Middle Market & Private Credit – 10/23/2023

Fitch Ratings | October 26, 2023

U.S. Middle Market CLOs' 'CCC' Exposure Rising in Third Quarter

Negative rating migration has increased the average exposure to assets rated 'CCC+' or below to 19.4%, up 4.3% compared to 2Q23, across U.S. middle market (MM) collateralized loan obligations (CLOs) under surveillance by Fitch Ratings. This is the highest level observed since 3Q20, when the 'CCC+' or below exposure reached 21.3%. Downgrades in the underlying MM issuers are driven by observed pressure on interest coverage cushions and increase in leverage multiples.

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