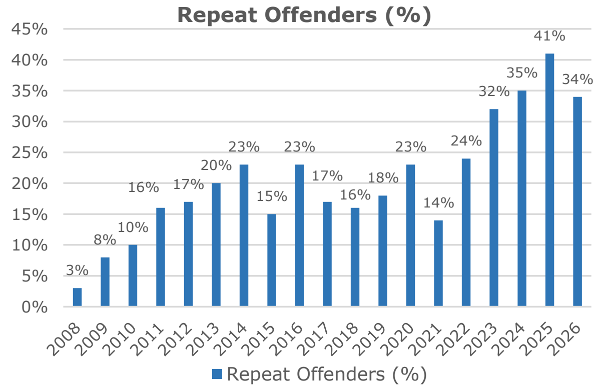
Monthly Spotlight

Repeat Default Activity Hits Multi-Year Highs

Repeat default activity remains elevated in 2026, with ten of the twenty-nine default actions year to date involving repeat offenders (34%). This marks the fourth consecutive year where repeaters account for at least 30% of total distress events, following a record 41% in FY25. Since 2008, 20% of all default actions (233 of 1'165) have been repeaters, highlighting that distressed exchanges often defer rather than resolve underlying capital structure stress.

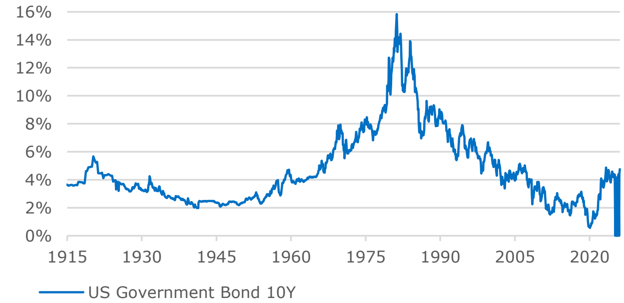
Of the 351 distressed exchanges executed since 2008, 42% (146 transactions) have re-entered the market with a subsequent default action, taking an average of 1.9 years (1.0-year median) to recur. Across the 2010–2024 post-crisis cohort, this repeat rate climbs to 48%. Given recent elevated volumes of out-of-court restructurings, serial default activity will likely persist, driving ongoing performance dispersion across leveraged loan portfolios (see chart on the right).



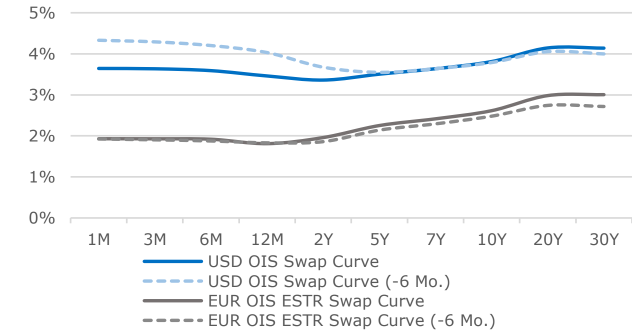
Source: J.P. Morgan, Alpinum IM.

Rates Perspective

1) Historical US Treasury Yield: 10-year US government bond yield reached its 100-year low in 2020.

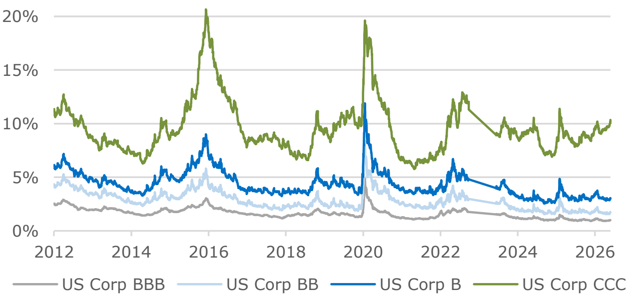


2) Interest Swap Curve: The USD curve remains inverted EUR shows gradual steepening beyond 2Y.

