



Credit Markets Update

June 30, 2026

Credit Markets Commentary

Credit markets remained resilient in Q2 despite macro uncertainty, with capital increasingly concentrated in higher-quality borrowers and select sectors

Credit Markets Are Open - but Increasingly Selective



- New-issue activity remained resilient despite economic uncertainty, geopolitical tensions, and AI-related sector disruption
 - Leveraged loan issuance totaled \$165.1 billion in Q2 2026, down from Q1 levels but modestly ahead of the prior year
 - Refinancing, repricing, and maturity-extension activity accelerated as issuers proactively addressed upcoming 2028 maturities
 - Acquisition financing remained muted amid slower sponsor deal activity and ongoing geopolitical uncertainty
- Broadly syndicated lenders gained market share as direct lenders remained selective and focused on higher-quality opportunities
- High-yield bond issuance remained robust, totaling \$101.1 billion during the quarter
- Defaults continued to improve, although liability management exercises remain a primary restructuring mechanism
- The Federal Reserve maintained a cautious and increasingly hawkish stance, reducing expectations for near-term rate cuts

Tailwinds...



- Capital remains broadly available for stronger credits across leveraged loans, direct lending, and high-yield markets
- AI infrastructure, power, and data-center investment continue to represent an important source of financing demand
- A gradual recovery in M&A deal activity during the second half of 2026 could support growth in new-money issuance

...Risks on the horizon



- Persistent inflation and a more hawkish Fed continue to support elevated financing costs, delaying a broader recovery in leveraged M&A activity
- A growing concentration of 2028 maturities among sponsor-backed and lower-rated issuers is driving elevated refinancing and extension activity
- Absent a recovery in sponsor-backed M&A, competition for high-quality new-money opportunities is likely to remain intense

Source: PitchBook | Leveraged Commentary & Data, KPMG Market Research.



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Credit Markets Update

Credit markets remained resilient in Q2 despite macro uncertainty, with capital increasingly concentrated in higher-quality borrowers and select sectors

- Second-quarter leveraged loan issuance totaled \$165.1 billion, down from Q1 but modestly above Q2 2025 levels
 - The leveraged loan market remained resilient despite a more cautious Fed posture, geopolitical uncertainty, inflationary pressure, and AI-related disruption in selected sectors
- Refinancing continued to gain share, reaching 41% of institutional loan volume in Q2 versus 34% a year earlier
 - Extension and repricing activity totaled \$120.8 billion in Q2, supported by sponsor efforts to address upcoming 2028 maturities
- M&A-backed issuance remained muted, with its share of institutional loan volume declining to 42% in Q2 from 45% in Q1
 - PE dealmaking slowed as sponsors prioritized portfolio liability management through refinancing, extensions, and repricing transactions
 - Geopolitical uncertainty continued to weigh on the timing of a broader buyout and M&A recovery
- BSL lenders gained share in new deals during Q2, although absolute new-money volume declined across both BSL and direct lending markets
 - Direct lenders remained selective amid software-sector risks, redemption pressure, and fewer sponsor-backed deal opportunities
- Credit performance improved, with the combined default rate declining to 2.95% for LTM June 2026 from a 4.70% peak in 2024; LMEs remain the dominant restructuring mechanism

High-yield issuance reached \$180.8 billion in 1H 2026, approximately 25% above the comparable prior-year period

- Second-quarter high-yield issuance totaled \$101.1 billion, marking only the second quarter above \$100 billion since Q3 2021
 - New issuance was led by AI infrastructure buildouts and acquisition-related financing
- The average quarterly yield was 7.41%, below the 7.79% level recorded in Q2 2025 but still elevated relative to recent market conditions

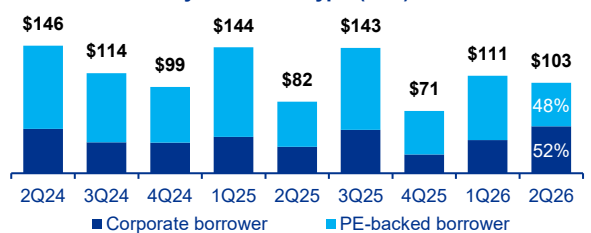
The Federal Reserve maintained its policy rate while adopting a more hawkish posture, reducing expectations for near-term rate cuts.

