Credit Currents:

Insights across public and private credit

November 19, 2026



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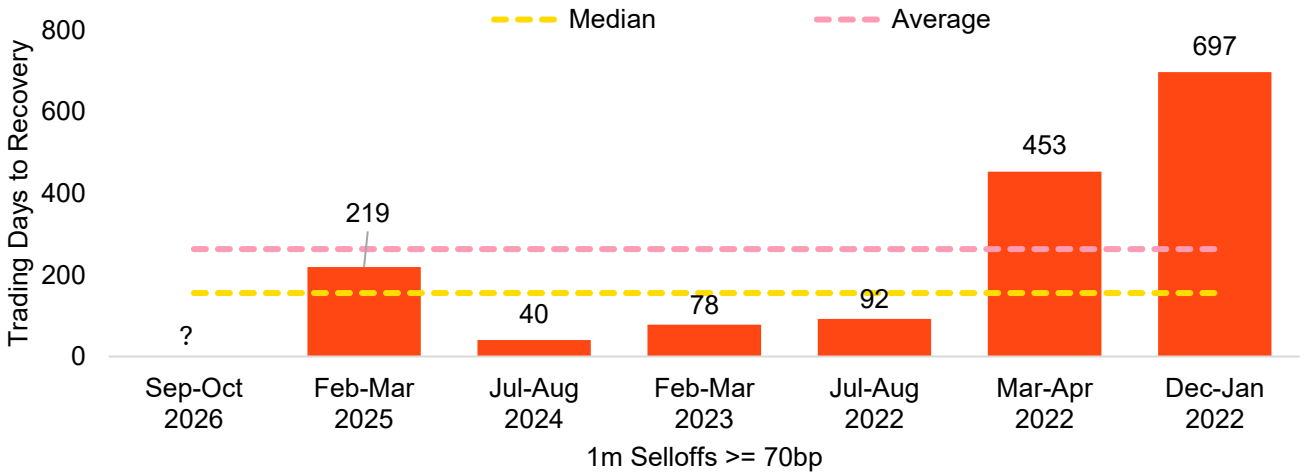
Topics in this piece:
High yield
Leveraged loans
Private credit

Estimated read time: 10 minutes

Assessing credit markets following the recent selloff

1. **Recent volatility has brought renewed focus to credit market performance.** Since late September, markets have experienced swings in sentiment. Against this backdrop, we assess how public and private credit markets have fared.
2. **Credit markets have performed differently amid recent volatility.** In public markets, leveraged loans have outperformed HY in both total returns and spread movements, supported in part by their floating-rate structure and less direct exposure to AI-related financing concerns. Meanwhile, IG-rated BDC debt has outperformed BBB corporates in total returns despite greater spread widening, reflecting, in part, its shorter duration profile.
3. **Credit performance has been characterized by considerable dispersion.** In public markets, the up-in-quality trade has been a relative value winner, as CCCs have continued their trend of underperformance. In private credit, aggregate fundamentals remain healthy, but we examine foreclosure activity to understand where pockets of stress persist.
4. **Recovery times following credit market selloffs have varied considerably.** Historically, HY spreads have taken a median of 156 trading days to fully recover, suggesting further recovery may take time.

Exhibit 1: Selloff recoveries can vary greatly in their timing
Number of trading days between the HY index widening 70bp+ in a one-month span and the index trading back to pre-selloff levels



Source: Bloomberg, BlackRock. Unique selloff defined as a period when the HY index widened by 70bp or more within one calendar month and it has been at least one month since that signal has triggered.

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Assessing credit markets following the recent selloff

Since late September, risk markets have been volatile, driven by hotter-than-expected U.S. inflation data, concerns around AI-funding costs, and U.S. midterm elections, among other factors. The initial leg of credit spread weakness followed a sharp selloff in rates, while subsequent weeks have seen alternating rallies and selloffs as market sentiment has shifted.

Although markets remain at risk of another swing in sentiment, credit spreads have seemingly found a ceiling. Given this backdrop, in this *Credit Currents*, we assess where public and private credit markets stand.

In public markets, leveraged loans have held up better than high yield

Leveraged loans have outperformed high yield (HY) from both a returns and spread perspective recently. Since September 21, when the selloff fully commenced, the Bloomberg US Leveraged Loan Index has returned 0.2% compared with -1.5% for the Bloomberg US Corporate High Yield Index (Exhibit 2).

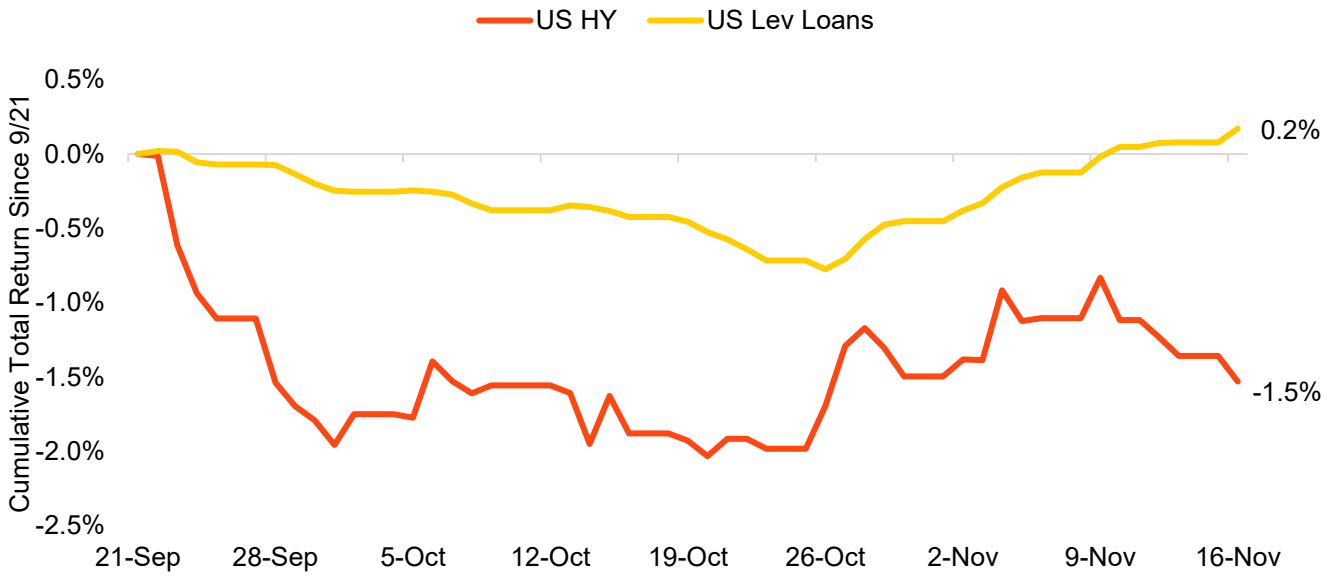
Part of this outperformance is mechanical. As the initial selloff was led by rising rates, HY and other fixed-rate products with duration exposure naturally underperformed floating-rate products like loans.

