

Downhill From Here

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Does this lower-for-longer outlook mean the end of the Golden Era for private credit investors? All-in spreads have been at all-time high, but that high-tide lifted a number of boats. Bringing corporate and high-yield bond yields down will increase the relative attractiveness of middle market debt. Easing of financing costs will boost M&A and improve realizations for LPs.

Despite misgivings to the contrary, direct lending portfolios are in good shape. Experienced managers have navigated this environment with minimal defaults and losses. Continuous availability of private credit during the Fed liftoff allowed CFOs to right-size their balance sheets and comfortably extend financing maturities...

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