

KPMG

Credit Markets Update

September 30, 2026

Credit Markets Commentary

Credit markets remained constructive in Q3 2026, with M&A financing activity accelerating late in the quarter while lender selectivity continued to favor higher-quality borrowers

Late-Quarter M&A Momentum Builds as Capital Continues to Favor Higher-Quality Borrowers

- Q3 new-issue leveraged-loan volume totaled $164.2 billion, the lowest quarterly level of 2026, as lower refinancing activity offset stronger recapitalization volume and a late-quarter improvement in M&A financing
- September M&A-related issuance reached its highest monthly level since early 2022, led by large-cap transactions and stronger sponsor activity
- Supportive technicals, including stronger CLO formation and fund flows, continued to favor higher-quality borrowers and improve execution conditions
- High-yield issuance totaled $81.2 billion in Q3, while weaker credits continued to face wider spreads and greater refinancing pressure

Tailwinds…

- Strong investor demand and CLO formation continue to provide a supportive liquidity backdrop for new issuance and refinancing activity
- Improving sponsor confidence and a recovering M&A pipeline could support further growth in new-money financing volumes
- Continued investment in AI infrastructure and related power capacity is expected to remain a meaningful source of financing demand

…Risks on the horizon

- Elevated rates and higher debt service costs continue to pressure highly leveraged and lower-rated borrowers
- Lenders remain cautious toward software-related transactions, limiting financing activity despite improving market conditions elsewhere
- A growing wall of 2028 maturities could heighten refinancing challenges for weaker issuers requiring capital market access

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

KPMG

©2026 KPMG Corporate Finance LLC, a Delaware limited liability company. Member FINRA/SIPC. KPMG Corporate Finance LLC is a subsidiary of KPMG LLP, a Delaware limited liability partnership, and its subsidiaries are part of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Corporate Finance LLC is not engaged in the business of public accountancy. All rights reserved.

Credit Markets Update

Credit markets remained constructive in Q3, with M&A financing activity accelerating late in the quarter while lender selectivity continued to favor higher-quality borrowers

- Third-quarter new-issue leveraged loan issuance totaled $164.2 billion, the lowest quarterly total in 2026
  - Despite the slowdown, the market remained resilient amid geopolitical uncertainty, shifting rate expectations, and AI-related disruption
- The moderation in Q3 institutional volume was primarily driven by lower repricing and extension (1) activity, which declined 32% quarter-over-quarter to $81.7 billion
  - Speculative-grade loan refinancing volume reached a four-quarter high as borrowers increased liability-management activity during the quarter
- $30.6 billion of loans tied to M&A and LBO were issued in September, the highest monthly total for the category since January 2022
  - Large-cap transactions drove issuance, with September recording the highest number of $1+ billion M&A-related term loans in five years
  - M&A financing remained concentrated among higher-quality issuers, with lenders favoring BB- and higher-rated borrowers
- BSL lenders continued to gain share from direct lenders during Q3, refinancing a record $16 billion of private credit facilities through the syndicated loan market
  - The shift was led by higher-quality borrowers seeking lower financing costs, while lower-rated issuers faced more limited refinancing options
- The combined LTM default rate, including distressed LMEs, increased modestly to 2.97% in September, while the default rate excluding distressed LMEs declined to 1.08%

High-yield issuance reached $261.9 billion during 9M 2026, broadly in line with previous-year levels, as issuers continued to access capital for growth and strategic investment initiatives.

- Q3 issuance totaled $81.2 billion, supported by strong September activity and financing demand related to AI infrastructure, data centers and AI-focused M&A
- Average quarterly yields increased to 7.69%, driven primarily by higher benchmark rates

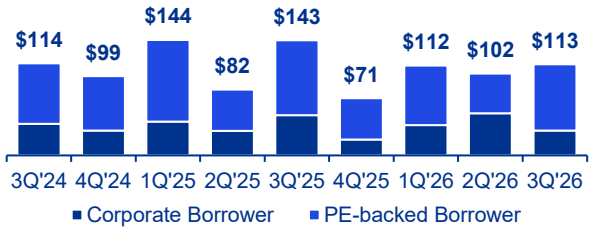
The Federal Reserve maintains a hawkish stance, signaling that rates may remain higher for longer as inflation pressures persist.