However, loans have also outperformed HY from a spread perspective. As of November 16, 3y discount margin spreads for the leveraged loan index have widened 25bp, compared with 62bp of option-adjusted spread widening for HY (Exhibit 3). In our view, two factors have likely supported the relative resilience of loans.

First, recent economic data and commentary from FOMC members have solidified expectations of a rate hike, with markets currently pricing in approximately 26bp of tightening as of November 18, 2026. Higher policy rate expectations stand to benefit loan investors through increased floating-rate income. At the same time, the most recent earnings season has been particularly strong for smaller cap companies, as exemplified by 58% year-over-year earnings growth in 3Q2026 for the Russell 2000. This broader economic strength may alleviate concerns about the downside of rising policy rates for loans: increased interest expense.

Second, direct exposure to AI funding is more prevalent in HY than in leveraged loans. The recent selloff has been particularly notable for the AI trade, with negative sentiment about potential overfunding and increased uncertainty surrounding the regulatory environment acting as headwinds. This too has likely driven some of the divergence in performance.

Exhibit 2: Leveraged loans have outperformed HY in total returns
Cumulative total returns for the Bloomberg Leveraged Loan and HY indices since September 21, 2026

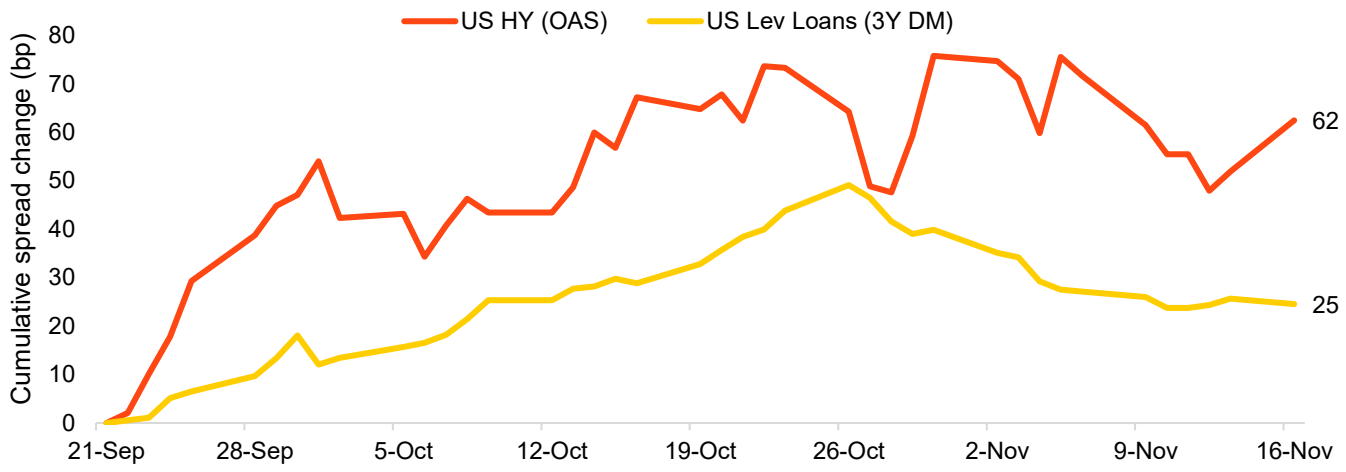


Source: Bloomberg, BlackRock. As of November 16, 2026. Using the Bloomberg LF98TRUU and I38932US Indices.

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Exhibit 3: Leveraged loans have outperformed HY from a spread perspective, too
Cumulative spread changes for the Bloomberg HY and Leveraged Loan indices since September 21, 2026



Source: Bloomberg, BlackRock. As of November 16, 2026. Using the Bloomberg LF98STAT and I38932 Indices.

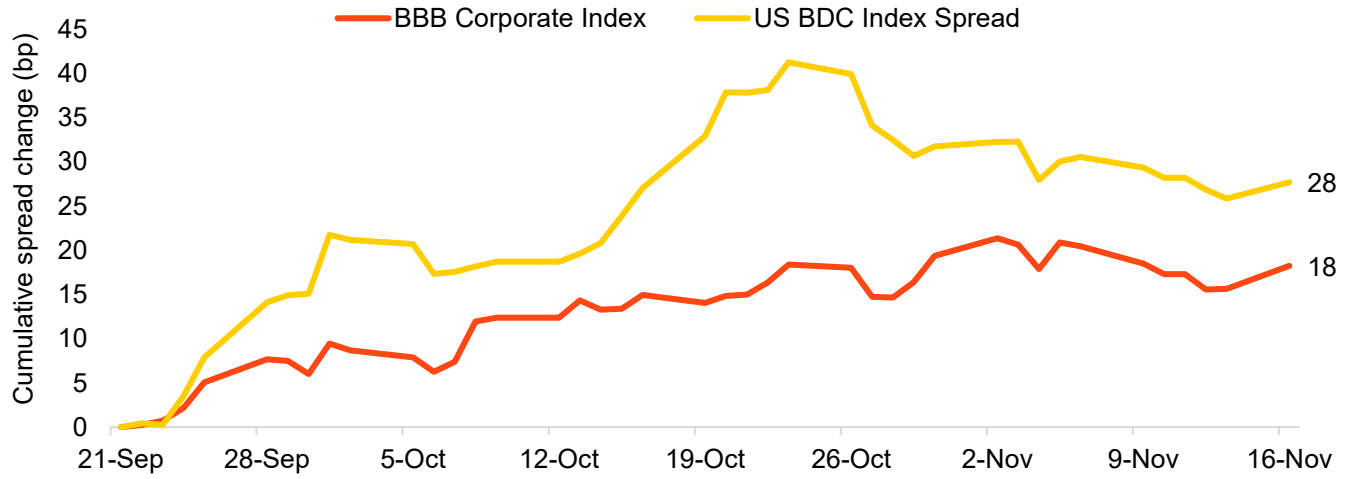
BDC debt has held up amid recent volatility

To assess how private credit has fared over this period, we look to the Bloomberg US BDC Index, which tracks investment grade (IG) fixed-rate bonds issued by Business Development Companies (BDCs). Importantly, while these bonds reflect only a subset of the broader private credit universe, their traded nature can offer more current insights into a largely illiquid asset class.

