

Optimism is Blooming: As spring takes shape, public markets are showing early signs of relief, with high yield spreads tightening and sentiment turning more constructive. The stage is set for private markets to move in step. Even though no Fed cuts are expected through the remainder of 2026, the tone entering Q2 feels more encouraging than at any point this year.

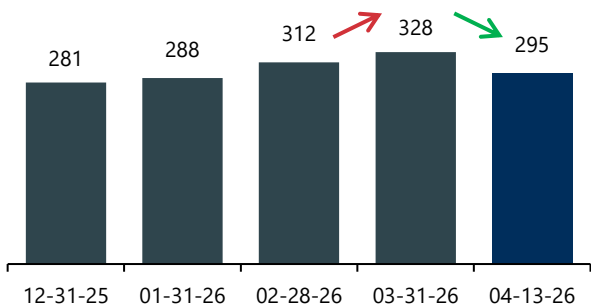
- **The Snow has Thawed:** High-yield spreads have tightened meaningfully in the first half of April, in a sign that credit markets are pricing in de-escalation in Iran.
- **A Turn in the Weather:** In the middle-market, weather conditions remain mixed but optimistic undertones may bring seasonal rejuvenation.



Clouds Beginning to Break

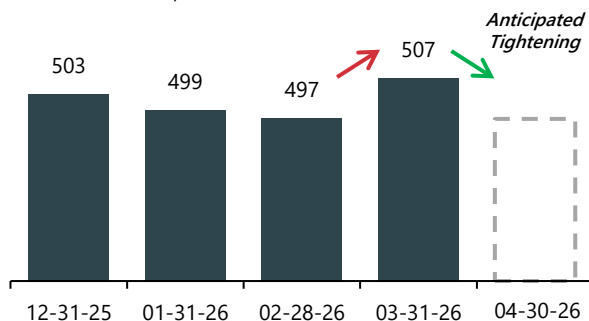
High Yield Option-Adjusted Spreads (bps)*

*ICE BofA US HY Index Option-Adjusted Spread



Middle Market Spreads Over SOFR (bps)*

*Senior Loans for Companies with \$20M - \$50M of EBITDA



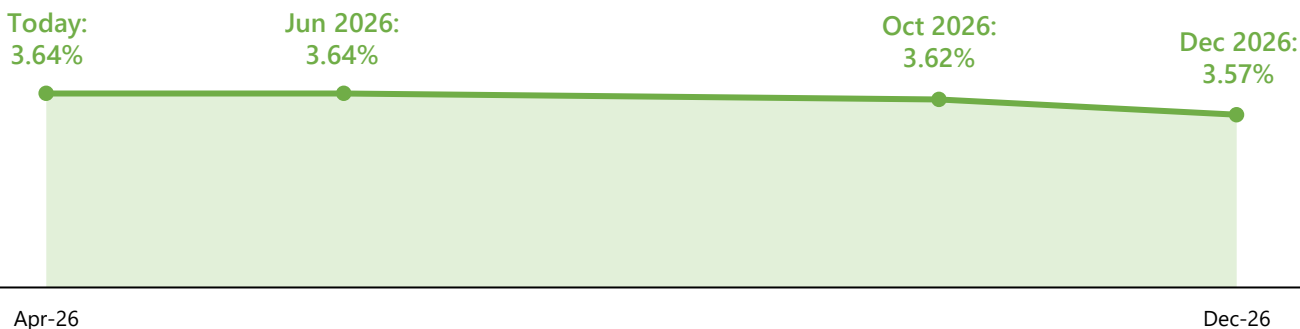
Source: Federal Reserve Bank of St. Louis, KBRA DLD



Key Insights from Our Colleagues at MUFG

"The market is pricing in "higher-for-longer" rates as the war in the Middle East has significantly altered the Fed's policy easing path in 2026. In a sharp departure from expectations earlier in the year, the market is expecting virtually no Fed rate cuts for the rest of 2026."

Market Implied Fed Funds Rate



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