First Citizens Bank.

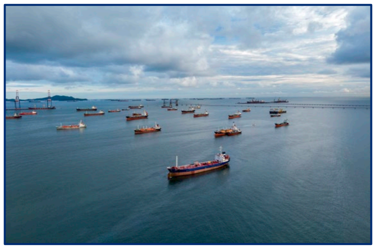
CAPITAL MARKETS

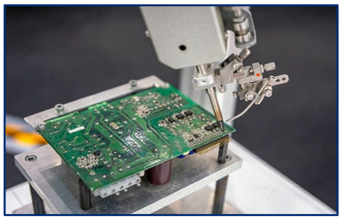
# Monthly Loan Market Update

July 2026

## Capital Markets Summary

June featured a host of significant, market-moving developments that competed for investors' attention. On the negative side of the ledger, inflation remained stubbornly above target, Treasury yields moved higher, and the new Fed Chair struck a decidedly hawkish tone during his first press conference. At the same time, a cooling of the AI trade — as evidenced by a modest pullback in technology stocks — weighed on market sentiment. Investors appeared more focused on recalibrating appropriate valuations for hyperscalers and semiconductor companies than questioning the long-term AI thesis itself. Nonetheless, given the sheer size and market capitalization of these companies, even modest declines had an outsized impact on broader market indexes. On the positive side, U.S. economic fundamentals remained resilient. Employment stayed near full levels, consumer spending held up well, and the remainder of first-quarter 2026 earnings reports continued to exceed expectations, with profit margins proving particularly strong. U.S.–Iran negotiations could also be cautiously placed in the positive column. On paper, the recently signed memorandum of understanding (MOU) represents a cessation of hostilities, the reopening of the Strait of Hormuz, and a potential pathway toward a more durable resolution. In practice, however, the agreement is widely viewed as fragile, having already been tested by subsequent military strikes. Few political constituencies, on either the left or right, are cheering the arrangement. Nevertheless, oil prices have retreated close to their pre-conflict levels, and so the MOU counts as a win for the market.





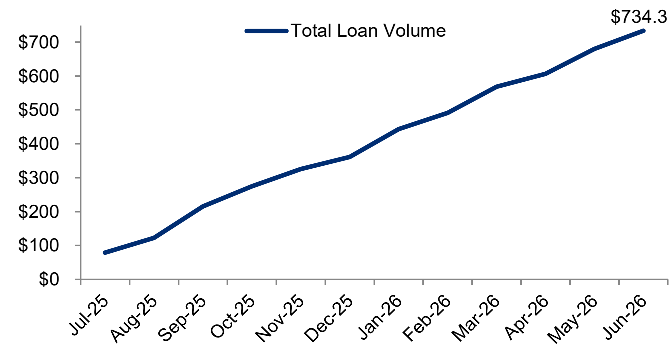
The combined effect of these crosscurrents was a 1% decline in the S&P 500. Importantly, non–Magnificent Seven stocks — and the equal-weighted S&P 500 Index — outperformed during June, suggesting a modest rotation away from the suppliers of AI and toward its eventual beneficiaries. In many respects, the market over the last month was simultaneously pricing in competing outcomes: persistent inflation pressures alongside the prospect of relief from lower energy prices; concerns about AI-related excess and massive capital expenditures alongside the potential for meaningful productivity gains and margin expansion; and ongoing geopolitical risks in the Persian Gulf alongside the possibility of a broader diplomatic resolution. Faced with these offsetting considerations, the equity market largely moved sideways.

The loan market continues to plow forward, predictably eschewing the dramas of the moment. As a lower-beta, senior secured asset class, loan investors generally have the luxury of seeing the longer horizon and the bigger picture – a perspective that continues to be reassuring. For multiple successive years GDP has been positive, employment has stayed full, and inflation has moderated. Moreover, there remains broad consensus that the economic outlook will remain solid for the foreseeable future. Against this backdrop, the stable footing of loan market would seem hard to dislodge. The liquid loan market is seeing robust capital formation. Direct Lenders remain active and competitive despite the existential headlines from earlier in the year. Bank lender demand is as strong as it has been in years. The constructive environment that has prevailed in these segments all year long (and even through the Iran War) holds firm, with little discernable change in pricing, structure and terms over the last 30 days. Meanwhile, there is a growing sense that market tone will likely grow stronger, with competition intensifying, as we head into the second half of the year.

# Loan Market Dashboard

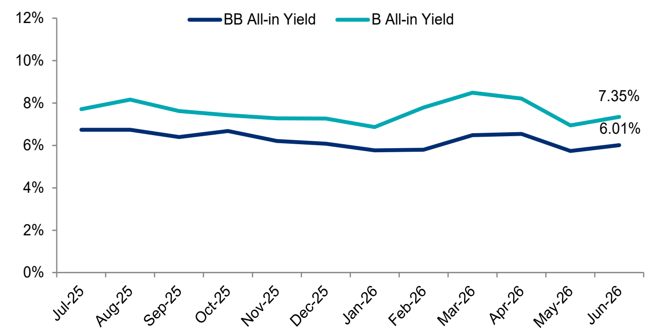
## Deal Volume *($ in billions)*

| Category | YTD 2026 | YTD 2025 |
|---|---|---|
| Total Loan Volume | $370.6 | $353.1 |
| Pro Rata Volume | $157.4 | $128.5 |
| LBO-and-M&A Volume | $143.8 | $110.2 |



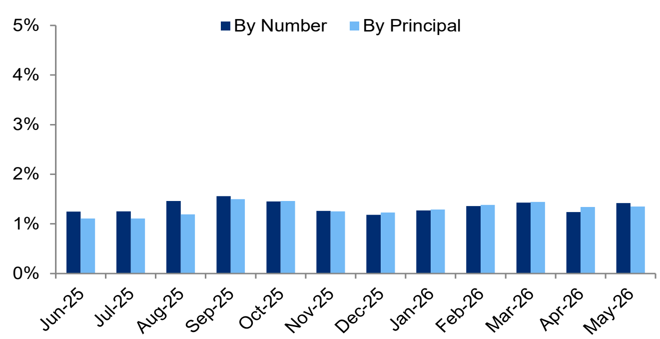

## Primary Pricing

| Credit Rating | Average Spread | Average All-in Yield |
|---|---|---|
| BB | S+2.16% | 6.01% |
| B | S+3.31% | 7.35% |



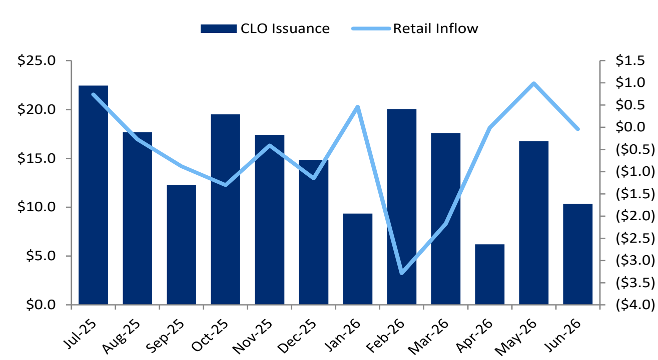

## Asset Quality

| Lagging 12-Month Default Rate | May. 2026 | Jun. 2025 |
|---|---|---|
| By Number | 1.42% | 1.25% |
| By Principal | 1.35% | 1.11% |




## Capital Formation *($ in billions)*

| Category | YTD 2026 | YTD 2025 |
|---|---|---|
| CLO Issuance | $80.3 | $97.4 |
| Net Retail Fund Inflows | ($4.8) | ($4.0) |




*Source: [PitchBook Data, Inc.](#)*

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