For context, BDC bond spreads provide a measure of the cost of debt financing for these vehicles in the USD IG bond market. Since September 21, BDC bond spreads have widened 28bp, compared with 18bp for BBB corporates (Exhibit 4). Despite greater spread widening, BDC debt has outperformed in total returns, returning 0.05% through November 16, compared with -1.0% for BBB corporates. This relative resilience likely reflects, in part, BDC bonds' shorter duration (2.9 years versus 6.1 years), which has helped insulate returns from rising Treasury yields.

Nonetheless, the recent spread widening likely reflects a combination of broader macro uncertainty and continued investor focus on BDC-specific risks, such as underlying borrower fundamentals. Looking ahead, we expect that BDCs will remain generally well positioned to benefit from higher income on their floating-rate loan portfolios, although the impact of higher borrowing costs on underlying borrowers warrants close monitoring.

Exhibit 4: BDC spreads have widened modestly
Cumulative spread changes for Bloomberg BBB IG Corporate Index and the Bloomberg US BDC Index



Source: Bloomberg, BlackRock. As of November 16, 2026. Using Bloomberg I40257US and LCB1TRUU Indices.

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The up-in-quality trade has been a relative value winner

CCCs have continued their year-to-date trend of underperformance, standing out as the weakest performers in recent weeks. Since September 21, CCCs have returned -4.6% in HY and -1.4% in leveraged loans (Exhibit 5). Moving up the quality spectrum has resulted in relative outperformance, with BBs the strongest performers in both HY and leveraged loans (-0.9% and +0.3%, respectively), while single-Bs have fallen in between (-1.7% and +0.2%, respectively).

Among CCCs, the ten widest contributors have had an outsized impact on performance YTD. We define the ten widest contributors as the ten tickers currently with the largest market value multiplied by OAS at the ticker level. Holding this cohort constant and excluding them historically, we find that CCC returns since September 21 would improve to -2.95% and YTD returns would improve to -0.89% (Exhibit 6, next page). This emphasizes how CCC underperformance is largely a reflection of several outsized idiosyncratic stories.

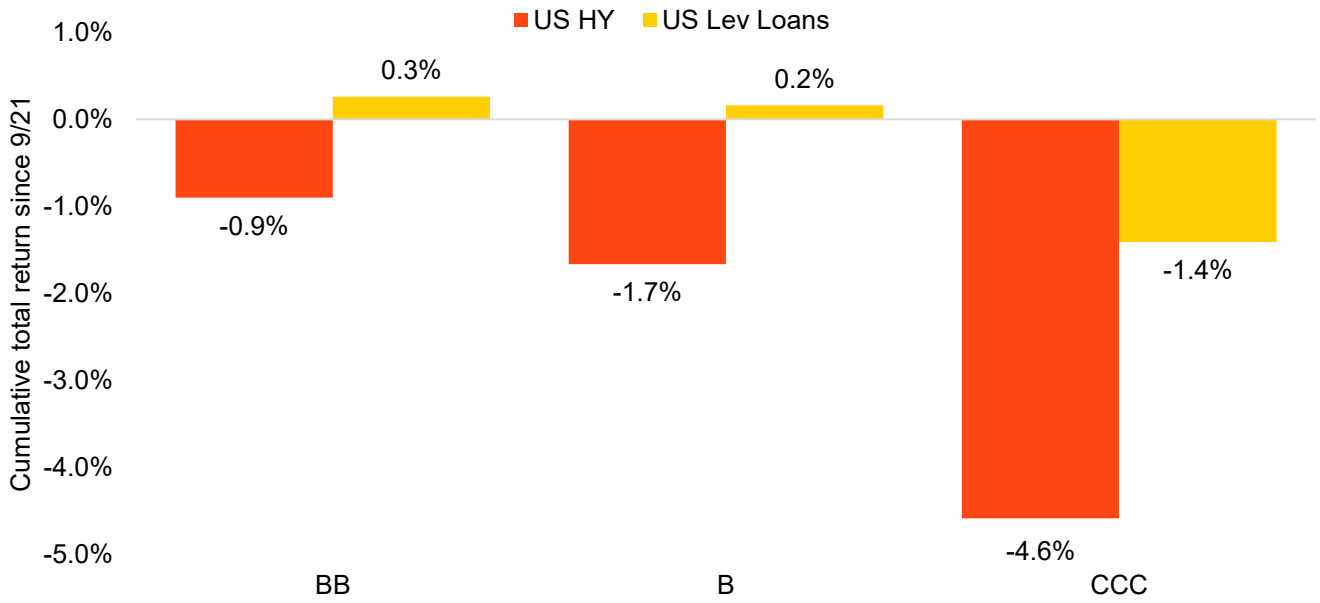
This dispersion across rating cohorts is also notable when comparing current spreads with previous periods of market weakness. The HY index has traded wider than 300bp only briefly over the past two years, including March of this year, when spreads peaked at 335bp on March 30. Although these periods share similar headline spread levels with the current market, the underlying spread drivers are quite different.

Indeed, CCC spreads are now nearly 400bp wider in both HY and leveraged loans compared with earlier periods when the HY index traded above 300bp since the start of 2025 (Exhibit 7, next page). Versus March 30, HY CCC spreads are now 350bp wider and leveraged loan CCC spreads are 112bp wider. In contrast, BBs and single-Bs trade tighter than during those previous periods, with the difference more pronounced in HY. This explains the outsized influence CCCs have on the index spreads despite their relatively small size.

Secured bonds have also outperformed within HY

Beyond rating quality, secured bonds have also outperformed within HY. Using a ticker-matched universe of secured and unsecured bond pairs, excluding financials and utilities, we find that the median secured-unsecured basis has decompressed by 23bp since the selloff began (Exhibit 8, next page). This recent selloff brought the basis to its widest level since before the onset of the Middle East conflict earlier this year.