- The FOMC held benchmark rates steady at 3.50% - 3.75% amid continued uncertainty
 - Economic activity continued to expand and job gains remained steady, although inflation stayed elevated amid ongoing supply-chain and energy-price pressures

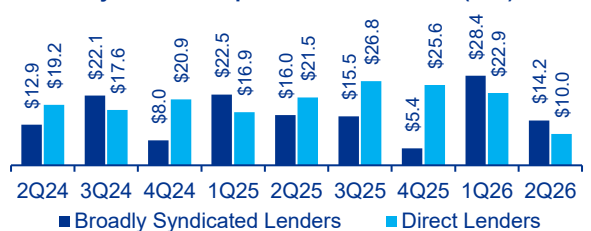
New-Issue Leveraged Loan Volume (\$bn)



US Institutional Loan Issuance by Borrower Type (\$bn)



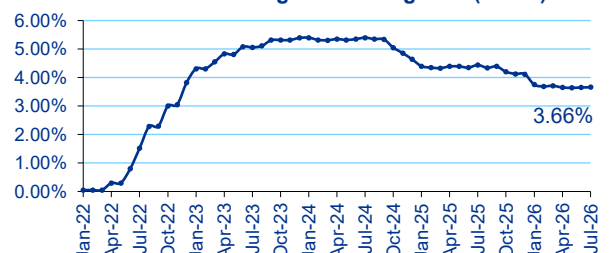
Volume of LBOs financed in broadly syndicated vs private credit markets (\$bn)



High Yield Volume (\$bn)



Secured Overnight Financing Rate (SOFR)



