



**ALTERNATIVE CREDIT LETTER**

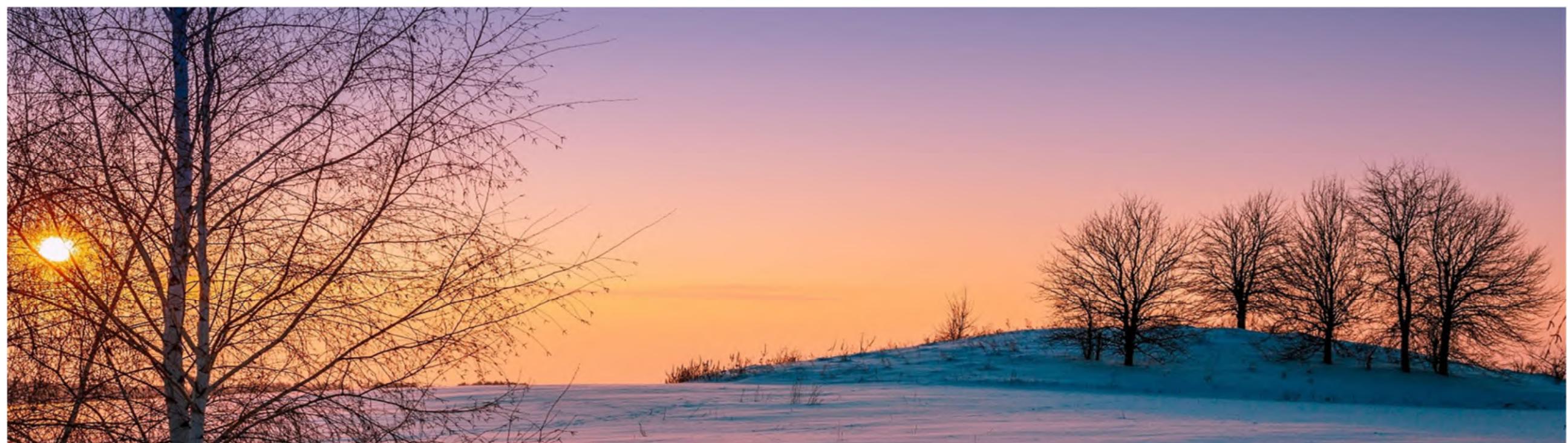
**JANUARY 2026**

**Resilient EU high-yield issuance  
despite sponsor stagnation**

# MONTHLY SPOTLIGHT



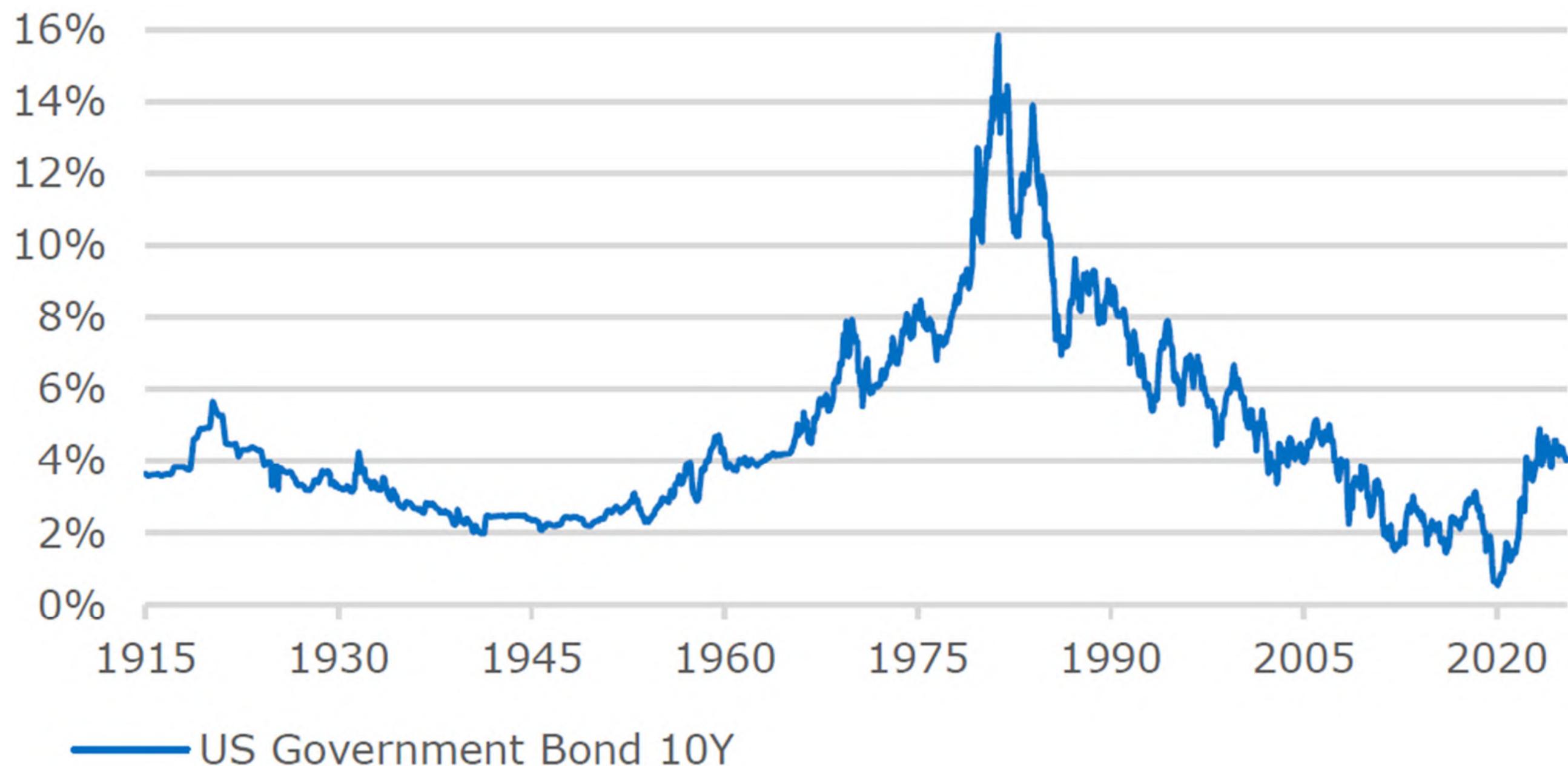
- 🚀 European high-yield issuance rose 8.8% in 2025 to EUR 132 billion, second only to 2021 in this decade, when interest rates were near zero.
- + M&A activity showed significant growth.
- Private equity exits have stalled since 2021, as valuation gaps between buyers and sellers deter PE funds from realizing lower returns.