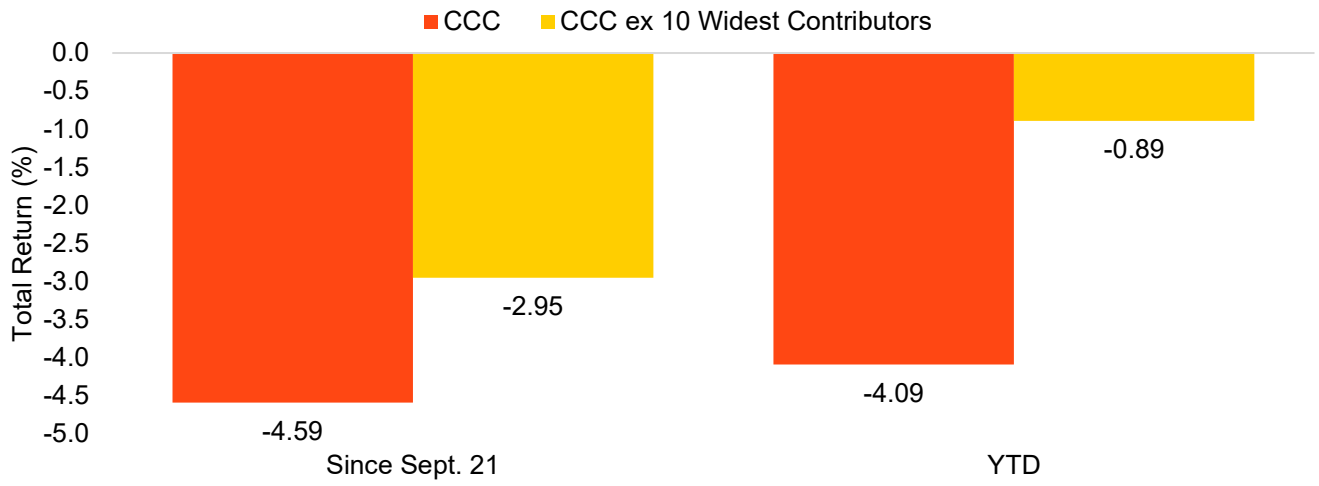
Exhibit 5: CCCs have significantly underperformed in both HY and leveraged loans
Cumulative total returns by ratings bucket since September 21, 2026



Source: Bloomberg, BlackRock. As of November 16, 2026. Using the Bloomberg LF98TRUU and I38932US Indices.

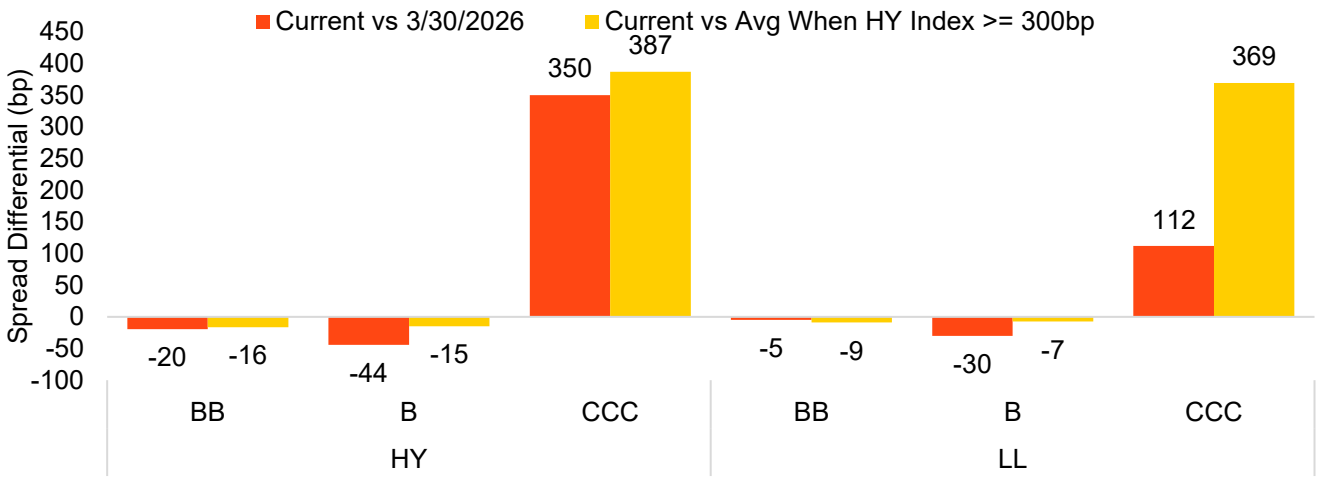
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Exhibit 6: The widest contributors to CCC spreads have had an outsized effect on returns
HY CCC total returns with and without the ten widest contributors, since September 21 and year to date



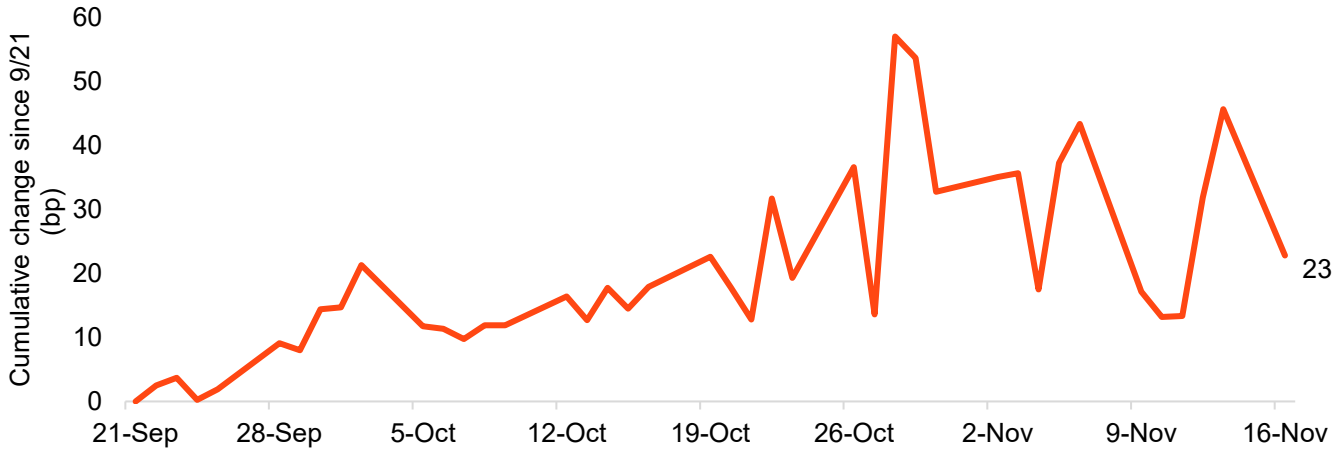
Source: Bloomberg, BlackRock. As of November 16, 2026. Ten widest contributors defined as the ten tickers currently with the largest market value * OAS at the ticker level. Widest contributor cohort is held constant.