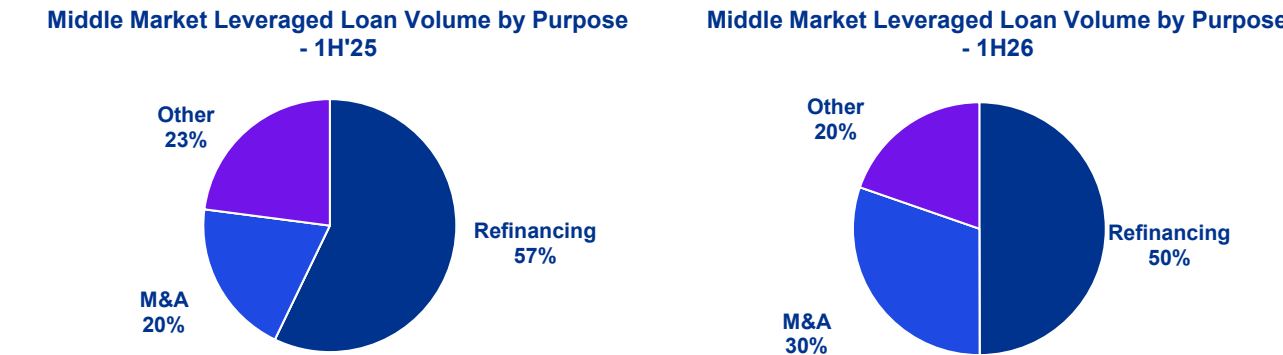
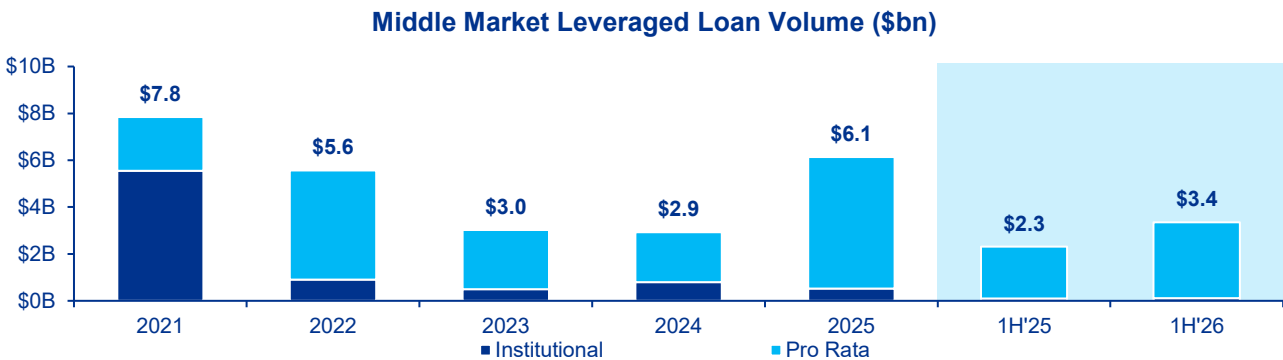
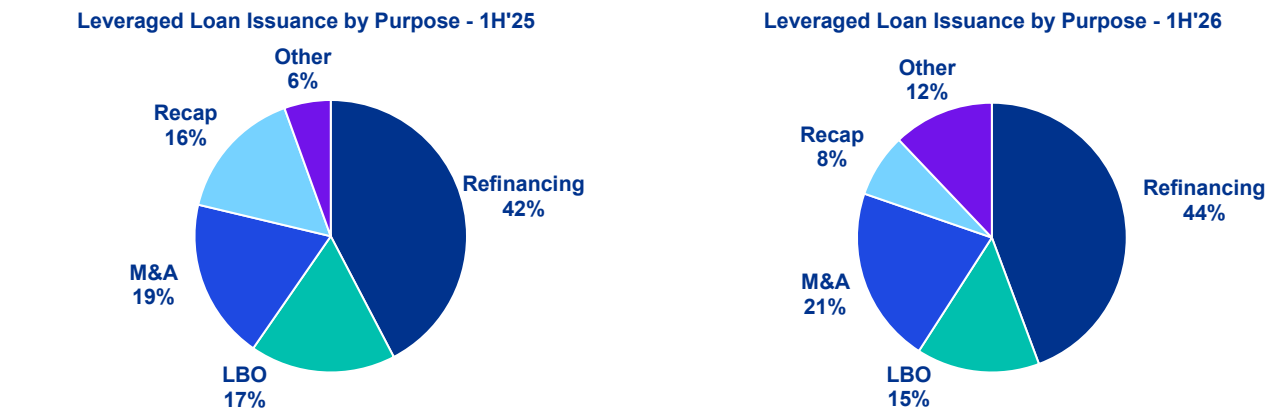
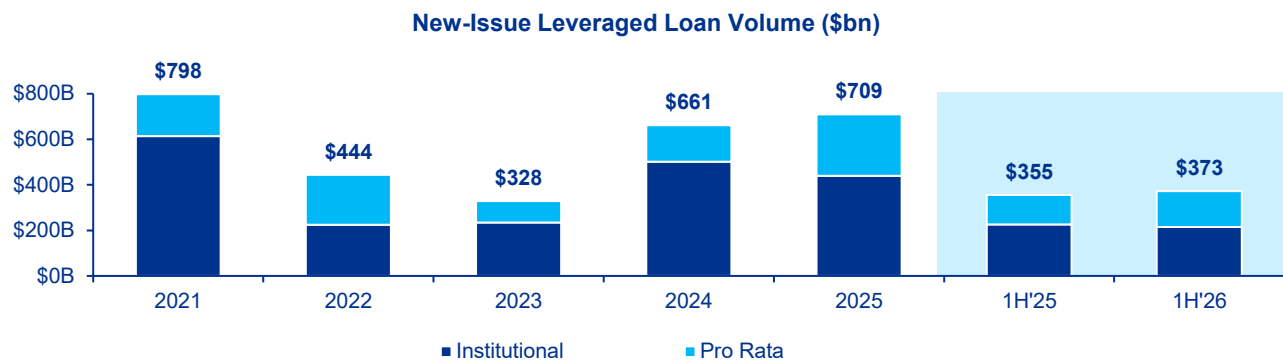
Source: New York Fed; 90-day Term SOFR rate

Source: PitchBook | Leveraged Commentary & Data, KPMG Market Research.