# RATES PERSPECTIVE



**Historical US Treasury Yield:** The 10-year US government bond yield reached its 100-year low in 2020.

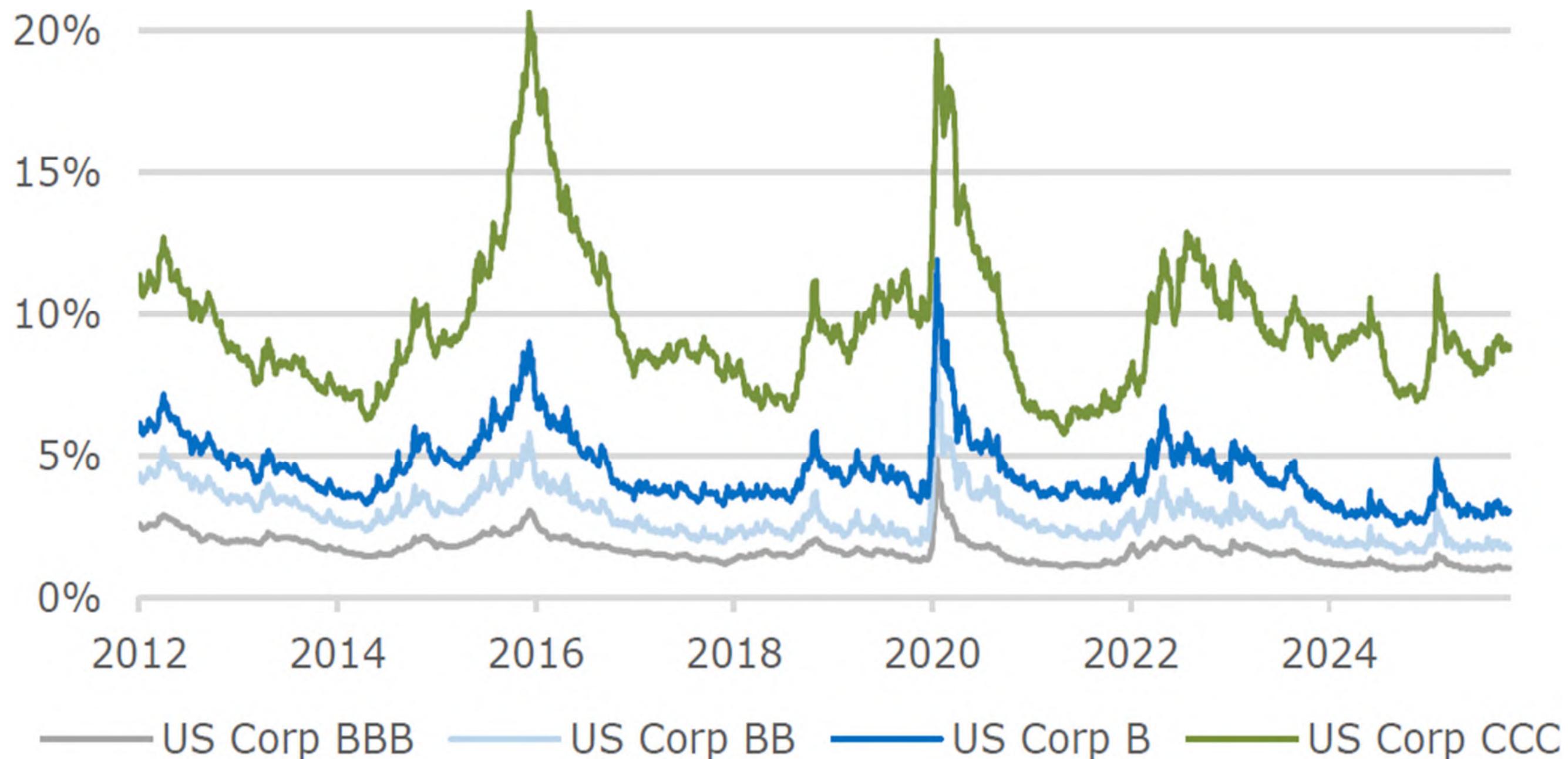


Source: FRED – US Federal Reserve Economic Data

# CORPORATE PERSPECTIVE



**US Corp. Rating:** Credit spreads (OAS) of lower rated high-yield bonds widened disproportionately.

