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Credit Market Update

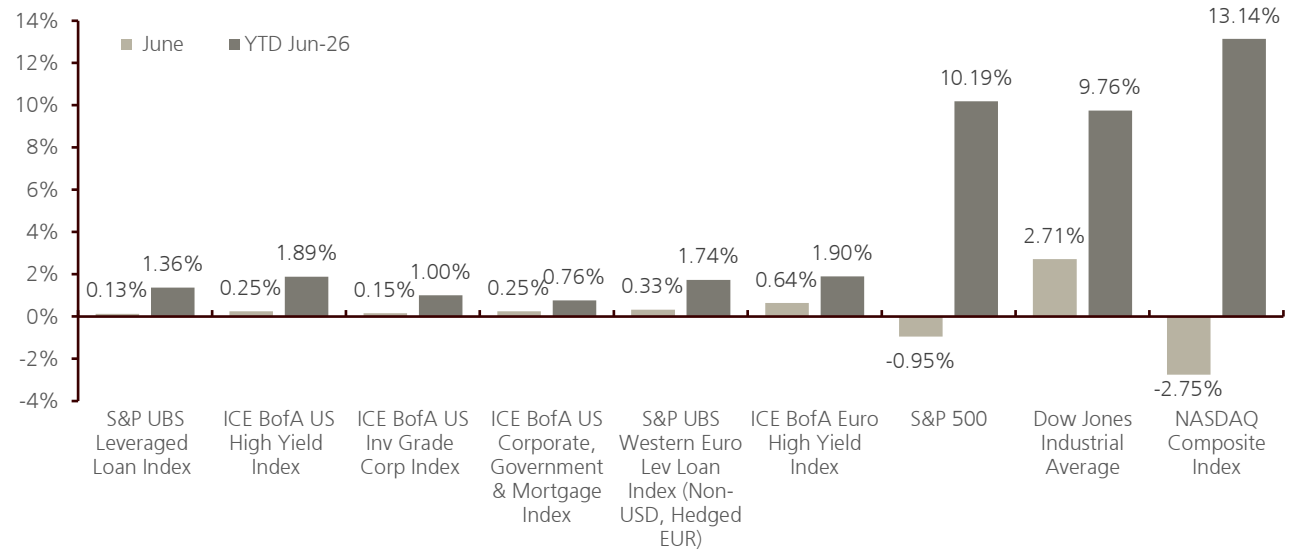
Credit Investments Group, July 14, 2026

Equity markets mostly moderated in June after their strong spring rally, with leadership broadening beyond large-cap technology stocks. Loan and High Yield Bond returns were positive for the month but only due to interest income. The market continues to digest potential volatility related to AI developments, war in the Middle East and interest rate expectations. The Federal Reserve, under new Chair Kevin Warsh, left rates unchanged but adopted a more hawkish tone, increasing expectations for a potential rate hike later in 2026.

Credit market performance overview and review

US leveraged loans were up 0.13% in June, bringing year-to-date performance to 1.36%. Loan spreads (3-year DM) finished the month at 500bps, which was 13bps wider than at the end of May. High yield bonds were up 0.25% in June, bringing year-to-date performance to 1.89%. High yield bond spreads (OAS) widened 1bp for the month, ending at 275bps.

Exhibit 1: Total returns for various asset classes – June 2026



Source: Bloomberg, UBS, S&P Indices. Please see index definitions in the end notes. **Past performance is no guarantee of future results.**

