

CAPITAL MARKETS

Monthly Loan Market Update

April 2026

Capital Markets Summary

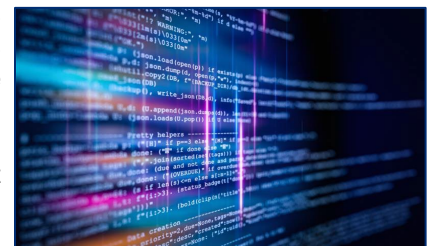
The war in Iran has become the central focus of the capital markets, almost completely overshadowing the anxieties that pre-dated it (i.e. tariffs, software, private credit). The initial expectation of an abbreviated campaign has given way to a potentially protracted impasse, with Iran's control of the Strait of Hormuz seeming to give it indefinite negotiating leverage. The darkest fear of the market is a domino effect of higher oil prices > higher inflation > increasing interest rates > weakened consumer - which all results in recession, or even worse, stagflation. Investors are starting to contemplate this scenario as a real possibility, which is putting the capital markets in a defensive crouch. The S&P 500 traded down around 5% since the beginning of the war to the end of March. Treasury yields have climbed in consideration of potential inflation and interest rate increases, while the yield curve has flattened in consideration of potential economic deceleration. It would be premature to call these moves an outright 'correction'. There remains expectations of solid GDP growth and strong earnings for the first quarter. But even if these data points materialize favorably, they could ultimately prove to be irrelevant lagging indicators in the face of a persistent and/or metastasizing Iran conflict. As April begins, there are hopefully signs that we are headed for an off-ramp rather than escalation, but time will tell.



Despite the geopolitical and AI headwinds, the liquid loan market remained constructive, with new deals finding a generally receptive audience. LBO loan volume for March was the highest it has been in several years. The headline deal for the month was the take-private for Electronic Arts, which at \$18 billion is the largest LBO debt financing package since the Great Financial Crisis. The loan portion of the deal was over-subscribed, upsized, and priced at the tight end of talk. With that said, primary pricing broadly has widened by about ~25bps since the start of the war, while the secondary market has been relatively flat (+~10bps) in that time frame, with a fair amount of dispersion based on sector. Ultimately liquid loan investors remain open for new business, but at a higher price point. Meanwhile,

the direct lender market remains in the spotlight, with concerns continuing to swirl around their exposure to software and, by extension, their access to capital. In the face of this noise, direct lenders continue to deploy capital across leveraged finance, real estate and equipment finance. Direct lenders have told us that their diligence postures have straightened and that pricing in their market has backed up 50-75bps, but that new deals are still heavily bid.

The bank market too has been resilient. Banks continue to actively pursue new mandates at pricing and terms that are largely unchanged from February. Lower middle market deals and even some software transactions – areas that would seemingly be out-of-favor in the current environment - are being pursued aggressively. The biggest lament we hear among bankers is not so much the Iran war or the SaaSocalypse, but the lack of deal flow. The M&A break-out that we long-anticipated and started to observe in early 2026 has lost some momentum, as corporates and sponsors take a more cautious posture to deal making. For now, banks would appear to be willing to ride out the storm and engage whenever Borrowers are ready. But of course further deterioration in the macro picture could eventually sour the mood of banks as well. We note that, for all of the continued bullishness on the part of banks, some froth has come off the top. Deals are being subjected to more scrutiny and longer diligence periods. Cyclical industries have a higher bar. Leverage structures are less likely to be pushed to edge-of-market.