- The FOMC raised the target range for the federal funds rate by 25 bps in September to 3.75%–4.00% as inflation remained elevated
  - According to The Wall Street Journal's quarterly survey of economists, inflation, higher policy rates and fiscal pressures are expected to keep borrowing costs elevated for longer (2)

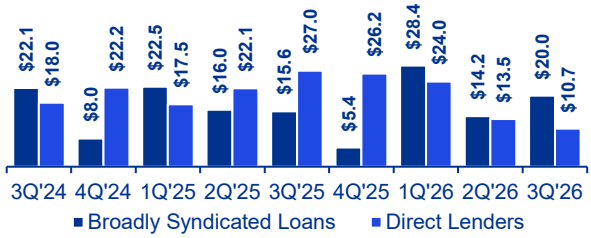
New-Issue Leveraged Loan Volume ($bn)



US Institutional Loan Issuance by Borrower Type ($bn)



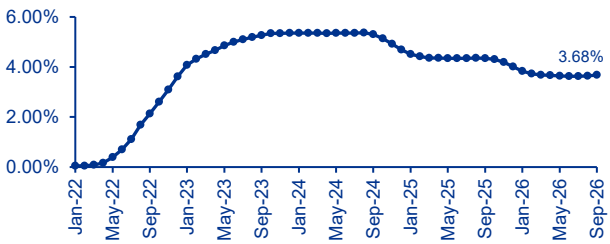
Volume of LBOs financed in broadly syndicated vs private credit markets ($bn)



High-Yield Volume ($bn)



Secured Overnight Financing Rate (SOFR)



Source: FRED; 90-Day Average SOFR

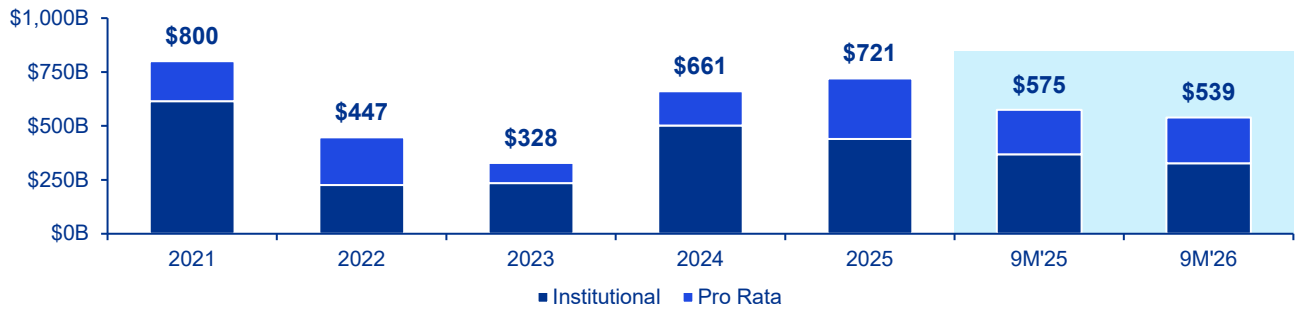
Source: PitchBook | Leveraged Commentary & Data, KPMG Market Research.

(1) Reflects repricings and extensions completed through an amendment process. (2) Why Economists Think Higher Bond Yields Are Here to Stay, WSJ, October 11, 2026 (Link).

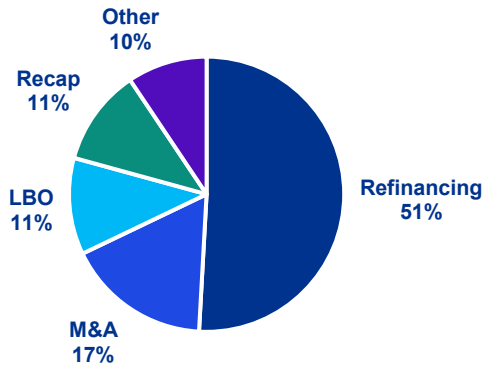
©2026 KPMG Corporate Finance LLC, a Delaware limited liability company. Member FINRA/SIPC. KPMG Corporate Finance LLC is a subsidiary of KPMG LLP, a Delaware limited liability partnership, and its subsidiaries are part of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Corporate Finance LLC is not engaged in the business of public accountancy. All rights reserved.

Leveraged Loans

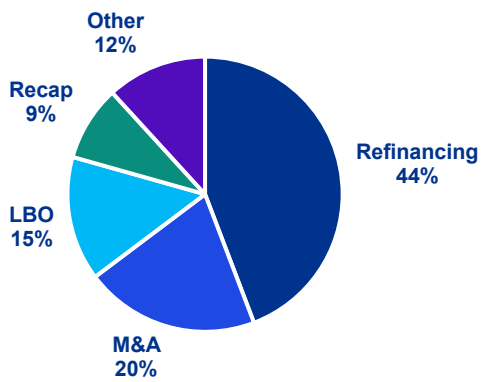
New-Issue Leveraged Loan Volume ($bn)