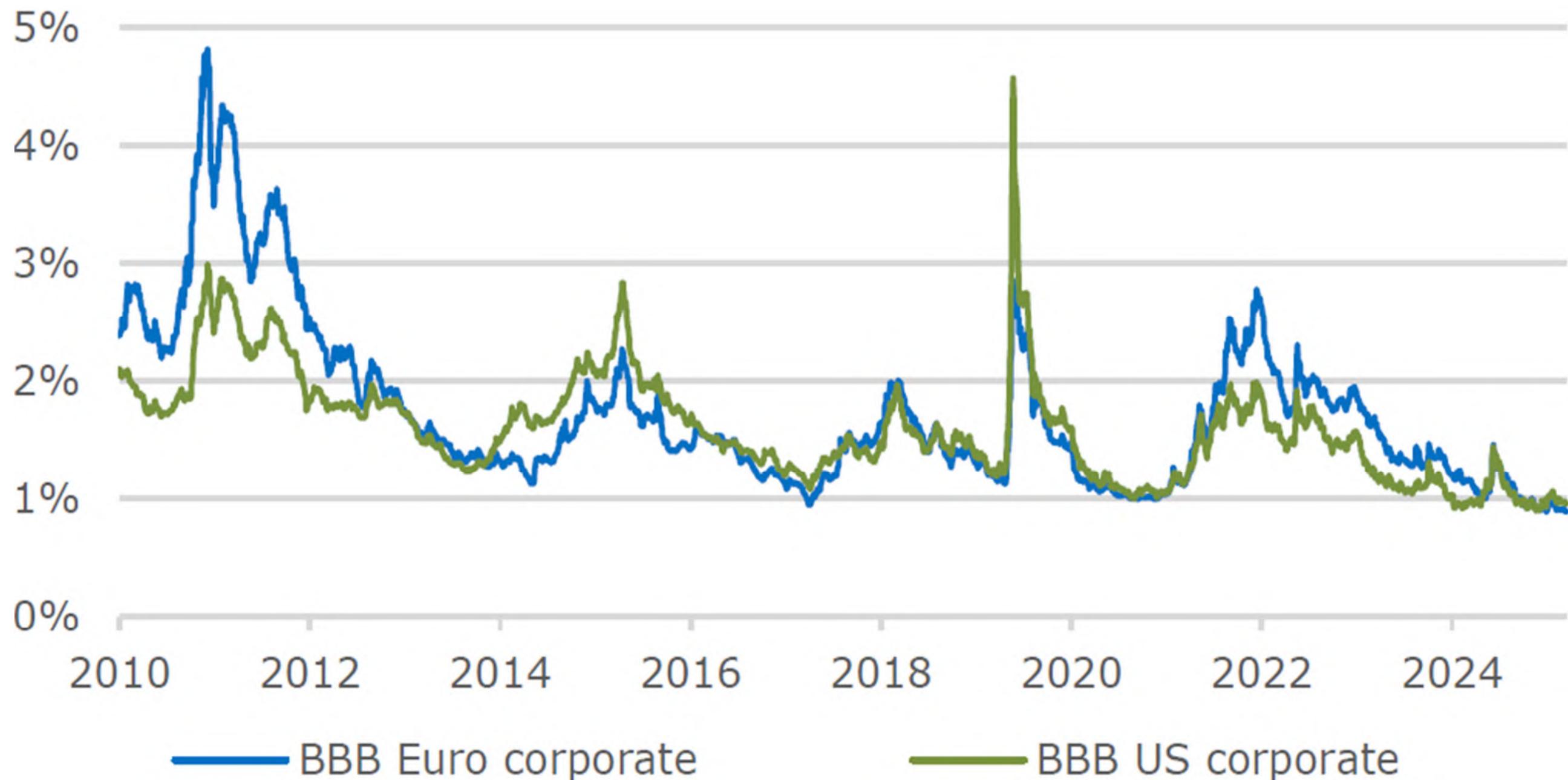


Source: Ice Data Indices, LLC

# CORPORATE PERSPECTIVE



**EU vs US:** EU credit spreads (OAS) are now at similar levels to those in the US.

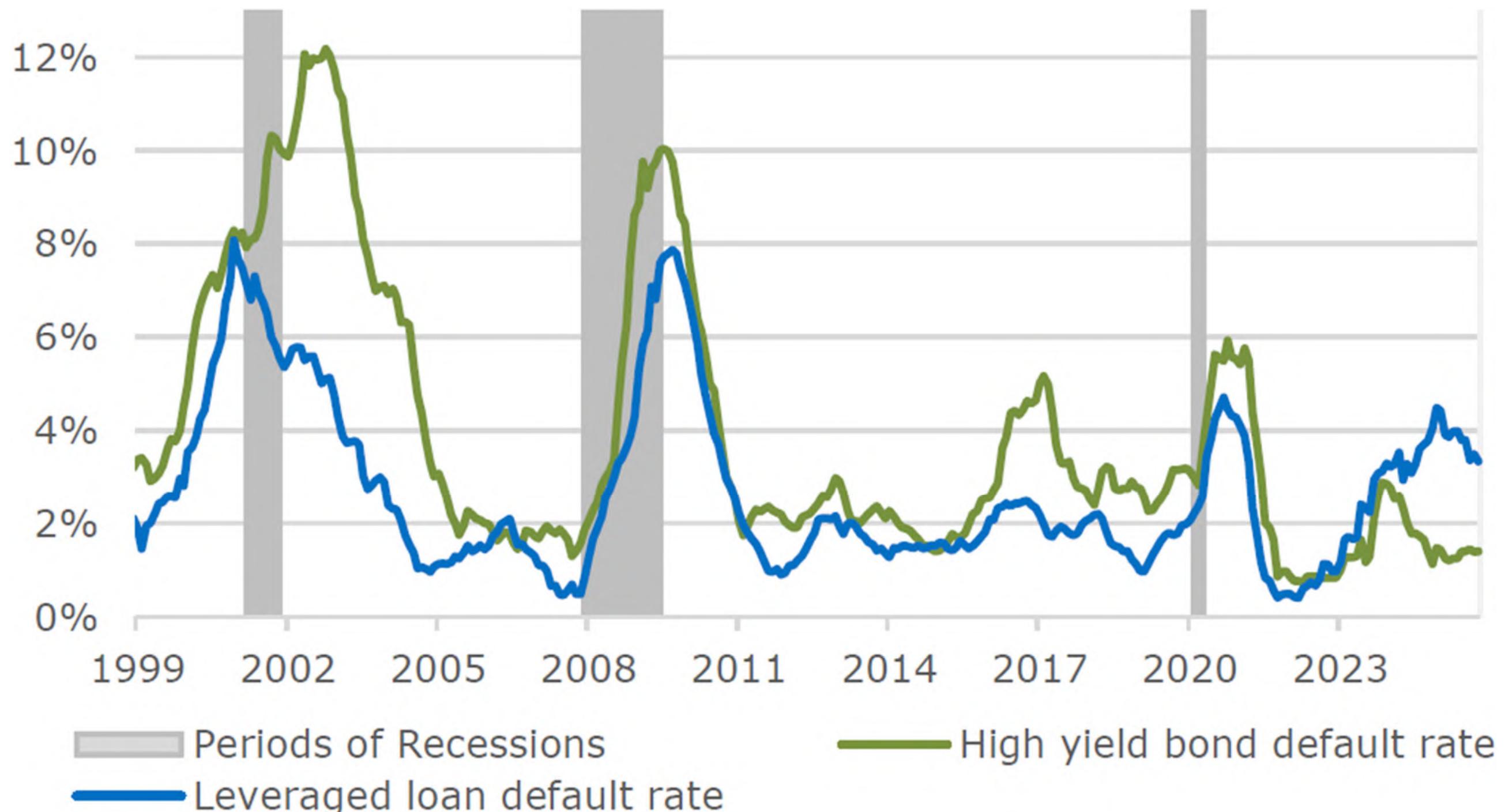


Source: Ice Data Indices, LLC

# CORPORATE PERSPECTIVE



**Default Rates:** High-yield bond default rates are now lower than leveraged loan default rates.



Source: J.P.Morgan Default Monitor



## OAS spread change overview across major credit asset classes – as of month end.

### US corporates by rating (bps)

	curr	Δ month
AAA	34	+1
AA	49	+2
A	65	-1
BBB	101	-3
BB	169	-4
B	301	-5
CCC	885	-32