Exhibit 7: Similar headline HY spreads mask greater dispersion across ratings
Difference between current spreads and those on March 30, 2026, or the average when HY index spreads exceeded 300bp since January 2025



Source: Bloomberg, BlackRock. As of November 16, 2026. HY spread quoted in option-adjusted-spread (OAS). LL spread quoted in 3y discount margin (3y DM).

Exhibit 8: The unsecured-secured HY bond basis has decompressed
Median ticker-matched HY unsecured-secured basis cumulative spread change since Sept. 21, 2026



Source: Bloomberg, BlackRock. As of November 16, 2026. Ticker-matched pairs from the I00423 index. Bonds in each pair must have maturities within 18 months.

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Weakness felt across HY in contrast with leveraged loan dispersion

In HY, all sectors except for electric utilities have generated negative total returns since September 21. Using Bloomberg's BCLASS3 level designations, the worst performing sector in HY has been communications, which has several lower-quality issuers driving the underperformance, followed by other financials and transportation. On the flip side, electric utilities were the sole positive performer at 0.1%, followed by energy and cap goods, both of which returned -0.3% (Exhibit 9).

In LL, there was much greater dispersion in performance. Communications also generated the largest negative return, while other financials stood out as the best performer, followed by energy and brokerage asset managers (Exhibit 10).

Although the divergence in HY and LL performance in large part reflects the duration of HY and the lack thereof in LL, within HY, duration did not drive sector performance 1:1. For example, electric utilities have a duration of 3.6y, tied for the longest among the identified HY sectors, but were the only sector to generate positive returns.

Exhibit 9: Weakness has been felt more widely across HY sectors
Total returns by sector within the Bloomberg High Yield index since September 21, 2026

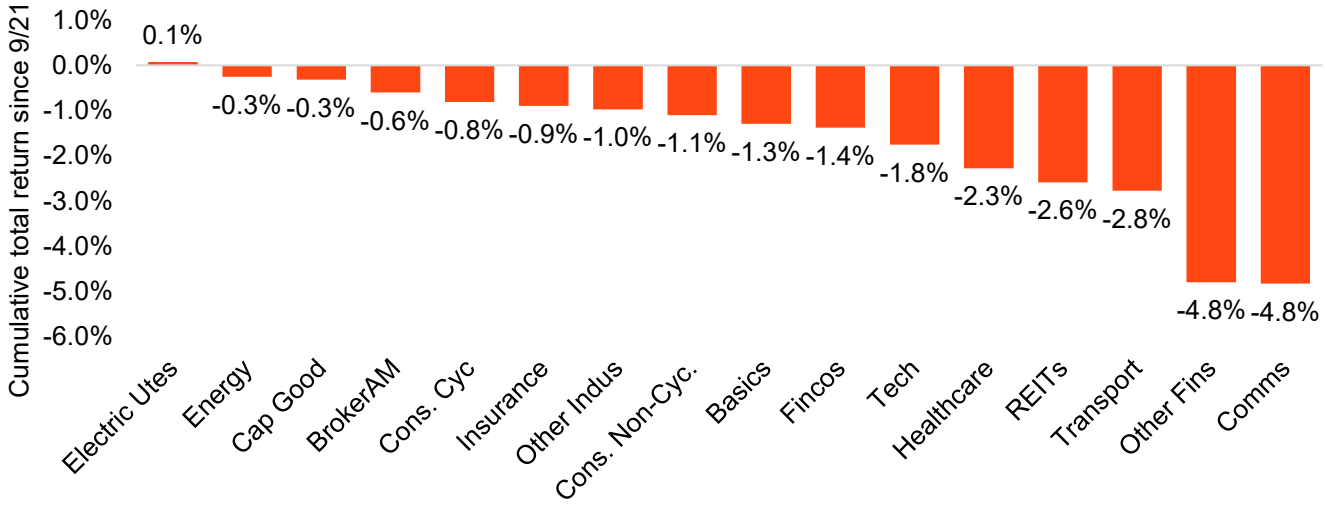
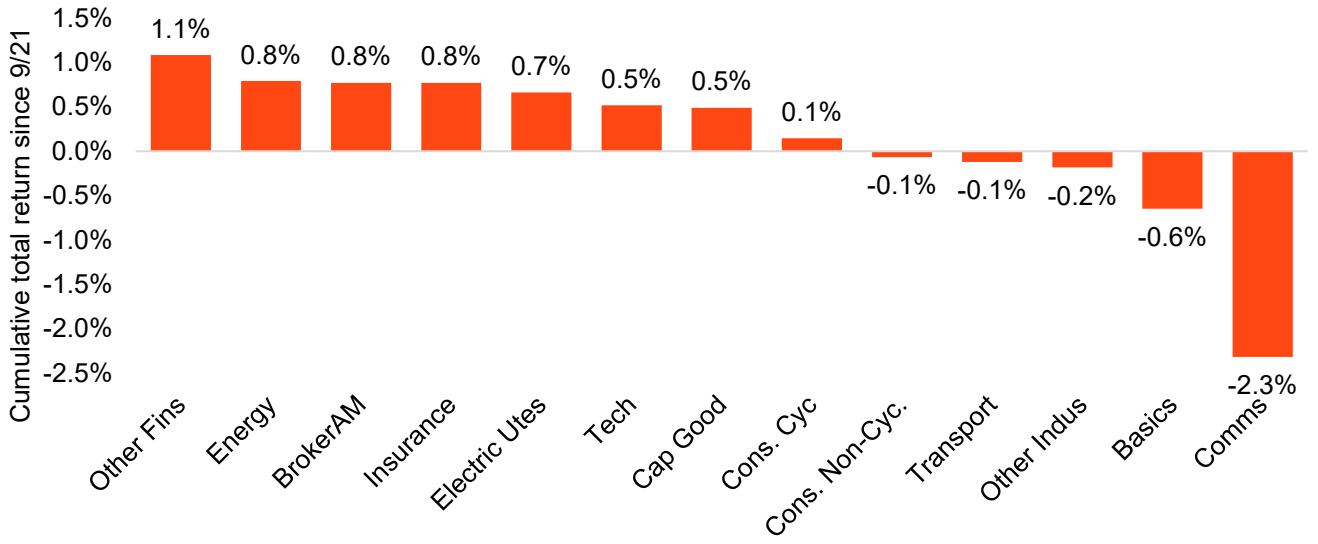


Exhibit 10: While leveraged loan sectors have seen more dispersion
Total returns by sector within the Bloomberg Leveraged Loan index since September 21, 2026



Source for both charts: Bloomberg, BlackRock. As of November 16, 2026. Captures BCLASS 3 sector classification and excludes sectors with <$10 billion in market value outstanding.

