

Macro Roundup Article

Headline: [Where Are All the Defaults?](#)

Article Link: <https://mailchi.mp/verdadcap/where-are-all-the-defaults?e=7b209e1099>

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Tweet: Despite an uptick in Chapter 11 filings associated with the hiking cycle high-yield spreads have barely moved. @GregObenshain speculates lower quality borrowers have migrated to the private credit market.

Summary: One reason we believe high-yield spreads haven't spiked yet is the migration of lower-quality borrowers—those most likely to default—out of high yield and into the private credit market. According to Moody's, the number of issuers with B3 debt has fallen as these issuers have departed for private credit. According to Moody's, 62% of its rated universe, which includes both loans and bonds, is rated B2 (also known as B) or below, and, "In general, the high-yield bond market favors better-quality Ba [Moody's term for BB] issuers, while the leveraged loan market is concentrated in LBOs that have had liquidity constraints on the heels of the Federal Reserve's aggressive tightening." Related: Higher Cost of Capital Continues and Credit Normalization

Primary Topic: Business Cycle

Topics: Business Cycle, Financial Markets, GDP, Op-Ed/Blog Post, Weekly

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