

Macro Roundup Article

Headline: [Private Credit: Characteristics and Risks](#)

Article Link: <https://www.federalreserve.gov/econres/notes/feds-notes/private-credit-characteristics-and-risks-20240223.html>

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Tweet: Private credit has grown exponentially since 2000, reaching over \$1.7T in June of 2023. @FederalReserve analysis suggests private credit raises overall corporate leverage, potentially increasing corporate sector vulnerability to financial shocks.

Summary: As private credit continues to grow rapidly as a new frontier for nonbank lending, the scarcity of available data has made it challenging to assess risks in this market. Private credit involves bilateral negotiation of terms and conditions without the need to comply with traditional regulatory requirements. These loans are illiquid due to the lack of a secondary market. There is limited market discovery, and investors acquiring these loans should expect to hold them to maturity or face steep losses in need of an emergency exit.

Related Articles: Trends In Private Markets Going Into 2024 and Where Are All the Defaults? and How Private Credit Gives Banks a Run for Their Money

Primary Topic: Financial Markets

Topics: Financial Markets, GDP, Government/NGO

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