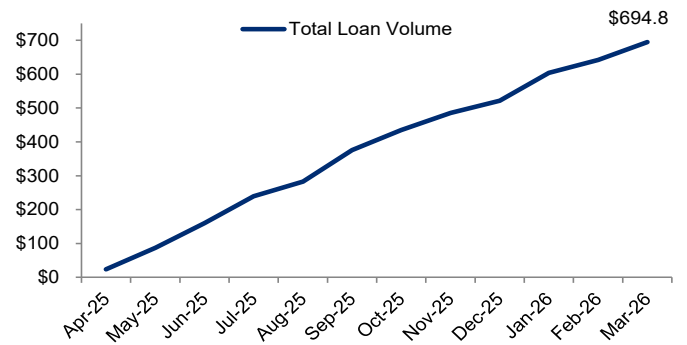
Markets appear to be simultaneously bracing for a fall and pressing forward.

Loan Market Dashboard



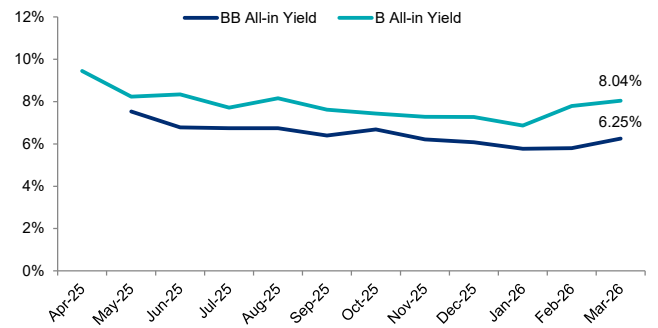
Deal Volume (\$ in billions)

Category	YTD 2026	YTD 2025
Total Loan Volume	\$173.3	\$199.0
Pro Rata Volume	\$62.0	\$55.3
LBO-and-M&A Volume	\$71.7	\$60.0



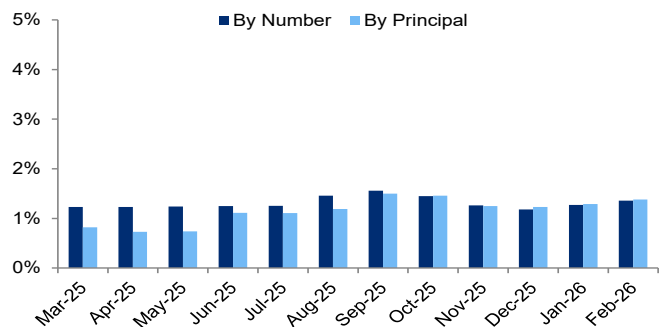
Primary Pricing

Credit Rating	Average Spread	Average All-in Yield
BB	S+2.35%	6.25%
B	S+3.88%	8.04%



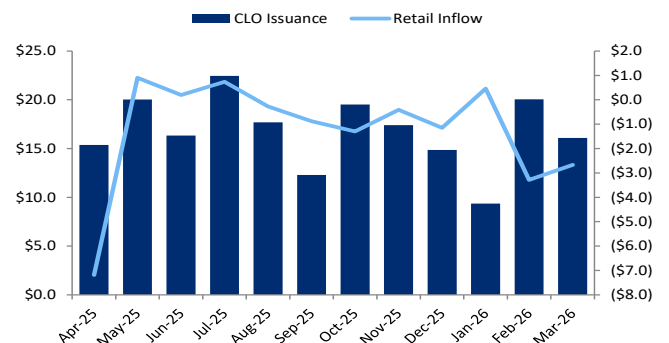
Asset Quality

Lagging 12-Month Default Rate	Feb. 2026	Mar. 2025
By Number	1.36%	1.23%
By Principal	1.38%	0.82%



Capital Formation (\$ in billions)