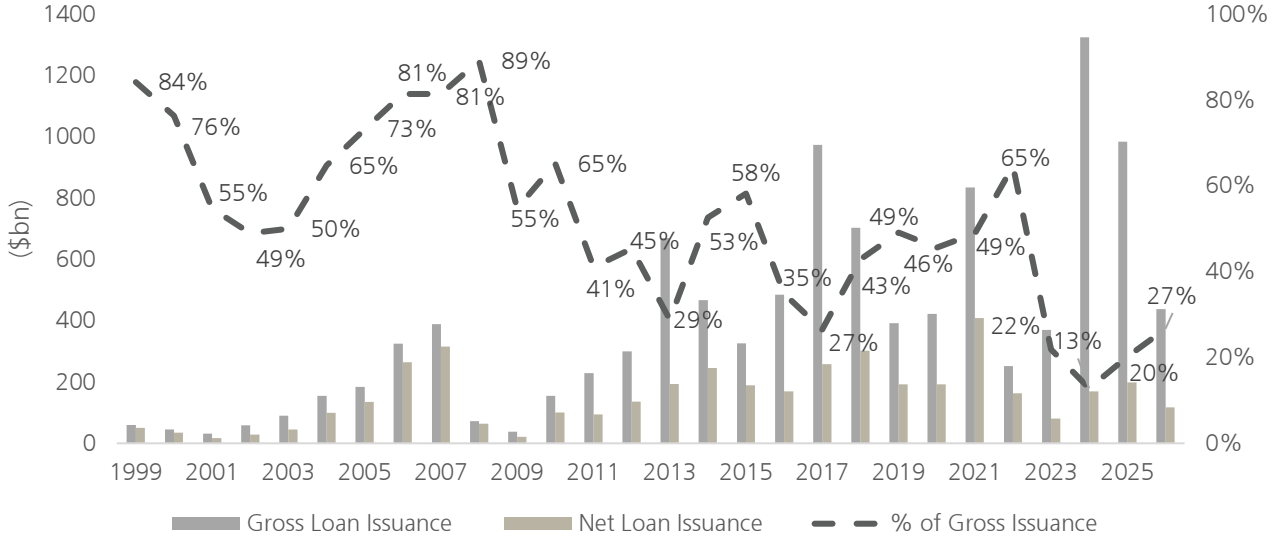
Yields in June were up for leveraged loans, high yield bonds and investment grade bonds. The 3-year yield of the S&P UBS Leveraged Loan Index ("Loan Index") ended the month at 8.93%, up 20bps from May. The yield-to-worst of the high yield index ended June at 7.15%, up 14bps from last month. Yields in BB, single B and CCC high yield bonds ended the month at 6.07%, 7.34% and 13.38%, respectively. Investment grade yields ended June at 5.20%, up 7bps from May.

Consumer Durables, Consumer Non-Durables and Forest Products/Containers were the top loan sector performers in June, with respective returns of 1.24%, 0.96% and 0.69%, while the largest sector laggards were Information Technology, Financials and Professional Services, with respective returns of -1.13%, -0.54% and 0.13%.

Within US loans, the upper, middle and lower tiers returned 0.26%, 0.07% and 0.06%, respectively, in the month of June.

New issuance in the loan market was $78.7bn in June, which was comprised of $23.6bn of net new issuance. New issuance in the high yield market was $35.0bn in June, including $14.4bn of net new issuance.

Exhibit 2: Annual gross and net leveraged loan issuance



Source: JP Morgan. Data as of June 30, 2026.

In June, US CLO new issuance was $10.2bn across 23 deals; as well, there were $33.1bn of refi/resets across 76 deals. This brings the US CLO year-to-date new issuance total to $81.4bn across 174 deals, considerably lagging the $95.7bn across 201 deals through 2Q25. The refi/reset market picked up towards the end of the first half of the year, bringing the year-to-date total to $142.3bn across 345 deals. This is slightly lagging the 334 refi/resets of $148.7bn through the first half of 2025. US CLO fundamentals were mixed for the quarter, with improvements in BB MVOC, WARF and CCC %; however Junior OC cushion and default % deteriorated. The "tail risk", i.e. percentage of assets in CLOs trading at lower prices, decreased for the quarter. Under 10% of assets in US BSL CLOs are trading below 90. Generic US BSL CLO primary spreads generally tightened across the stack during the quarter. AAA, AA, A and BBB spreads ended ~1bp, ~9bps, ~10bps and ~20bps tighter for the quarter, respectively, while primary BB spreads widened by ~3bps.

In June, loan funds and high yield funds both saw inflows, totaling $1.2bn and $2.3bn respectively.

The trailing 12-month par-weighted leveraged loan default rate including distressed exchanges decreased to 2.29% in June. The trailing 12-month par-weighted high yield bond default rate including distressed exchanges ticked up to 2.67%.

The average price of the loan index fell and ended June at 94.05 (including defaults). By rating, the average price in BB, single B and CCC loans ended the month at 99.39, 95.97 and 73.78, respectively. The average price of the high yield index ended June at 97.11. By rating, the average price in BB, single B and CCC high yield bonds ended the month at 98.89, 99.15 and 80.74, respectively.