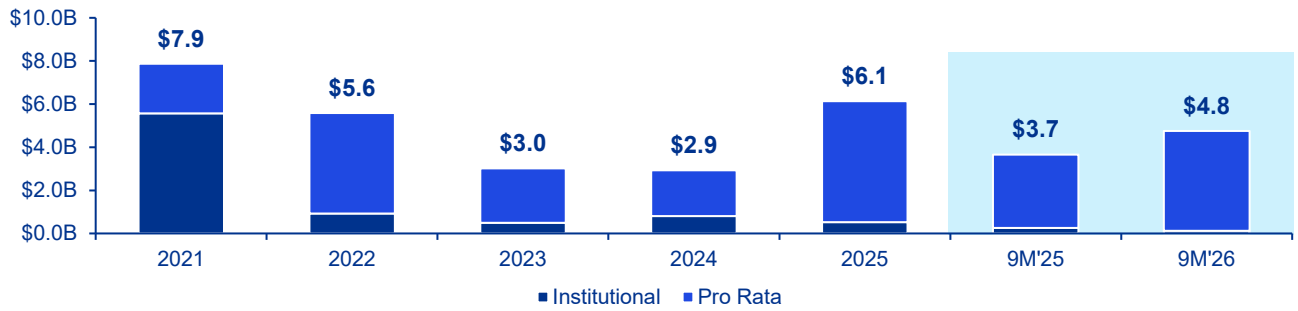
Leveraged Loan Issuance by Purpose – 9M'25



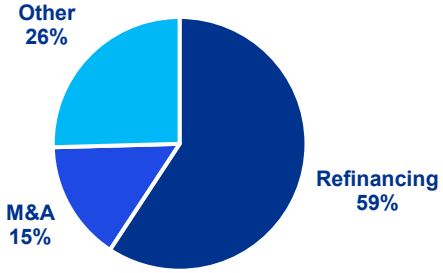
Leveraged Loan Issuance by Purpose – 9M'26



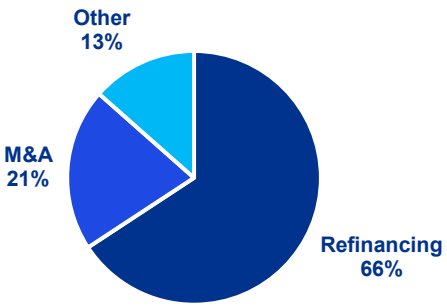
Middle Market Leveraged Loan Volume ($bn)



Middle Market Leveraged Loan Volume by Purpose – 9M'25



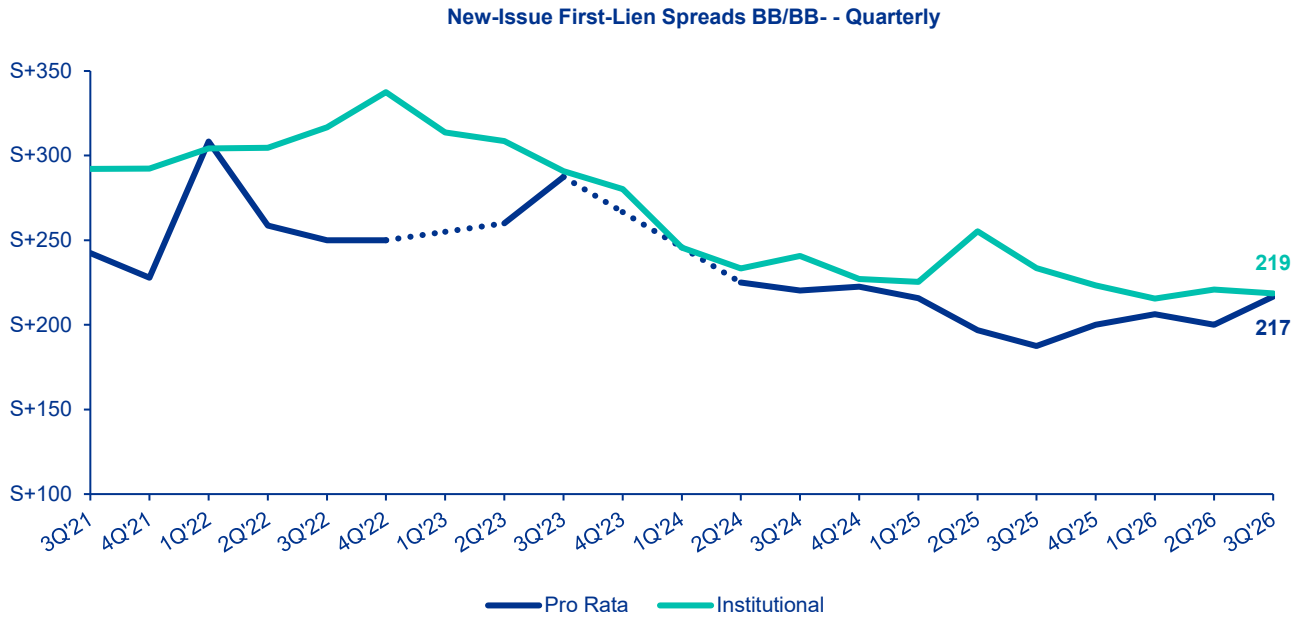
Middle Market Leveraged Loan Volume by Purpose – 9M'26