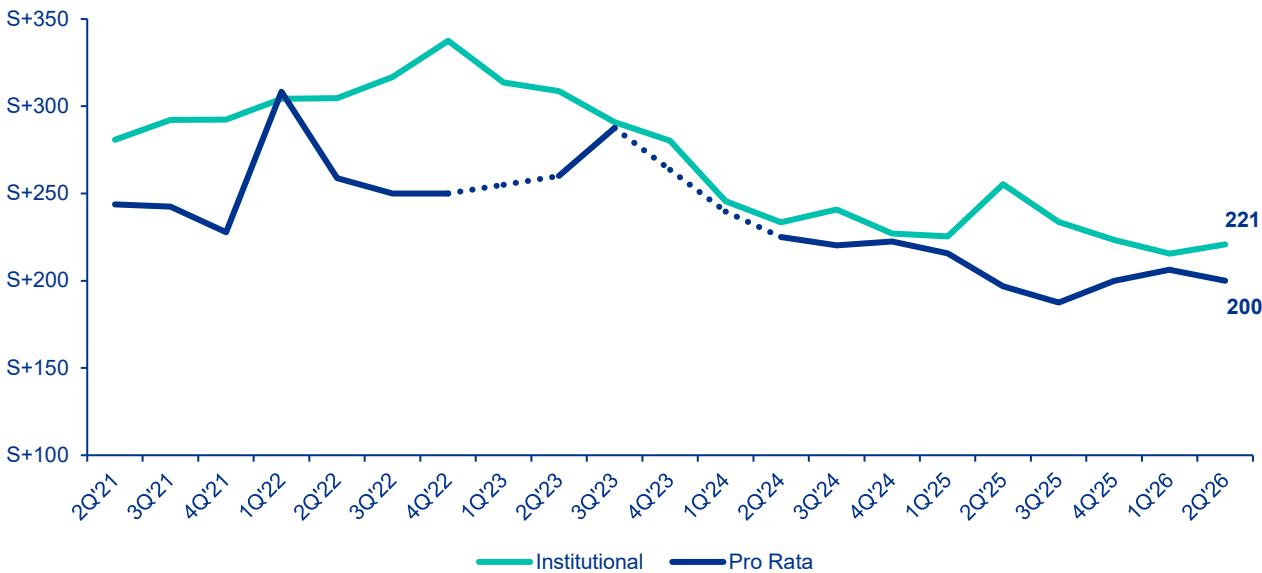
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Leveraged Loans



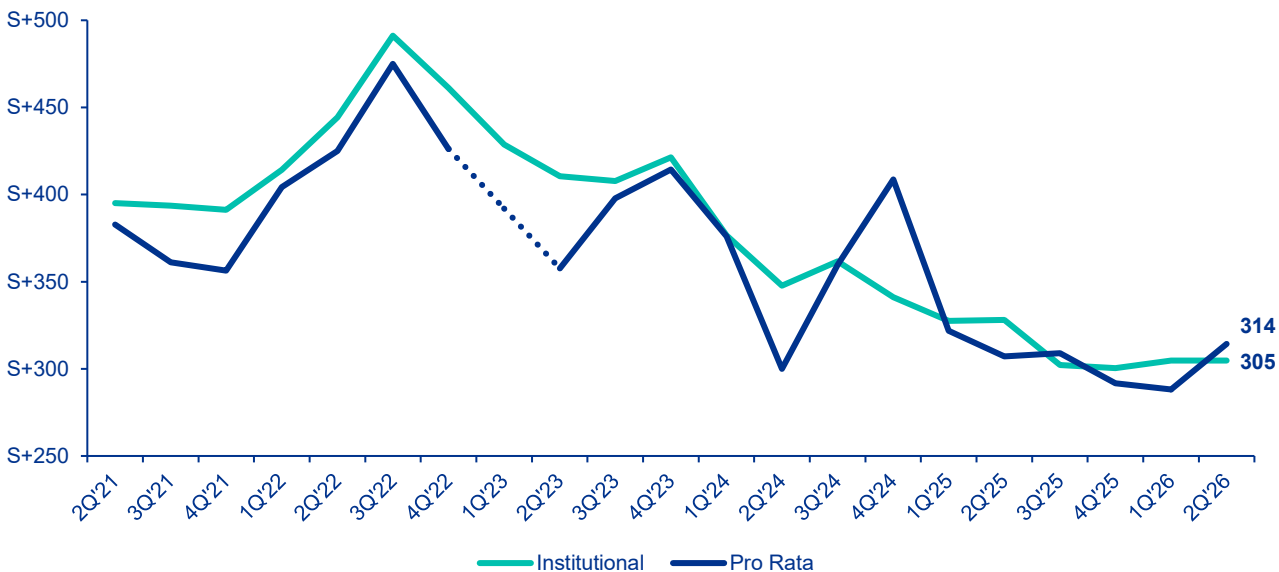
Leveraged Loans (continued)

