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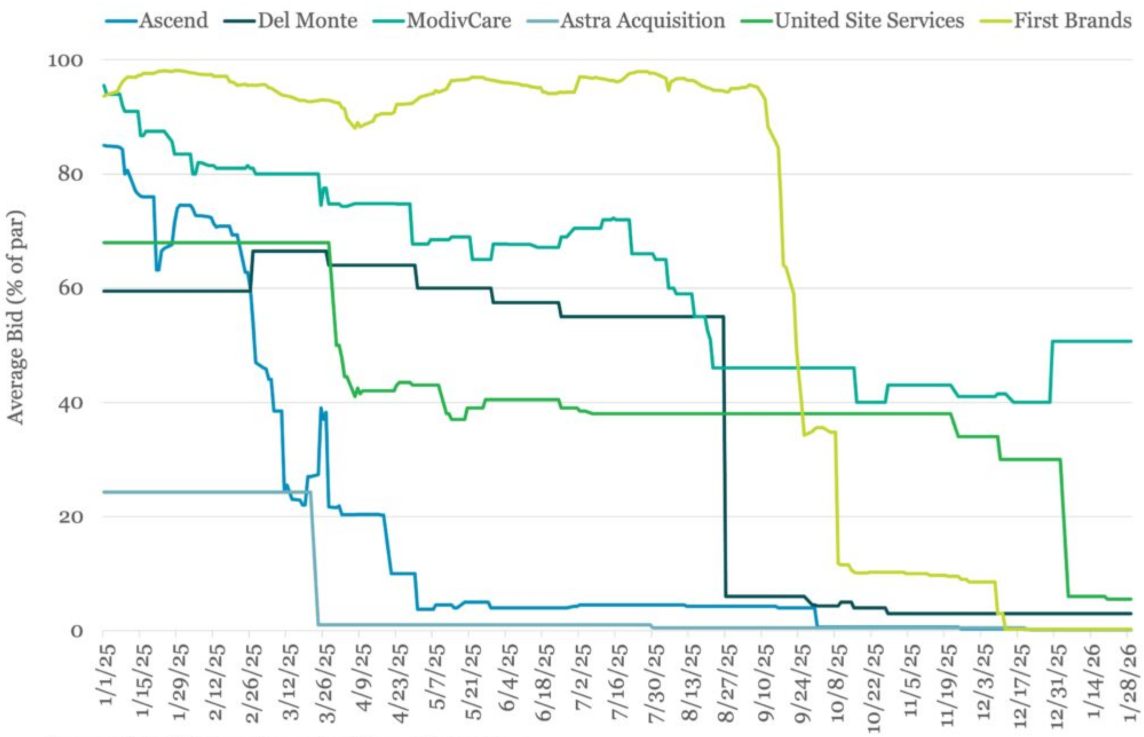
Latest crop of loan defaults underscores how steep losses can get when credit situations go wrong

LSEG | February 5, 2026



Source: LSEG LPC, Loan Connector/iQuery, Fitch Ratings

Secondary trading in the largest and most recently defaulted institutional loans offers a glimpse of how steep losses can get when leveraged credit situations go wrong. These names include Ascend Performance Materials, Del Monte Foods, ModivCare, First Brands, Astra Acquisition Corp, and United Site Services, which all filed for bankruptcy in ’25 and comprised more than US$10bn of par value in default. For investors who bought these loans at issuance and opted to sell ahead of filing (rather than hold and endure a costly and contested restructuring process), the weighted average loss on invested capital was approximately 60%*. For the few accounts who may have stayed in these names and are still weighing their options, the estimated capital loss has expanded to approximately 95%* based on current levels, given five of the six loans are essentially bid at zero. There’s an old adage that the maximum capital loss on equity is 100%, since a stock price can never actually trade below zero. One could say the same for highly leveraged loans.

*Loss estimates do not take any accrued interest, fees, or hedging strategies into account.