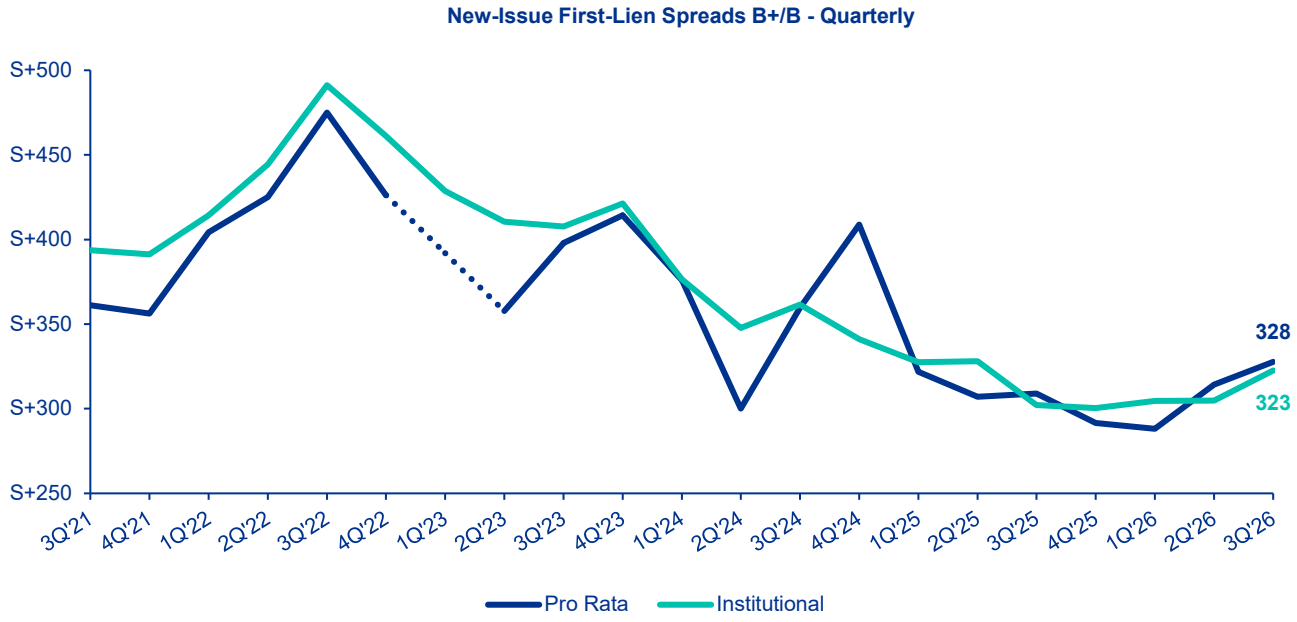
Source: PitchBook | Leveraged Commentary & Data.
Note: Middle market refers to companies with EBITDA of $50 million or less.

KPMG
©2026 KPMG Corporate Finance LLC, a Delaware limited liability company. Member FINRA/SIPC. KPMG Corporate Finance LLC is a subsidiary of KPMG LLP, a Delaware limited liability partnership, and its subsidiaries are part of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Corporate Finance LLC is not engaged in the business of public accountancy. All rights reserved.

Leveraged Loans (continued)