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Private credit fundamentals remain healthy in aggregate

Such dispersion also exists within private credit, where aggregate borrower performance remains strong despite continued pressure among a subset of borrowers. Data from Lincoln International, which conducts more than 7,500 quarterly valuations and covers an estimated 30% of the U.S. PE-backed ecosystem, offer insight into these underlying trends.

To start, the majority of borrowers have continued to demonstrate fundamental strength. Indeed, third-quarter data from Lincoln International show that 63.5% of borrowers reported year-over-year LTM adjusted EBITDA growth, above the 12-year average of 57.6%. Further, the average LTM adjusted EBITDA growth rate was 5.2%, also above the 12-year average of 3.3%. Together, these measures suggest that earnings growth remains healthy and broad-based across private credit borrowers.

Foreclosure activity highlights where stress has accumulated

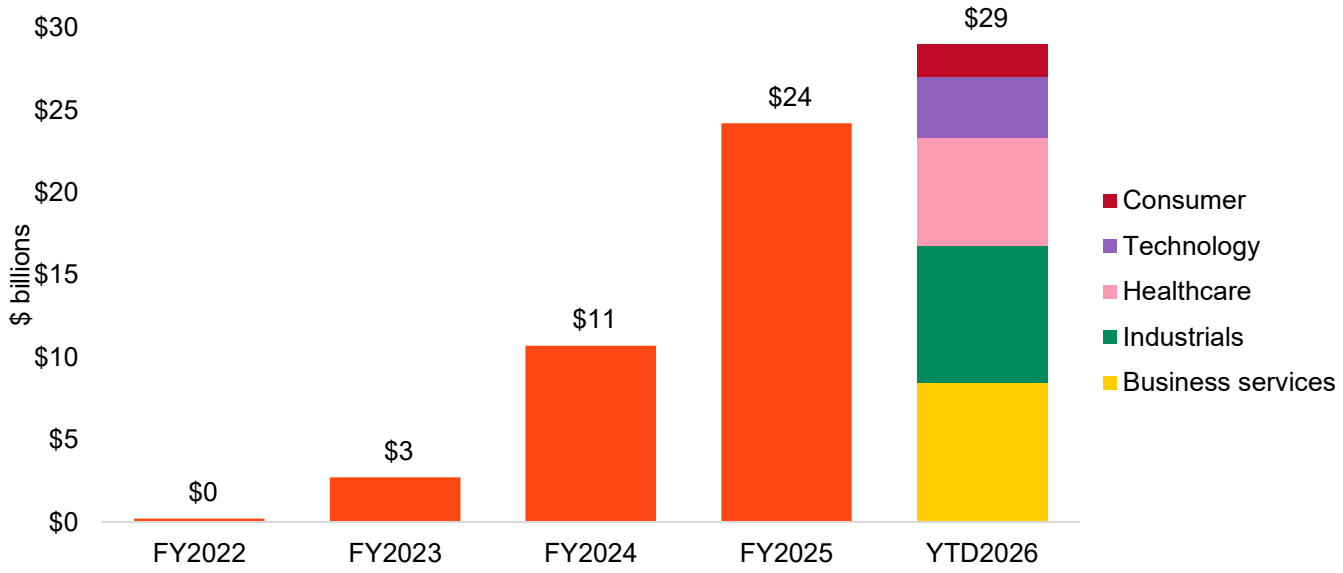
Despite this aggregate strength, a subset of borrowers continues to face pressure. Debt foreclosure data from Lincoln International offer insight into where private credit stress is being worked out. For context, Lincoln International defines a debt foreclosure as one in which lenders have either taken control, or are imminently expecting to take control, of a business from its sponsor.

Debt foreclosure activity has increased steadily over time, totaling $29 billion in 2026 through 3Q (Exhibit 11). A look under the surface reveals that foreclosure activity spans multiple sectors, although business services and industrials represent the largest segments this year.

That said, a more pronounced pattern emerges when looking at vintages. Foreclosure activity in 2025 and 2026 has skewed heavily toward loans originated in 2021 and 2022 (Exhibit 12, next page). These vintages were underwritten in a more benign rate environment but faced rising borrowing costs (and pressure on enterprise valuations) soon thereafter as policy rates rose. This, in our view, underscores the importance of vintage diversification in allocations.

Foreclosure activity has also been distributed across the borrower size spectrum (Exhibit 13, next page). Notably, more than 50% of year-to-date foreclosures, by count, have been attributed to businesses with $10 million to $50 million in LTM EBITDA at close. At the same time, nearly a quarter of total foreclosure activity this year has been attributed to borrowers with more than $100 million in LTM EBITDA at close, up from 17% the year prior.

