to 5.09% as capital rotated out of AI-linked risk into Treasurys. **Why:** questions over the durability of AI capex and equity valuations drove a flight to safety. **Implication:** lower long rates ease the discount-rate pressure, but the trigger is risk aversion, not disinflation. Treat the rally as fragile.

03

Inflation did not cooperate

Fact: September CPI reaccelerated to 3.7% and PPI rose 1.3%, the largest monthly gain since March 2022. **Why:** energy and goods pass-through persist. **Implication:** the Fed holds in October but a December hike stays near 80% priced. Underwrite to a base rate that is not falling and a tail that is now widening.

CHART OF THE WEEK



WEEK AHEAD

CATALYSTS FOR PRIVATE CREDIT

16 to 23 Oct	Q3 bank earnings continue	Loan-loss provisions and credit commentary from money-center and regional lenders. Watch for private-credit exposure and any read-through to non-bank funding.
Fri 24 Oct	S&P Global flash PMIs	Activity read against the AI-rotation risk-off. A soft services print would deepen growth concerns into the FOMC.
Late Oct	Large private-credit BDC prints	Non-accruals, PIK share and marks for Q3. The clearest window into whether the public-market tail stress is reaching direct lending.
28 Oct	FOMC decision	A hold is now the base case; the statement and any December guidance set the path. Dispersion, not the policy rate, is the live credit variable.

Sources: U.S. Bureau of Labor Statistics (CPI and PPI, September 2026); Federal Reserve (Warsh remarks; SOFR, EFFR); FRED (DGS2, DGS10, DGS30; HY OAS BAMLH0A0HYM2, IG OAS BAMLCOA0CM, CCC OAS BAMLH0A3HYC); U.S. Treasury; CME FedWatch; TradingEconomics; ICE BofA indices; KBRA Q2 2026 Middle Market Compendium; PitchBook LCD and the Morningstar LSTA US Leveraged Loan Index; Houlihan Lokey; Prequin. Spread changes are four-week to 14 October; yield changes are week-over-week to 16 October 2026; 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.

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.