The S&P UBS Western European Leveraged Loan Index (Non-USD Denomination, hedged to EUR) returned 0.33% in June and 1.74% year-to-date. The average price was 95.81, down 7bps in the month and down 60bps year-to-date. The discount margin for 3-year life was 492bps, up 3bps from last month and up 15bps year-to-date. The Western European Leveraged Loan Non-USD Market Size increased €5.5bn in the month and increased €21.1bn year-to-date to €378.9bn.

The European CLO new issuance machine continued humming in June, with €6.0bn across 15 deals; as well, there were €6.4bn of refi/resets across 17 deals. This brings European CLO new issue volumes for the first half of 2026 to €30.4bn across 74 deals, right on pace with the first half of 2025 when there was €30.5bn of new issue across 69 CLOs. For the first half of 2026, there were €25.4bn of refi/resets across 69 deals, up from the same period last year when there were €18.9bn refi/resets across 49 deals in the European market. European CLO primary spreads generally tightened in the second quarter. Primary AAA, AA, A, BBB and BB spreads were tighter by ~5bps, ~18bps, ~43bps, ~45bps and ~85bps for the quarter, respectively.

Quarterly Review of the Credit Markets

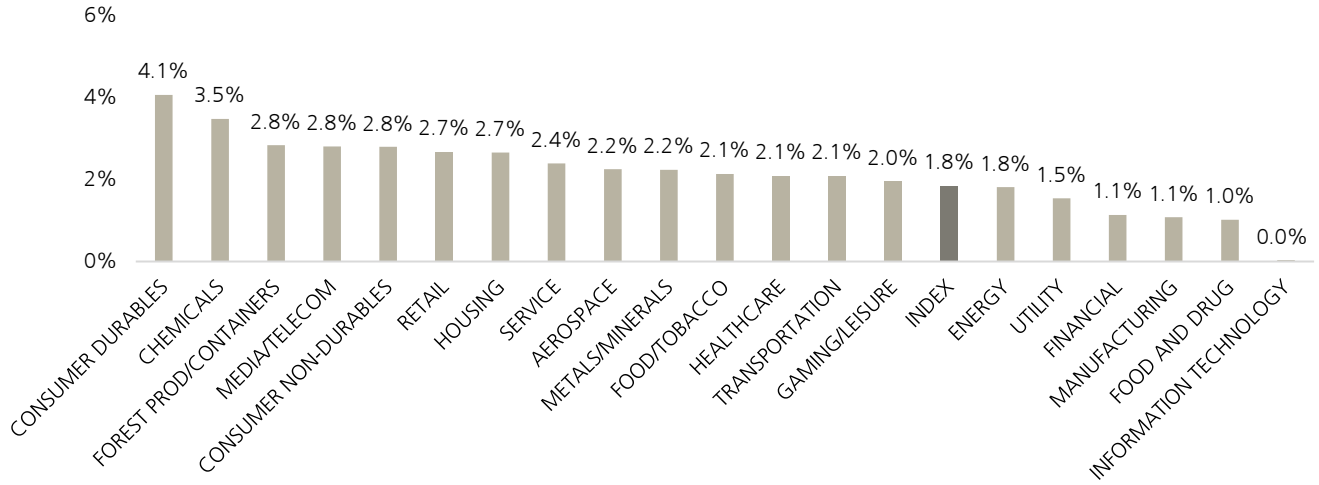
Exhibit 3: Returns of various asset classes

	2Q 2025	3Q 2025	4Q 2025	2025	1Q 2026	2Q 2026
S&P UBS Leveraged Loan Index	2.33%	1.68%	1.19%	5.94%	-0.47%	1.85%
ICE BofA US High Yield Index	3.57%	2.40%	1.35%	8.50%	-0.55%	2.45%
ICE BofA Investment Grade Index	1.79%	2.65%	0.77%	7.78%	-0.42%	1.43%
ICE BofA 10yr US Treasury Index	0.98%	1.81%	0.83%	7.82%	-0.11%	0.13%
S&P UBS Western Euro Lev Loan Index (Non-USD, Hedged EUR)	1.29%	0.90%	0.78%	4.10%	-1.06%	2.83%
ICE BofA Euro High Yield Index	2.09%	1.80%	0.52%	5.15%	-1.72%	3.69%
S&P 500	10.94%	8.11%	2.65%	17.86%	-4.35%	15.20%
Dow Jones Industrial Average	5.46%	5.67%	4.03%	14.92%	-3.19%	13.38%
NASDAQ Composite Index	17.97%	11.43%	2.72%	21.17%	-6.96%	21.60%

Source: Bloomberg, UBS, S&P Indices. Past performance is no guarantee of future results. Investors cannot invest directly in an index.