New Issue First Lien Spreads BB/BB- - Quarterly



Note: 1Q'23, 4Q'23 and 1Q'24 data not available

New Issue First Lien Spreads B+/B - Quarterly



Note: 1Q'23 data not available

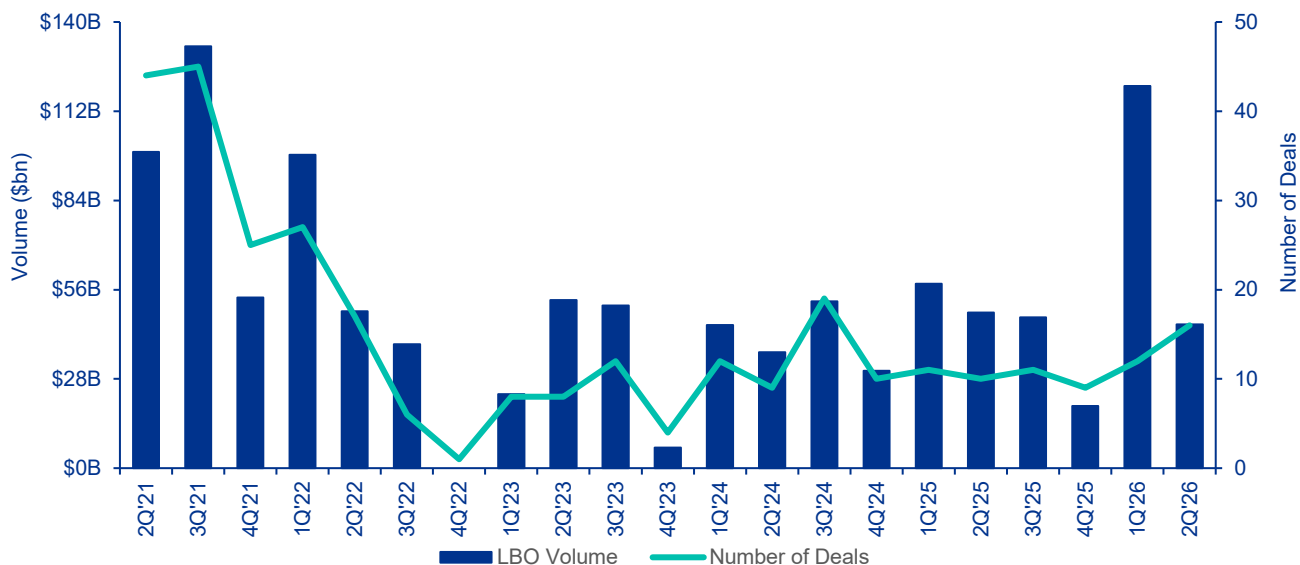
Source: PitchBook | Leveraged Commentary & Data.



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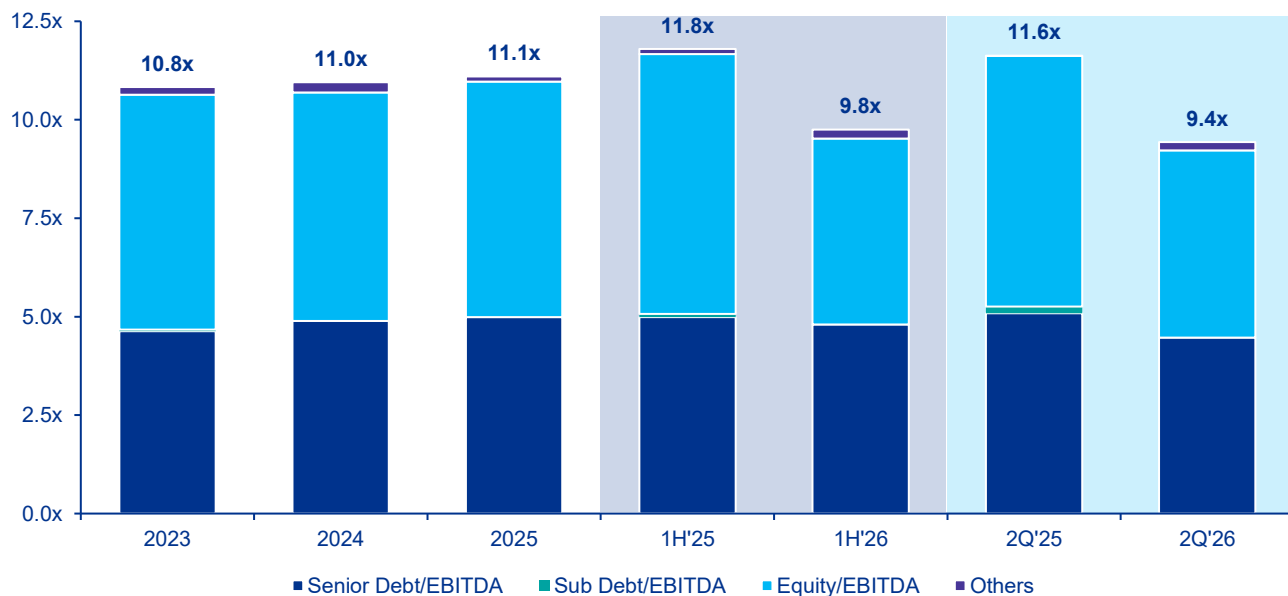
LBO Debt Summary