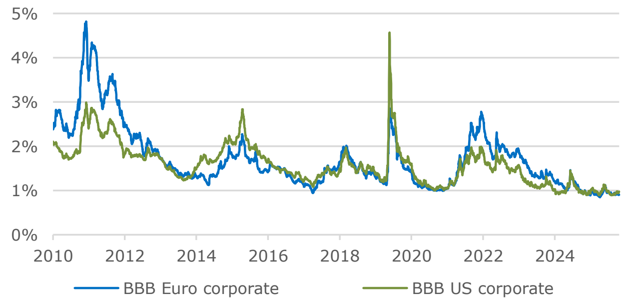


Corporate Perspective

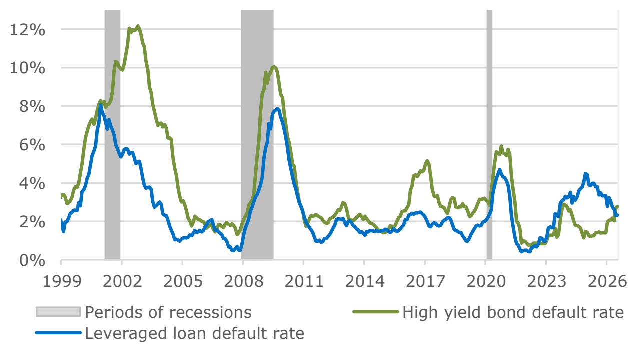
3) US Corp. Rating: Credit spreads (OAS) of lower rated high-yield bonds widened disproportionately.



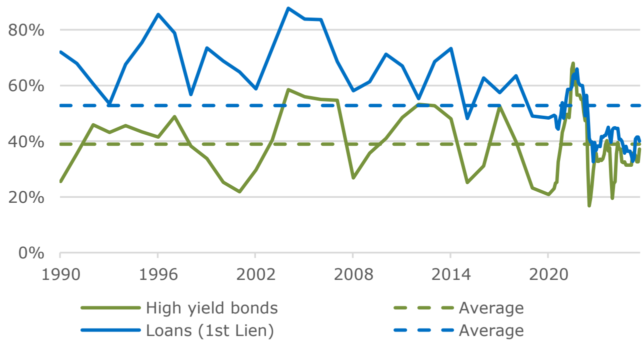
4) EU vs. US: EU credit spreads (OAS) are now at similar levels than in the US.



5) Default Rates: HY bond default rates are now for the first time lower vs. loans.



6) Recovery Rates including LMEs: Leveraged Loans (Ø53%) vs. high yield bonds (Ø39%) due to lower severity.



OAS spread change overview across major credit asset classes - as of month end

US corporates by rating (bps)

	curr	Δ month
AAA	41	+3
AA	58	+6
A	66	+3
BBB	99	+4
BB	173	+9
B	304	+5
CCC	1034	+64

Global high yield (bps)

	curr	Δ month
US HY	285	+10
EU HY	265	-5
Asia HY	401	-9
EM HY	305	+4

CDS spreads (bps)

	curr	Δ month
CDX IG - US	53	+2
iTraxx IG - EU	54	+2
CDX HY - US	312	+7
iTraxx XO - EU	261	+16

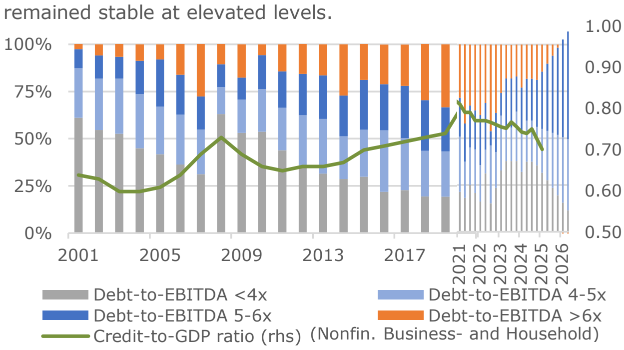
Loans and CLOs yields (bps)