Looking at sector performance in the second quarter of 2026, using the S&P UBS Leveraged Loan Index, Consumer Durables, Chemicals and Forest Products/Containers were the top three performing sectors, returning 4.06%, 3.47% and 2.83%, respectively. Information Technology, Food and Drug and Manufacturing were the bottom sector performers, returning 0.04%, 1.02% and 1.08%, respectively.

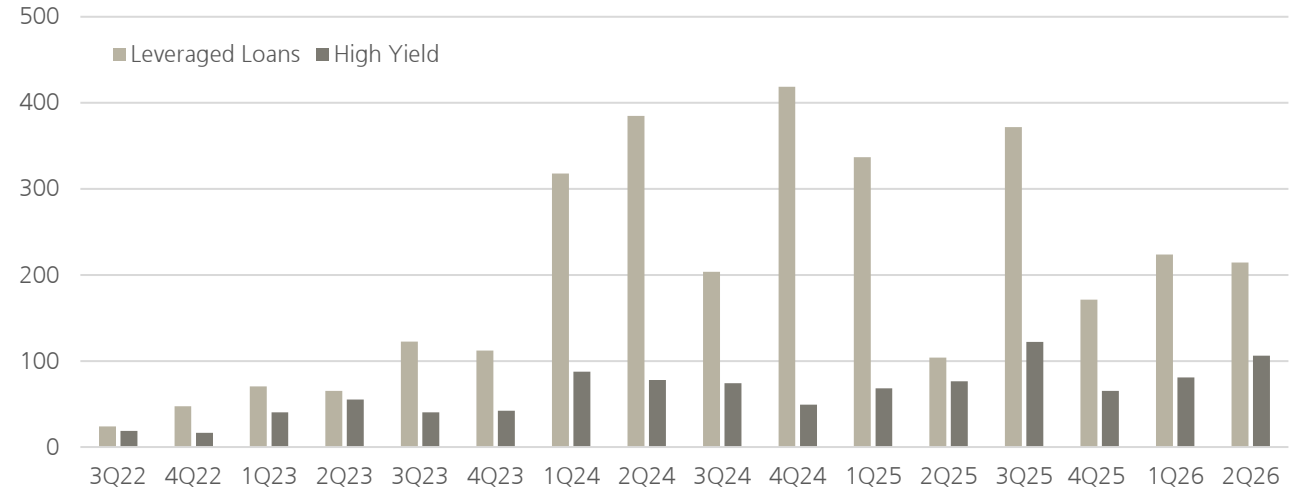
Exhibit 4: Returns by Industry in the S&P UBS Leveraged Loan Index – 2Q 2026



Source: UBS, S&P Indices. Past performance is no guarantee of future results.

Leveraged loan new issuance decreased slightly quarter over quarter in the second quarter of 2026, with $214.6bn in new issuance versus $223.8bn in the first quarter. The high yield market saw $106.0bn of new issuance in the second quarter, up versus $80.9bn in the first quarter.

Exhibit 5: Quarterly New Issuance Volume ($bn)



Source: JP Morgan. Data as of June 30, 2026.

Flows from leveraged loan mutual funds reversed direction from the prior quarter, with $4.6bn of inflows in the second quarter compared to -$2.8bn of outflows in the first quarter of 2026. Flows from high yield mutual funds also reversed in the second quarter with $8.9bn of inflows versus -$10.2bn of outflows in the first quarter.