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

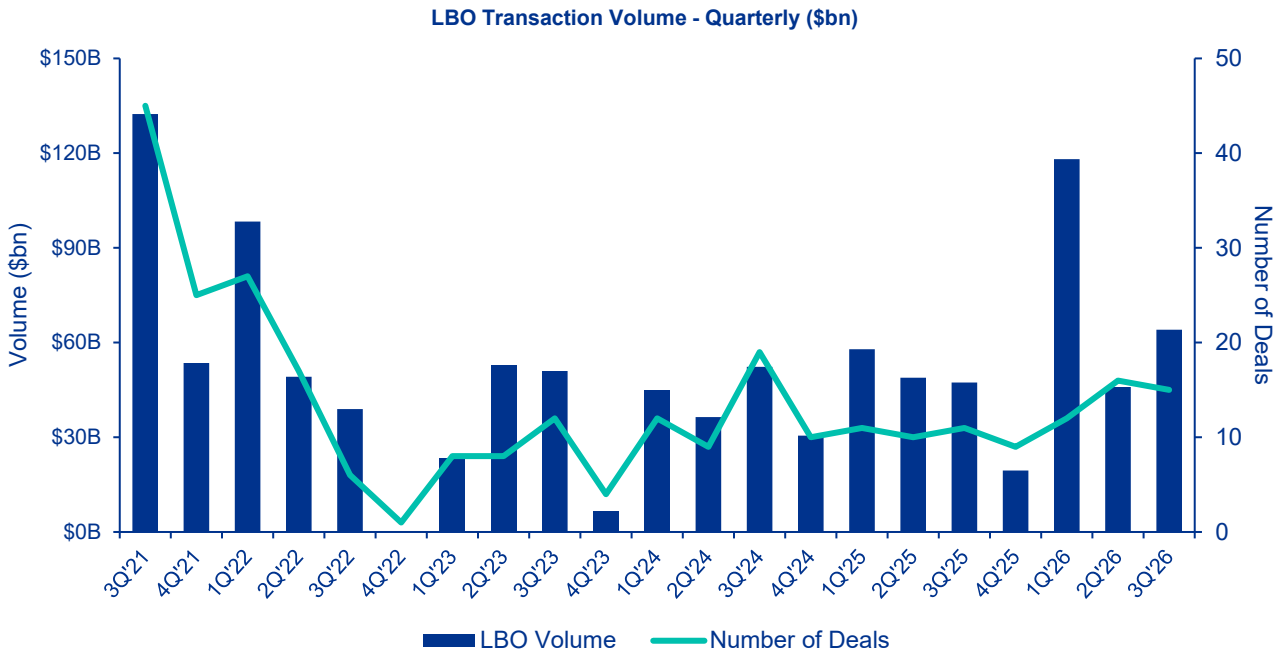


Note: 1Q'23 data not available

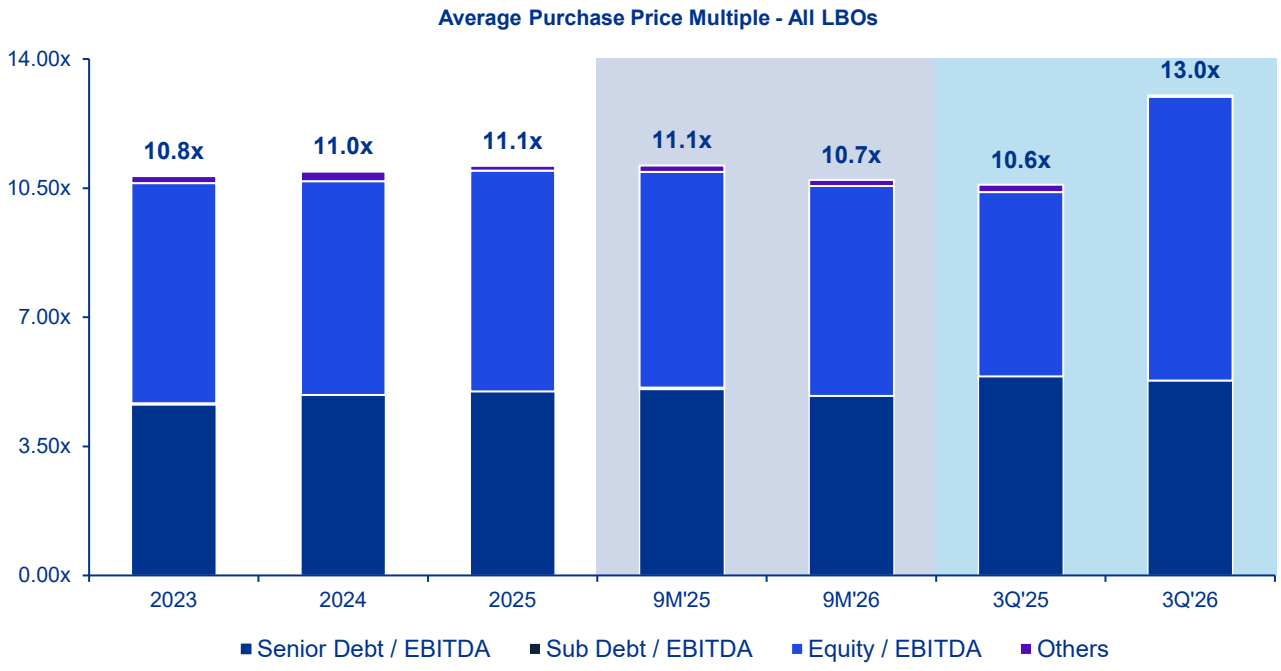
Source: PitchBook | Leveraged Commentary & Data.

©2026 KPMG Corporate Finance LLC, a Delaware limited liability company. Member FINRA/SIPC. KPMG Corporate Finance LLC is a subsidiary of KPMG LLP, a Delaware limited liability partnership, and its subsidiaries are part of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Corporate Finance LLC is not engaged in the business of public accountancy. All rights reserved.