LBO Transaction Volume - Quarterly (\$bn)



Note: 4Q'22 LBO volume data not available; Includes

Average Purchase Price Multiple - All LBOs



Source: PitchBook | Leveraged Commentary & Data.

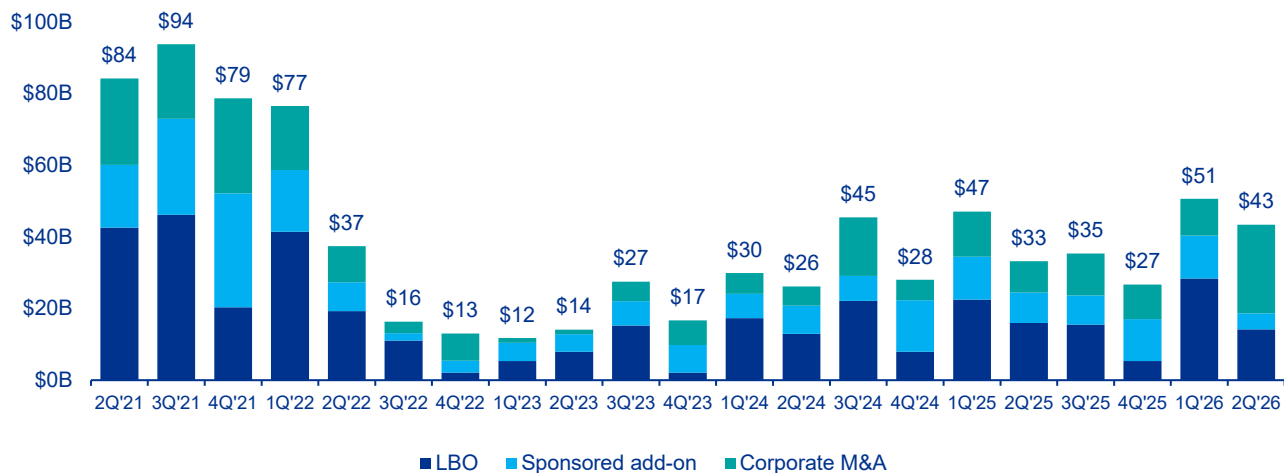
Note: Includes US leveraged buyout deal activity financed in the broadly syndicated loan market



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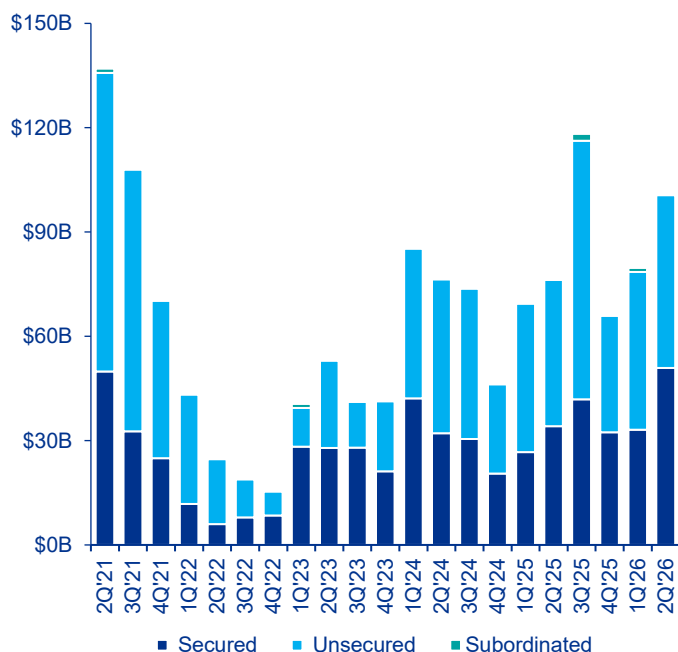
M&A Related Loan Volume

US M&A related New Issue Institutional Loans(\$bn)