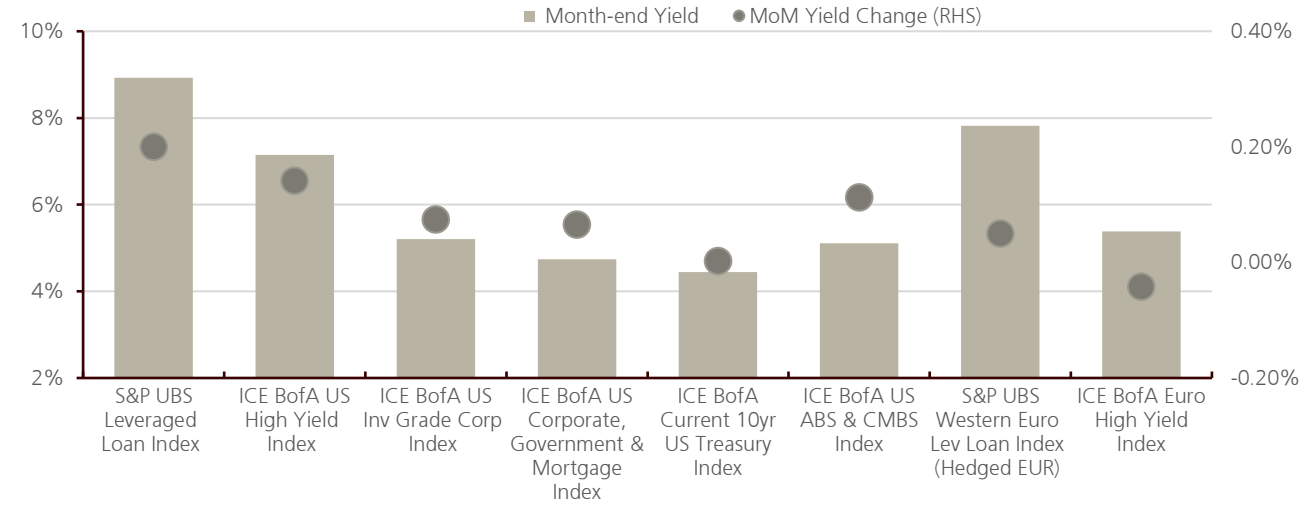
Appendix: Market data and charts

Exhibit A: Returns of various asset classes

	2025	Apr-26	May-26	Jun-26	2Q 2026	YTD 2026
S&P UBS Leveraged Loan Index	5.94%	1.23%	0.48%	0.13%	1.85%	1.36%
ICE BofA US High Yield Index	8.50%	1.70%	0.49%	0.25%	2.45%	1.89%
ICE BofA Investment Grade Index	7.78%	0.56%	0.71%	0.15%	1.43%	1.00%
ICE BofA 10yr US Treasury Index	7.82%	-0.21%	0.01%	0.33%	0.13%	0.02%
S&P UBS Western Euro Lev Loan Index (Non-USD, Hedged EUR)	4.10%	1.80%	0.68%	0.33%	2.83%	1.74%
ICE BofA Euro High Yield Index	5.15%	1.94%	1.07%	0.64%	3.69%	1.90%
S&P 500	17.86%	10.49%	5.26%	-0.95%	15.20%	10.19%
Dow Jones Industrial Average	14.92%	7.24%	2.93%	2.71%	13.38%	9.76%
NASDAQ Composite Index	21.17%	15.32%	8.43%	-2.75%	21.60%	13.14%

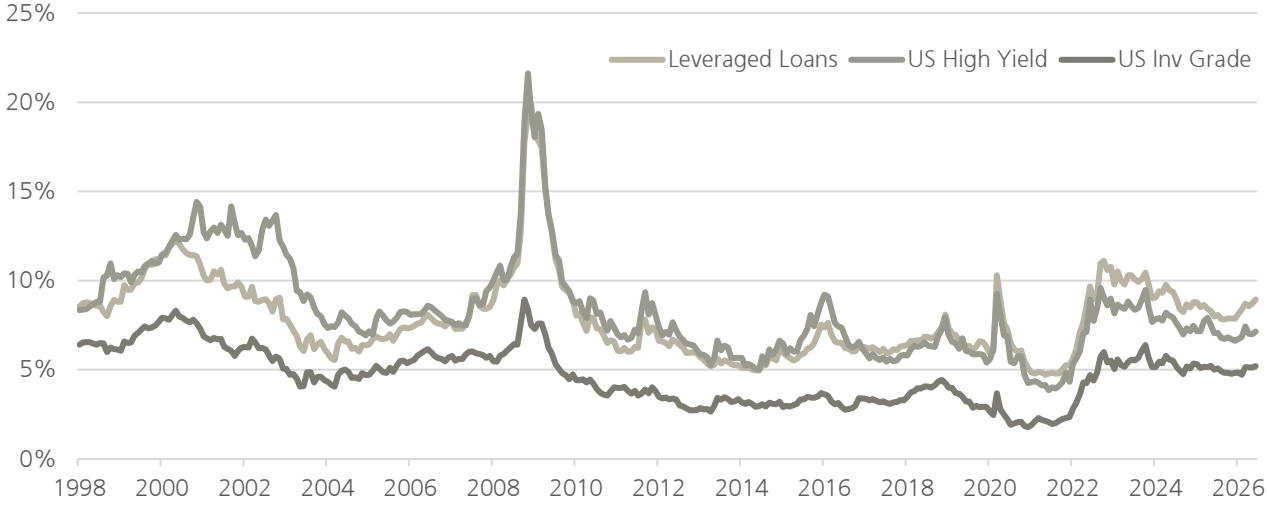
Source: Bloomberg, UBS, S&P Indices. **Past performance is no guarantee of future results.** Investors cannot invest directly in an index.