LBO Debt Summary



Note: 4Q'22 LBO volume data not available



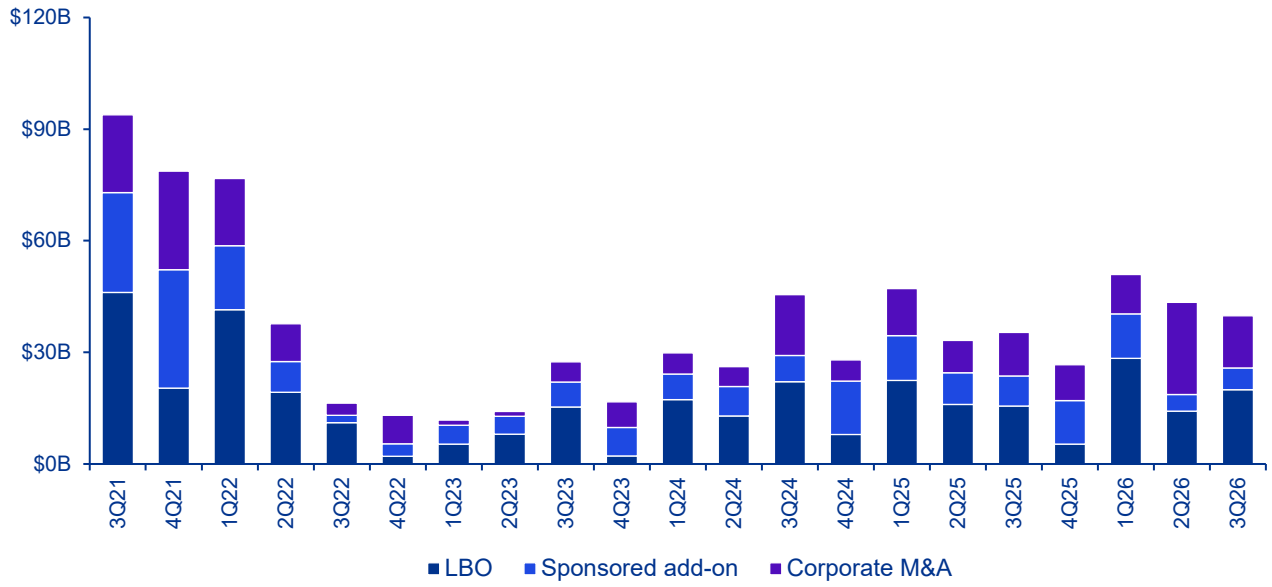
Note: Quarterly purchase-price multiples may be influenced by transaction mix and the number of disclosed observations

Source: PitchBook | Leveraged Commentary & Data.
Note: Includes US leveraged buyout deal activity financed in the broadly syndicated loan market

KPMG
©2026 KPMG Corporate Finance LLC, a Delaware limited liability company. Member FINRA/SIPC. KPMG Corporate Finance LLC is a subsidiary of KPMG LLP, a Delaware limited liability partnership, and its subsidiaries are part of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Corporate Finance LLC is not engaged in the business of public accountancy. All rights reserved.

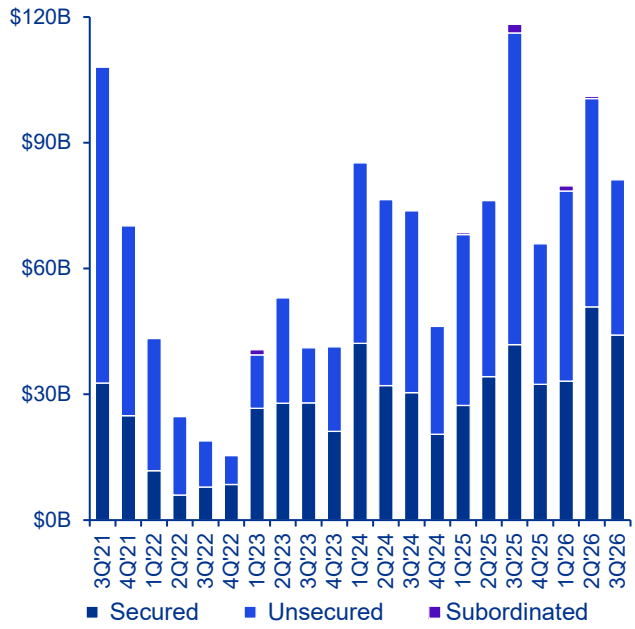
M&A Related Loan Volume

US M&A Related New-Issue Institutional Loans ($bn)

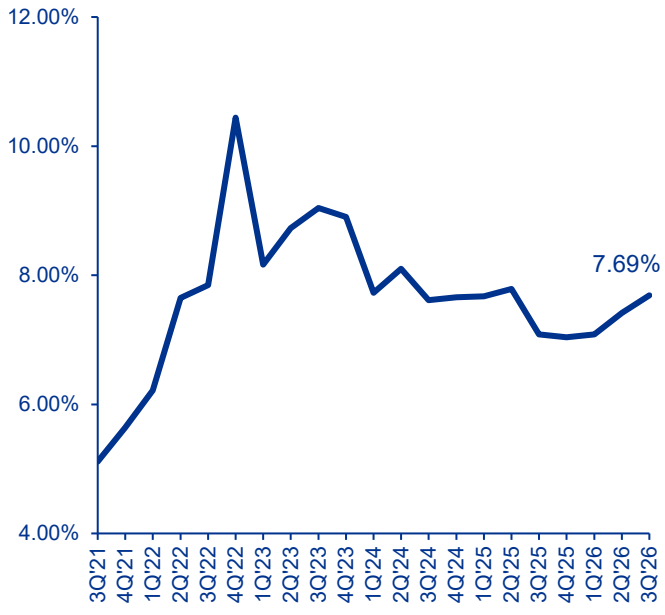


High-Yield Bonds

High-Yield Bond Issuance – Quarterly ($bn)