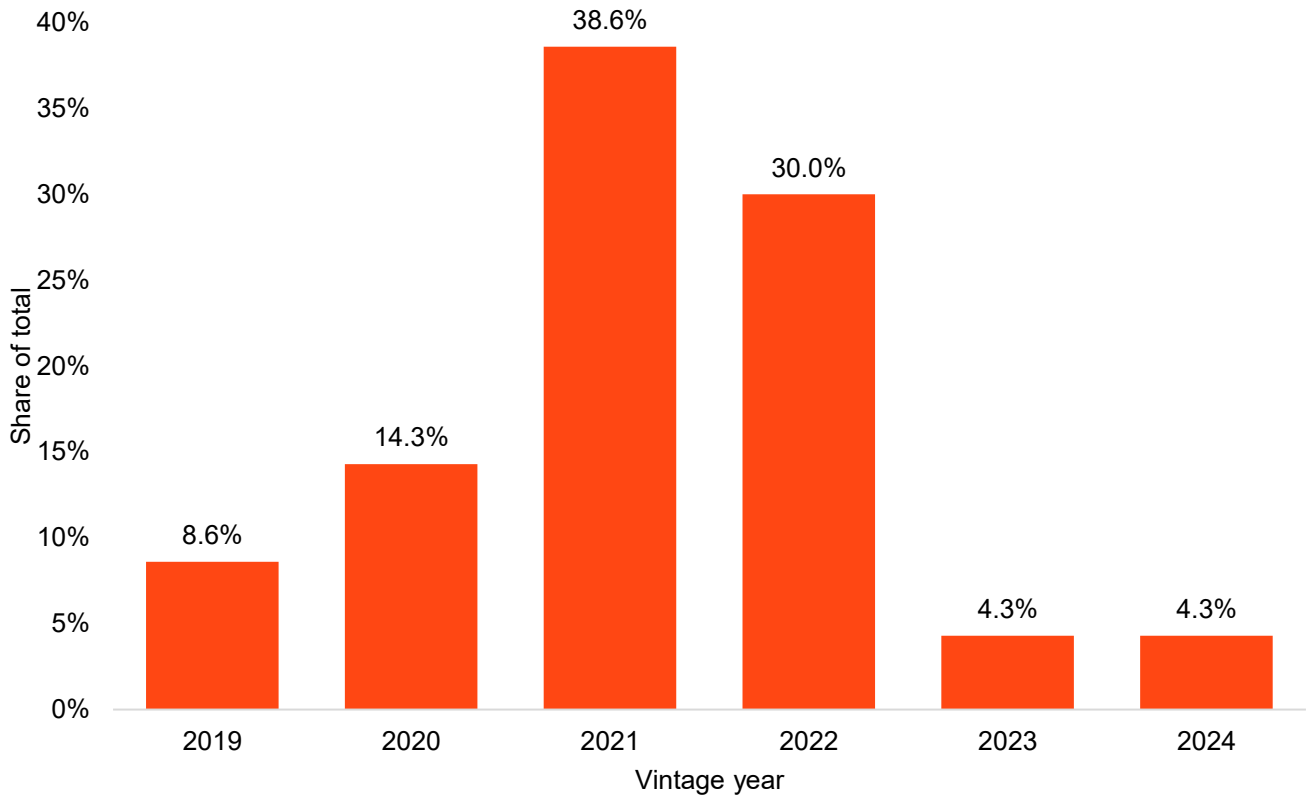
Exhibit 11: YTD 2026 debt foreclosure activity is considerably diversified across sectors
Total debt foreclosed each year, in $ billions



Source: Lincoln Lens - Private Market Intelligence, BlackRock. Note, $29 billion figure for YTD2026 represents a minimum figure for recently closed and in process restructurings through September 2026. Lincoln International defines debt foreclosure as companies in which lenders have either taken control or were imminently expecting to take control from the sponsor.

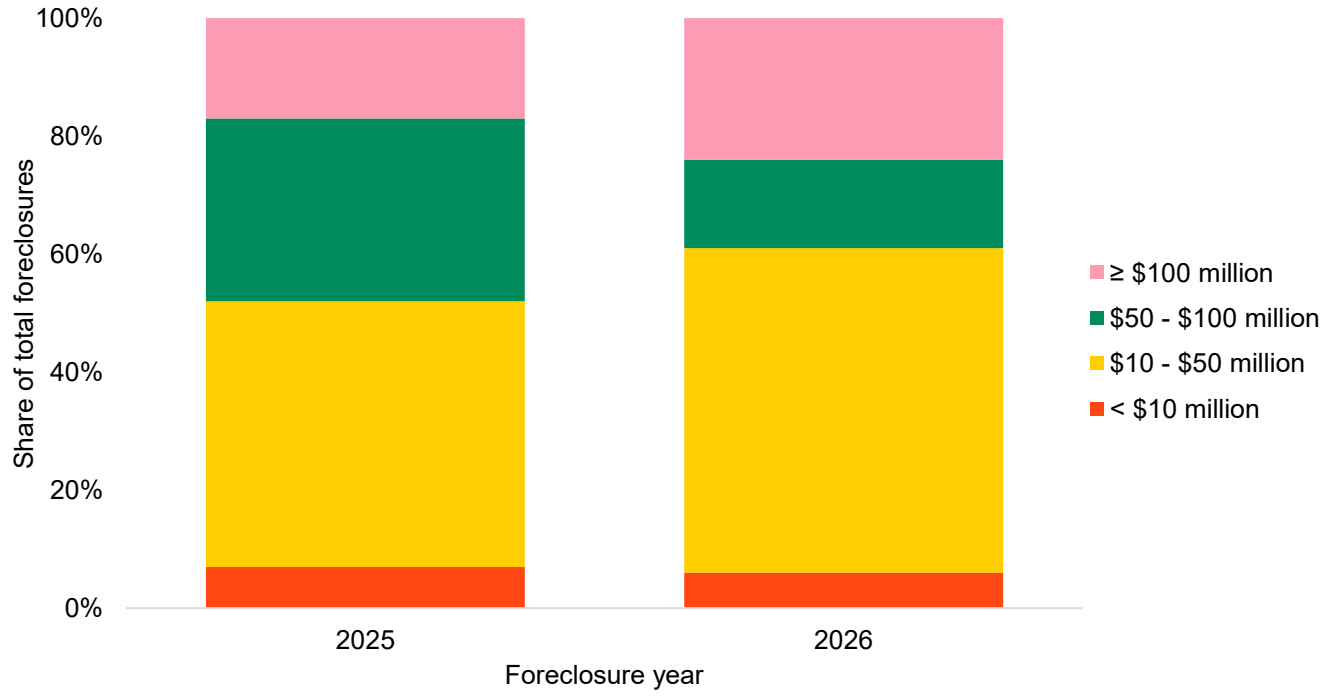
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Exhibit 12: Foreclosure activity has skewed towards 2021 and 2022 vintage loans
Percent of debt foreclosed in 2025 and YTD 2026, by vintage



Source: Lincoln Lens - Private Market Intelligence, BlackRock. As of September 30, 2026. Lincoln International defines debt foreclosure as companies in which lenders have either taken control or were imminently expecting to take control from the sponsor.