Exhibit B: Yields of various asset classes as of June 30, 2026



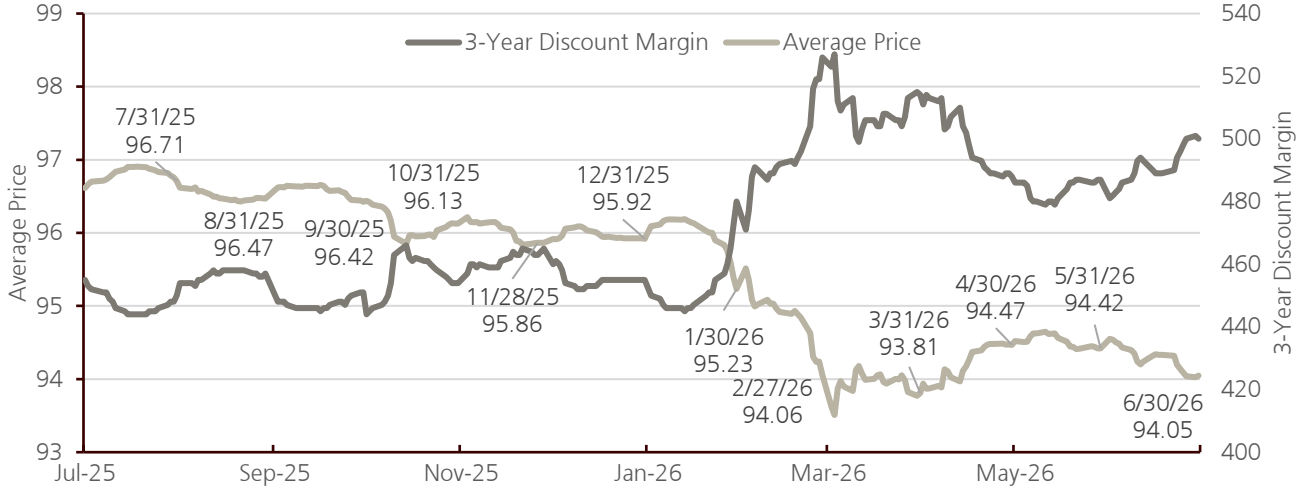
Source: ICE Data Services, UBS, S&P Indices, Bloomberg. It is not possible to invest directly in the indices described above. **Past performance is no guarantee of future results.**