New-Issue High-Yield Bond Yield to Maturity

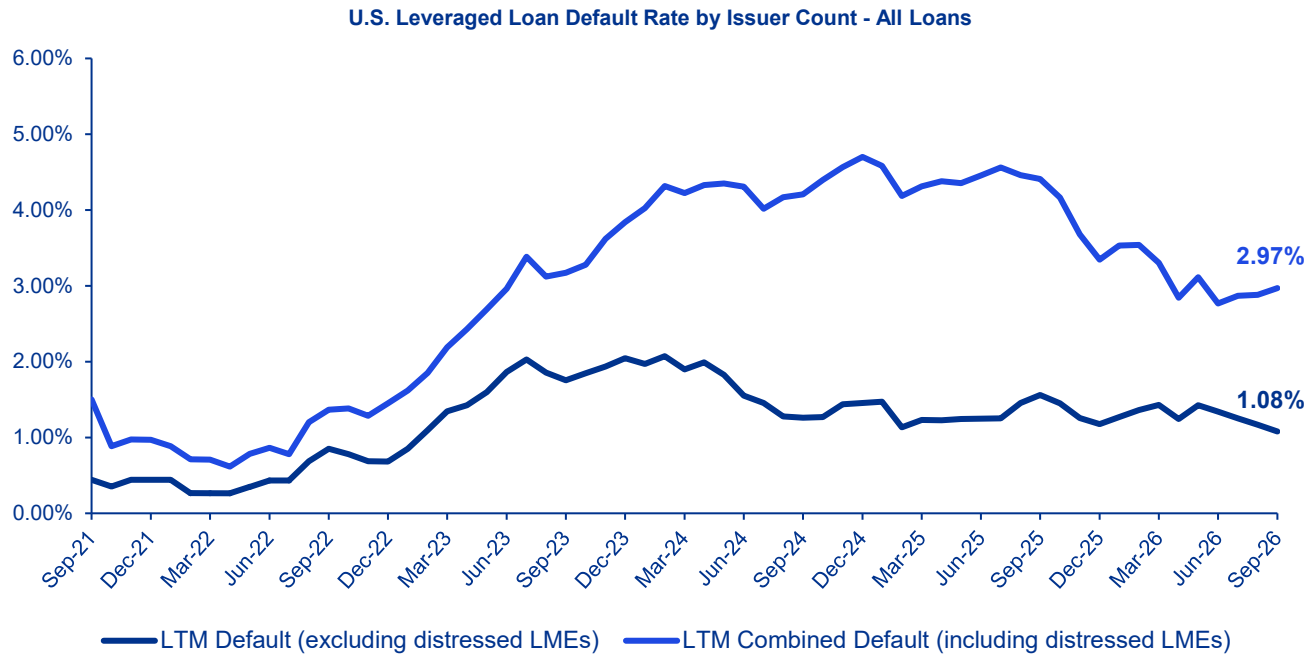


Source: PitchBook | Leveraged Commentary & Data.