Exhibit 13: More than half of YTD 2026 foreclosure activity is from borrowers with $10-50 million in EBITDA at close
Share of foreclosure count by borrower LTM EBITDA at close



Source: Lincoln Lens - Private Market Intelligence, BlackRock. Data as of September 30, 2026. Lincoln International defines debt foreclosure as companies in which lenders have either taken control or were imminently expecting to take control from the sponsor.

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Primary markets slowed after a busy September

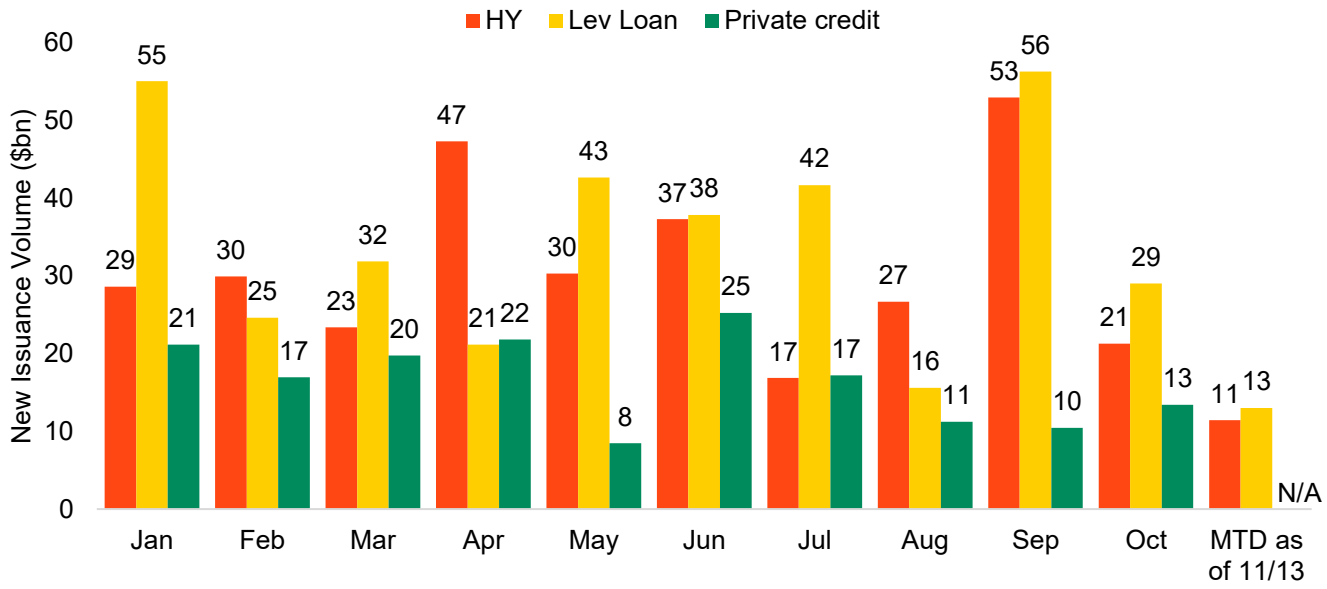
September marked the busiest month of the year for both HY and LL primary markets. In HY, companies issued $53bn, while leveraged loan supply totaled $56bn, excluding repricings (Exhibit 14).

As investors digested the heavy September issuance and many companies entered earnings-related blackout periods, primary market activity slowed sharply in October. The $21 billion of HY supply marked the second lightest month of the year, while leveraged loan issuance of $29 billion was the fourth lightest.

Month-to-date volumes through November 13 have been on the lighter side as well and are still far from the breakneck pace seen in September. Looking ahead, December has historically been one of the lightest months of the year for issuance.

In private credit, activity has also moderated, although the slowdown has been more pronounced throughout 2H2026 to date. Average monthly volume from July through October totaled $13.1 billion, compared with $18.9 billion during the 1H. Year-to-date activity is 35% below the same period in 2025.

Exhibit 14: Primary markets have slowed after September set new highs for the year
Gross monthly new issuance volumes across HY, LL and private credit in 2026



Source: Dealogic, Pitchbook, KBRA DLD, BlackRock. HY and LL as of November 13, 2026, private credit as of October 30, 2026.

Recent selloffs have varied in their times to recovery

We find seven unique instances, including this most recent selloff, where the HY index has widened by at least 70bp within a one-month span. Across those instances, we find that the time it took for HY spreads to recover varied greatly.

The median trading days to recovery following these selloffs has been 156 days, but no two selloffs are the same (Exhibit 1). In August 2022, March 2023, and August 2024, selloffs were followed by fairly quick recoveries, with the recovery following August 2024 of note, taking just 40 trading days (or roughly two calendar months).

In the two instances experienced in 1H2022 and then again in March 2025, markets took significantly longer to recover, with an average of 456 trading days (or roughly close to 2 years).

As of November 16th, it has been 17 trading days since the selloff threshold we have defined has triggered. Although it is impossible to guarantee whether this instance will look more like early 2022 or summer 2024, historical precedent suggests it will still take some more time for markets to recover to the levels we saw in September.

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Cliffwater Direct Lending Index (CDLI) is an index that assists investors to better understand private credit as an asset class. The CDLI seeks to measure the unlevered, gross of fees performance of U.S. middle market corporate loans, as represented by the underlying assets of Business Development Companies ("BDCs"), including both exchange-traded and unlisted BDCs, subject to certain eligibility criteria. The CDLI is an asset-weighted index that is calculated on a quarterly basis using financial statements and other information contained in the U.S. Securities and Exchange Commission ("SEC") filings of all eligible BDCs. Eligibility is set as all assets held by BDCs that (1) are regulated by the SEC as a BDC under the Investment Company Act of 1940; (2) have a substantial majority (approximately 75%) of reported total assets represented by direct loans made to corporate borrowers, as categorized by each BDC and subject to Cliffwater's discretion, and (3) file SEC form 10-Q (or 10-K, as applicable) within 75 (or 90) calendar days following the current Valuation Date. If a BDC meets the eligibility criteria, but has not filed its report on Form 10-K or 10-Q with the SEC at the time the index is reconstituted, asset information from its report will be included in the index at the time of the next reconstitution. This information is derived from sources that are considered reliable, but BlackRock does not guarantee the veracity, currency, completeness or accuracy of this information.

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