	curr	Δ month
US Loan	781	-1
CLO AAA	478	-1
CLO BBB	698	-1
CLO BB	998	-1

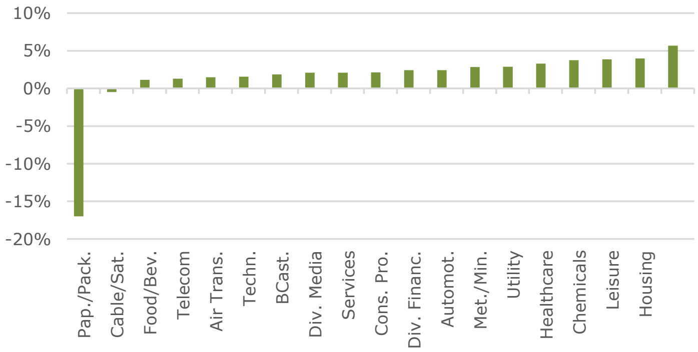
spread tightening (positive price action)

spread widening (negative price action)

7) US Leverage: Debt-to-EBITDA ratio of US companies remained stable at elevated levels.

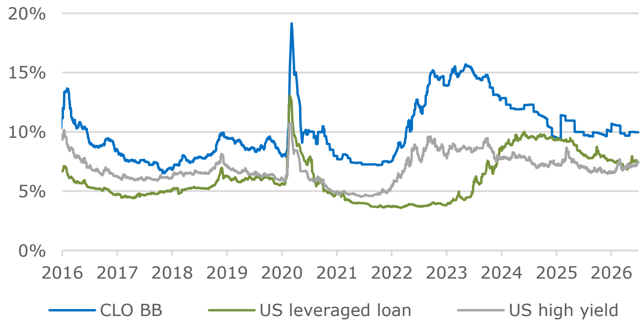


8) YTD Sector High-Yield Returns: Positive YTD results across most of the sectors.



Alternative Perspective

9) Loans vs. CLO vs. HY: CLO BB yields are wider vs. loans and HY bonds.



10) CLO Yields: CLOs offer an attractive yield premium over bonds and loans.

11) Asia vs. US: Asian IG spreads have tightened thanks to gradual post-COVID recovery and US inflation easing.

12) Capital vs. IG: Capital Securities structurally earn a premium vs. US IG bonds. Capital Securities are dominated by the financial sector.

Education Corner - Series: Private Credit (#11)

In this edition, we look at how private credit's growth has reshaped the market — and what that tells us about where value sits.

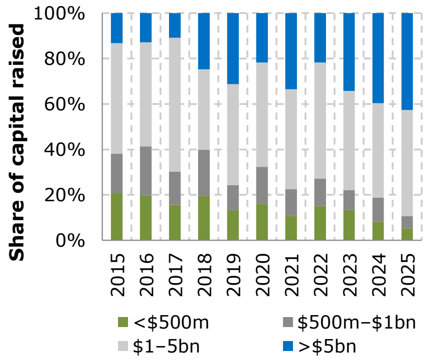
Scale has shifted deal size. Global private credit assets have grown from under USD 250 bn fifteen years ago to over USD 2 tn. Capital has also concentrated: in 2025, funds above USD 1 bn captured 84% of money raised. Larger platforms need larger deals: average direct-lending borrower EBITDA rose from USD 43m in 2014 to USD 95m by end-2024, while the average transaction size financed by direct lenders has risen by +90% since 2020.

This shift matters because direct-lending managers are generally differentiated by the size of borrowers they finance. In the US, the market typically distinguishes between lower middle market, core middle market and upper/large market, broadly based on borrower EBITDA. As managers have raised larger funds, many have naturally moved up this spectrum to deploy capital efficiently. But these categories are not fixed: managers can move between segments as relative value changes.

Capital flows can therefore temporarily make one segment more crowded than another. Non-traded BDCs, for example, raised capital at exceptional speed and, given their perpetual structure, needed to deploy it quickly, directing substantial capital toward larger deals. When flows reversed following negative private-credit headlines, that deployment pressure eased.