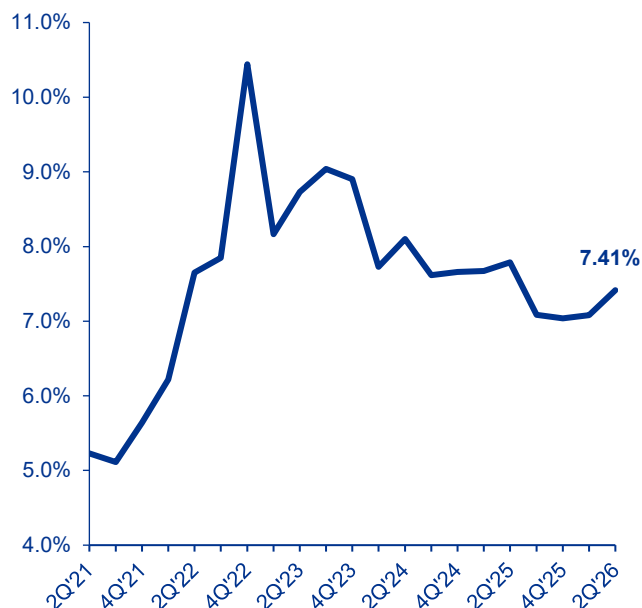


High Yield Bonds

High Yield Bond Issuance – Quarterly (\$bn)



New issue High yield Bond yield to Maturity

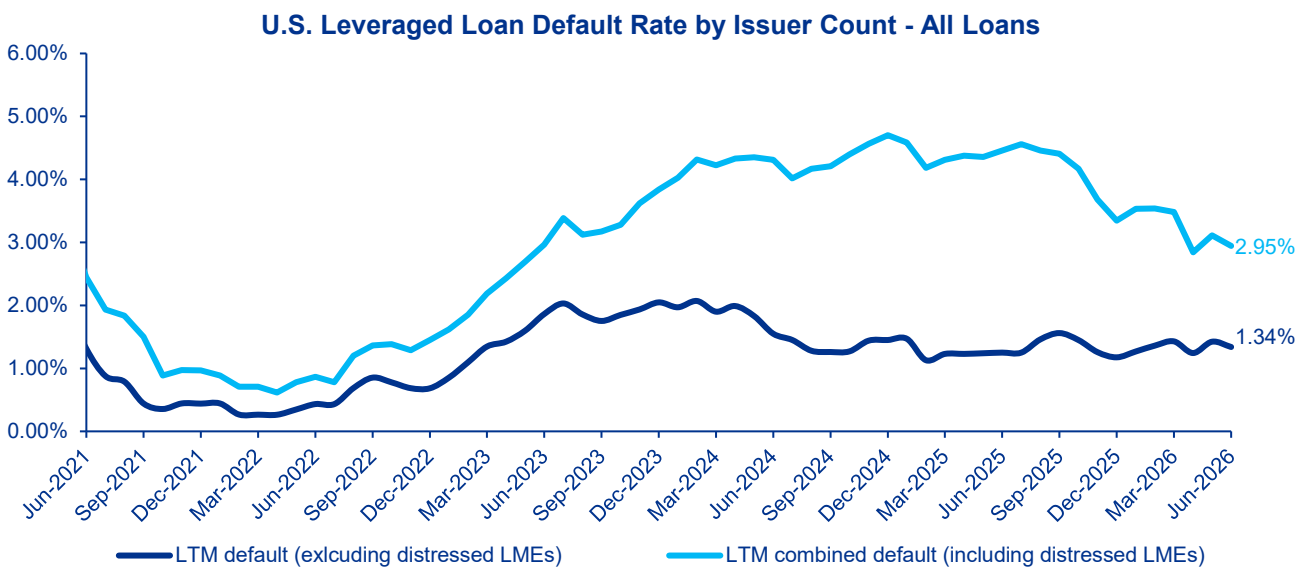


Source: PitchBook | Leveraged Commentary & Data.