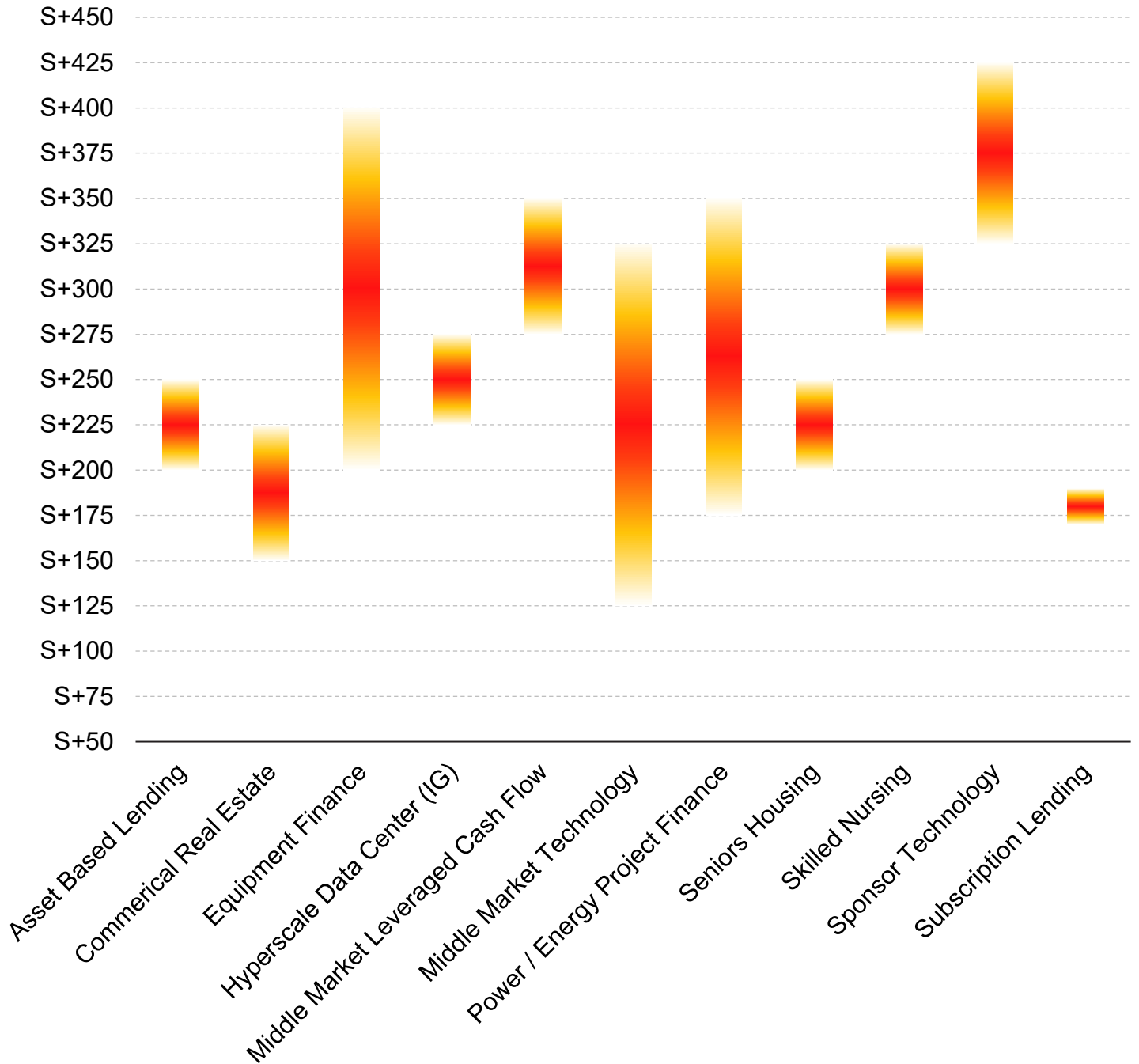
Category	YTD 2026	YTD 2025
CLO Issuance	\$45.5	\$48.1
Net Retail Fund Inflows	(\$5.5)	\$2.1



Bank Market Pricing

Below is our latest feature: the Bank Loan Pricing Distribution Monitor. This graphic attempts to summarize the range of new-issue loan spreads being observed across various sectors. Note that these pricing estimates are for private, middle market bank lending – NOT direct lending nor the liquid CLO market.

Bank Loan Pricing Distribution Monitor March 2026



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