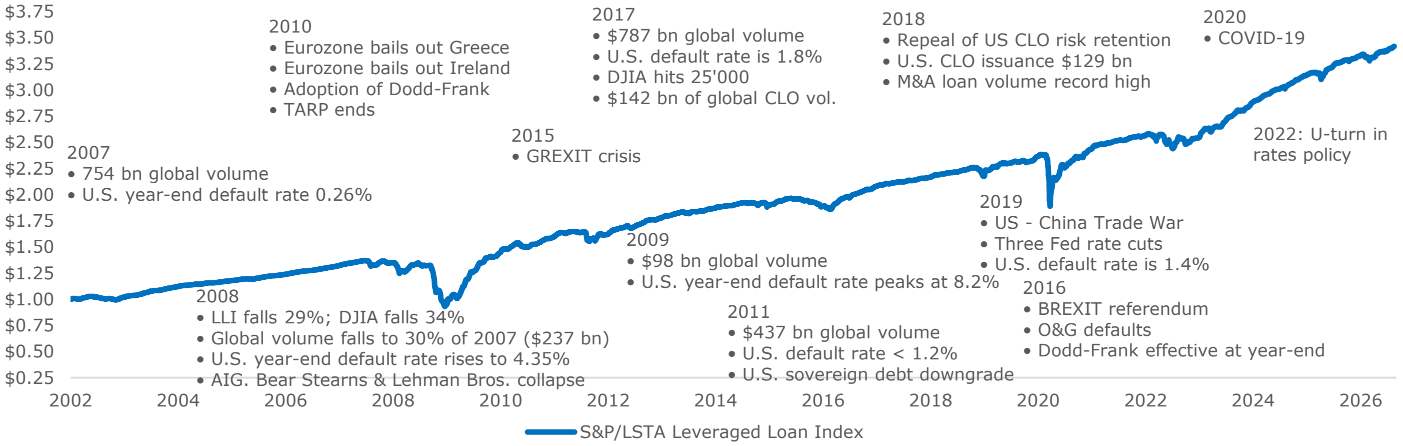
The conclusion: beware of segment arguments. Relative value rotates with market conditions. No segment is permanently cheap or insulated from capital flows. Managers with broad origination capabilities can follow opportunity wherever it emerges. **Manager selection matters more than segment selection.**

Capital has concentrated in larger private debt funds



Source: PitchBook, H1 2025 Global Private Debt Report. 2025 = H1 through 30 Jun 2025.

US Loan Index Total Return - Attractive Long Term Yield Generation



List of Abbreviations

Capital Securities (or preferred securities): Are fixed income securities combining features of bonds and preferred stocks.

CDS: Credit Default Swaps transfer credit event risk to another party in exchange of a perdiodically paid premium. CDX index covers the US IG-, iTraxx the EU IG- and iTraxx crossover (XO) the EU HY market.

CLOs: Collateralized loan obligations are structured finance securities collateralized predominantly by a large pool of different loans.

Default Rate: Number of defaulted corporate issuers of leveraged loans and high yield bonds.

Loans: Are syndicated, public tradable loans. Synonyms are «syndicated loans», «loans», «leveraged loans» and «bank loans».

OAS: Option-adjusted spread is the yield difference of an interest paying security to the risk free rate considering embedded options.

TIPS: Treasury Inflation-Protected Securities are US government linked to the US CPI Urban Non-Seasonally Adjusted.

Up-/ downgrades: Rating actions of Moody's and S&P of up-or downgrades of US high yield bond issuers denominated in USD.

Up-/ downgrade ratio: Number of upgrades of total rating actions.

Recovery Rates: Bond issuer-weighted recovery rates express the principal and accrued interest on defaulted debt that can be recovered in percentage of face value. Example:
Expected loss rate if US HY defaults were 10%: 10% ./. Estimated average recovery rate of ~30% = -7%; Example for Loans:
Expected loss rate if US Loan defaults were 10%: 10% ./. Estimated average recovery rate of ~65% = -3.5%;

Data and Price Sources

Alpinum Investment Management	Federal Reserve Bank of St. Louis	Palmer Square indices
Bank of America Merrill Lynch indices	Markit CDS indices	Preqin
Bloomberg	Moody's Investors Service	S&P
The Federal Reserve	J.P. Morgan	Federal Housing Finance Agency
US Census Bureau		

Disclaimer

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