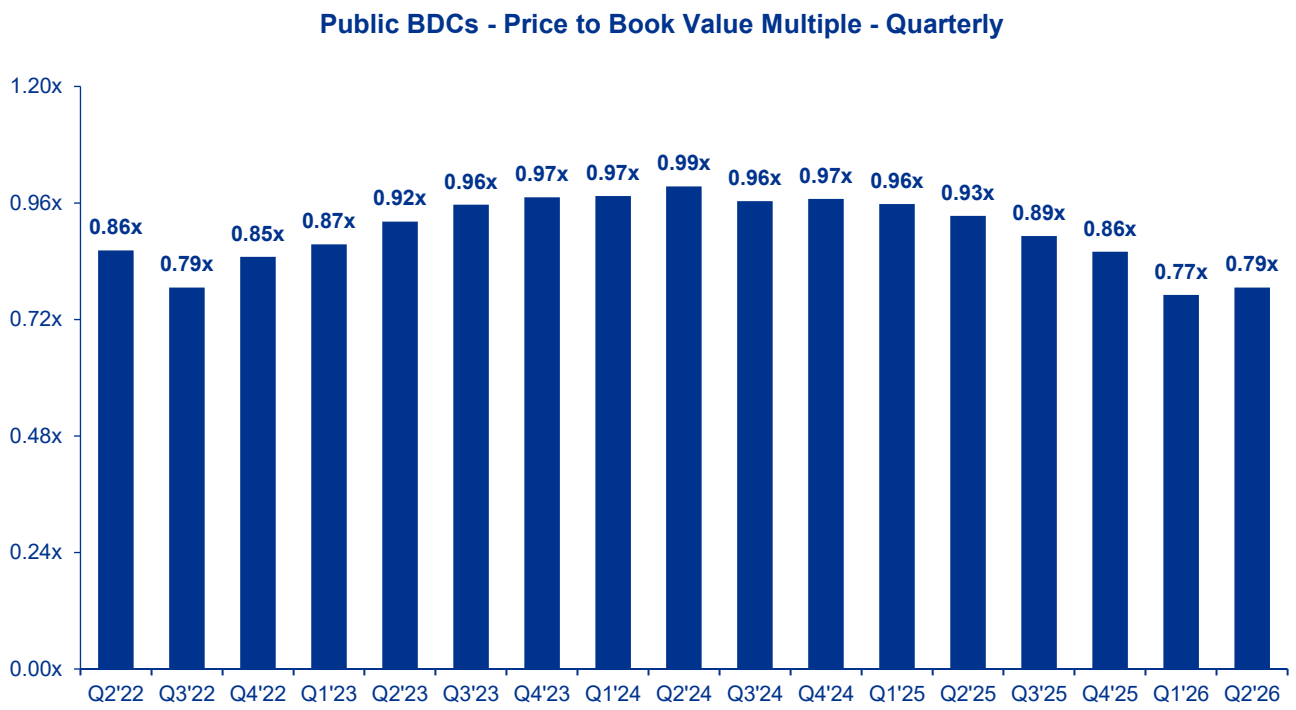


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Distress and Defaults



Price to Book Value



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We maintain close relationships with debt, mezzanine and equity capital providers, including banks, BDCs, specialty finance companies, insurance companies, family offices, credit and equity funds and other private investors

Primary Service Offerings

Debt and equity capital raises

- Senior debt financing, refinancing or amendments
- Acquisition and growth capital
- Dividend recapitalizations and minority buyouts
- Mezzanine/junior subordinated financing
- Structured and minority equity
- Project financing
- Capital for special situations, including bankruptcies

Value Added Advisor

- Unbiased and objective advice
- Local market insight with strong relationships across all tranches of capital
- Experienced deal team
- Flexible and innovative approach
- Fully integrated service offering
- KPMG global advisory network

Selected Capital Markets Transactions

KPMG

idw **MAYFAIR**
CAPITAL PARTNERS

Debt Advisory
Acting as the exclusive financial advisor to a commercial point-of-purchase solution provider in connection with raising debt

Not Disclosed

KPMG

FORTEM
HOLDINGS

Debt Advisory
Acted as the exclusive financial advisor to Fortem Holdings in connection with securing debt for the acquisition of C&TDG Management LLC

Not Disclosed

KPMG

NEXTLINK

Debt Advisory
Acted as the exclusive financial advisor to Nextlink in connection with securing a new credit facility

Not Disclosed

KPMG

smartlink

Debt Advisory
Acted as financial advisor to Smartlink in connection with raising credit facilities

Not Disclosed

KPMG

Tidewater Fleet Supply®
FALCON
AFFILIATES

Debt Advisory
Acted as the exclusive financial advisor to Tidewater Fleet Supply in connection with securing a new credit facility

Not Disclosed

KPMG

AgXplore

Debt Advisory
Acted as financial advisor to AgXplore in connection with raising credit facilities used for a recapitalization

Not Disclosed

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