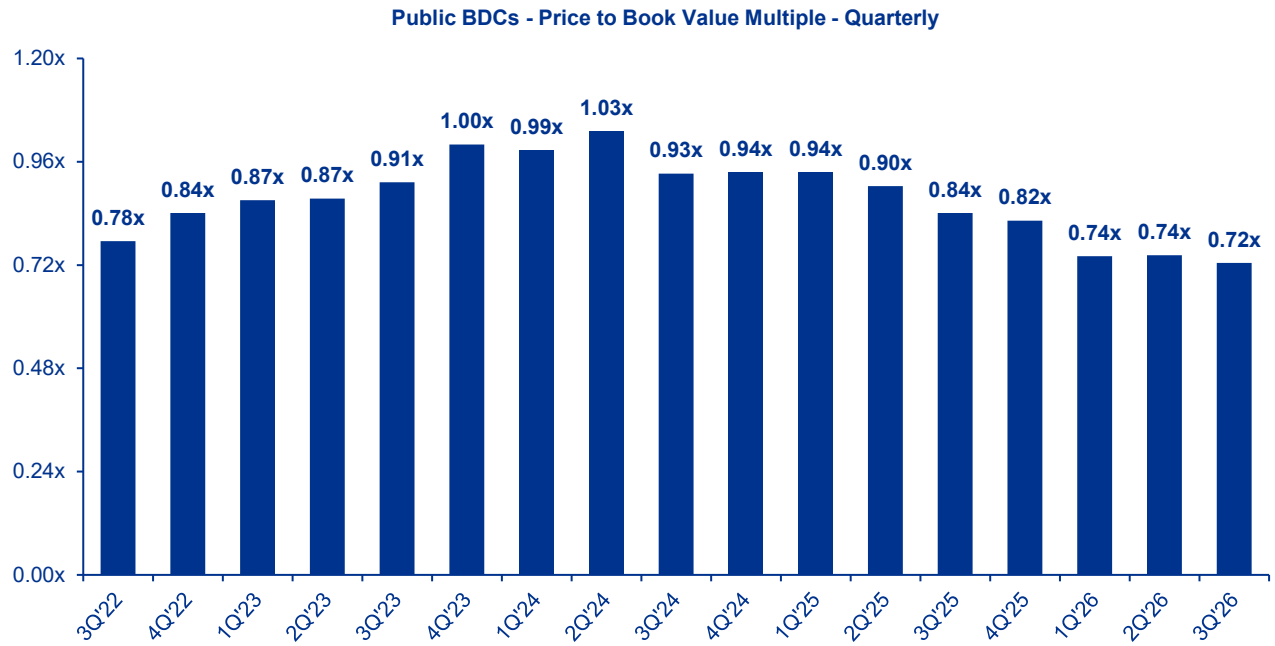
KPMG

©2026 KPMG Corporate Finance LLC, a Delaware limited liability company. Member FINRA/SIPC. KPMG Corporate Finance LLC is a subsidiary of KPMG LLP, a Delaware limited liability partnership, and its subsidiaries are part of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Corporate Finance LLC is not engaged in the business of public accountancy. All rights reserved.

Distress and Defaults



Price to Book Value



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

KPMG

©2026 KPMG Corporate Finance LLC, a Delaware limited liability company. Member FINRA/SIPC. KPMG Corporate Finance LLC is a subsidiary of KPMG LLP, a Delaware limited liability partnership, and its subsidiaries are part of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Corporate Finance LLC is not engaged in the business of public accountancy. All rights reserved.

KPMG Investment Banking - Capital Markets Advisory

Capital Markets Practice

We are a leading global financial advisor with real time knowledge of the capital markets. We advise on a wide range of transactions involving both debt and equity, including raising financing for acquisitions, buyouts, dividend recapitalizations, growth capital, special situations and DIP and exit financing in bankruptcies

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

Debt Advisory
Acted as the exclusive financial advisor to a commercial point-of-purchase solution provider in connection with raising debt
Not Disclosed

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

Debt Advisory
Acted as the exclusive financial advisor to Nextlink in connection with securing a new credit facility
Not Disclosed

Debt Advisory
Acted as financial advisor to Smartlink in connection with raising credit facilities
Not Disclosed

Debt Advisory
Acted as the exclusive financial advisor to Tidewater Fleet Supply in connection with securing a new credit facility
Not Disclosed

Debt Advisory
Acted as financial advisor to AgXplore in connection with raising credit facilities used for a recapitalization
Not Disclosed

For more information, contact:



Howard P. Lanser
Managing Director
M: 312-237-8556
E: hlanser@kpmg.com



Rebecca E. Brokmeier
Managing Director
M: 312-665-3152
E: rbrokmeier@kpmg.com

www.corporatefinance.kpmg.com

Corporate finance services, including Financing, Capital Markets Advisory, and Valuation Services, are not performed by all KPMG member firms and are not offered by member firms in certain jurisdictions due to legal or regulatory constraints.
The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

©2026 KPMG Corporate Finance LLC, a Delaware limited liability company. Member FINRA/SIPC. KPMG Corporate Finance LLC is a subsidiary of KPMG LLP, a Delaware limited liability partnership, and its subsidiaries are part of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Corporate Finance LLC is not engaged in the business of public accountancy. All rights reserved.

Important notice

The information contained in this newsletter is of a general nature and is not intended to address the circumstances of any particular individual or entity including their investment objectives or financial needs. In preparing this newsletter, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act or rely on the information in this newsletter without appropriate professional advice after a thorough examination of the particular situation. The information contained in this newsletter does not constitute a recommendation, offer, or solicitation to buy, sell or hold any security of any issuer. Past performance does not guarantee future results.

KPMG

©2026 KPMG Corporate Finance LLC, a Delaware limited liability company. Member FINRA/SIPC. KPMG Corporate Finance LLC is a subsidiary of KPMG LLP, a Delaware limited liability partnership, and its subsidiaries are part of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Corporate Finance LLC is not engaged in the business of public accountancy. All rights reserved.