### Global high yield (bps)

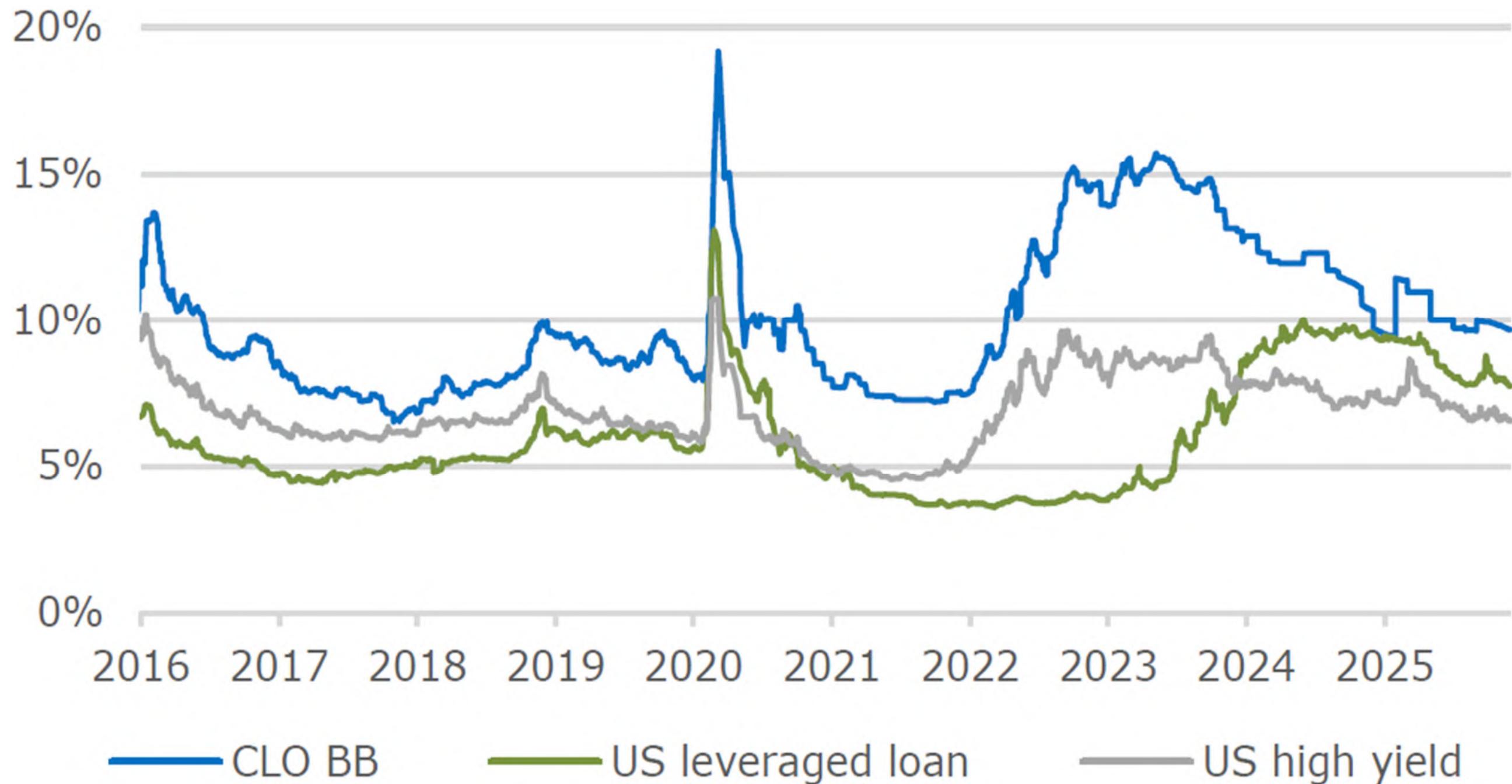
	curr	Δ month
US HY	281	-14
EU HY	270	-13
Asia HY	418	-25
EM HY	339	-16

- spread tightening  
(positive price action)
- spread widening  
(negative price action)

# ALTERNATIVE PERSPECTIVE



**Loans vs. CLO vs. High-Yield:** CLO BB yields are wider than those of loans and high-yield bonds.



Source: Bloomberg

# ALTERNATIVE PERSPECTIVE



**CLO Yields:** CLOs offer an attractive yield premium over bonds and loans.



Source: Bloomberg

# US LOAN INDEX TOTAL RETURN



## Attractive Long-Term Yield Generation



Source: Bloomberg

# EDUCATION CORNER



## Private Credit – Direct Lending

- Originally, direct lending was a niche strategy.
- Due to stricter post-financial-crisis regulations, banks reduced middle-market lending.
- Direct lenders stepped in and it became a mainstream alternative asset class.





## Private Credit – Direct Lending

- Sophisticated direct lenders provide customized, flexible financing with fast execution.
- Free from regulatory constraints, they use rigorous underwriting and deep sector expertise, with a buy-and-hold mindset, offering investors a compelling long-term investment option.



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