Exhibit C: Yields of various asset classes as of June 30, 2026



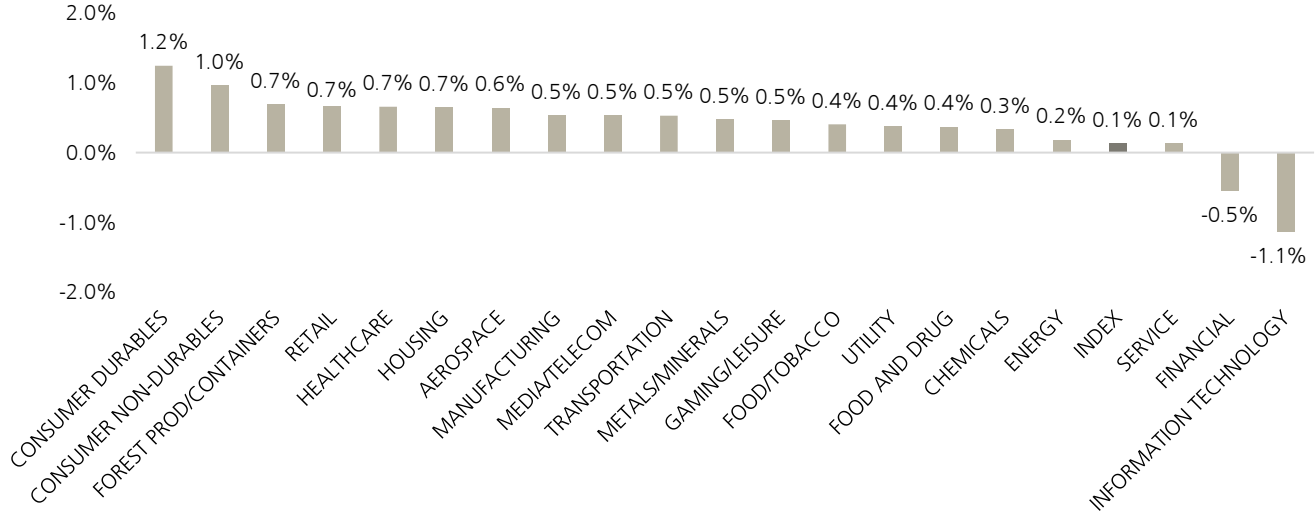
Leveraged loans uses S&P UBS Leveraged Loan Index data. US high yield uses ICE BofA US High Yield Index data. US Inv Grade uses ICE BofA Investment Grade Corp Index data. Source: ICE Data Services, UBS, S&P Indices, Bloomberg. It is not possible to invest directly in the indices described above. **Past performance is no guarantee of future results.** Investors cannot invest directly in an index.

Exhibit D: Average price and 3-year discount margin of the S&P UBS Leveraged Loan Index



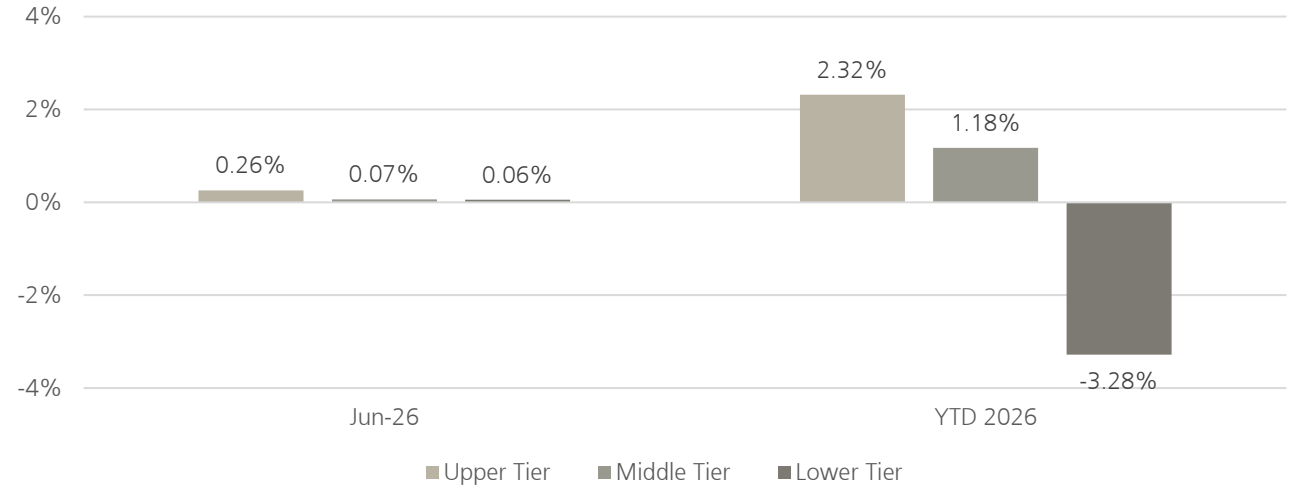
Source: UBS, S&P Indices. **Past performance is no guarantee of future results.**

Exhibit E: Returns by industry in the S&P UBS Leveraged Loan Index – June 2026



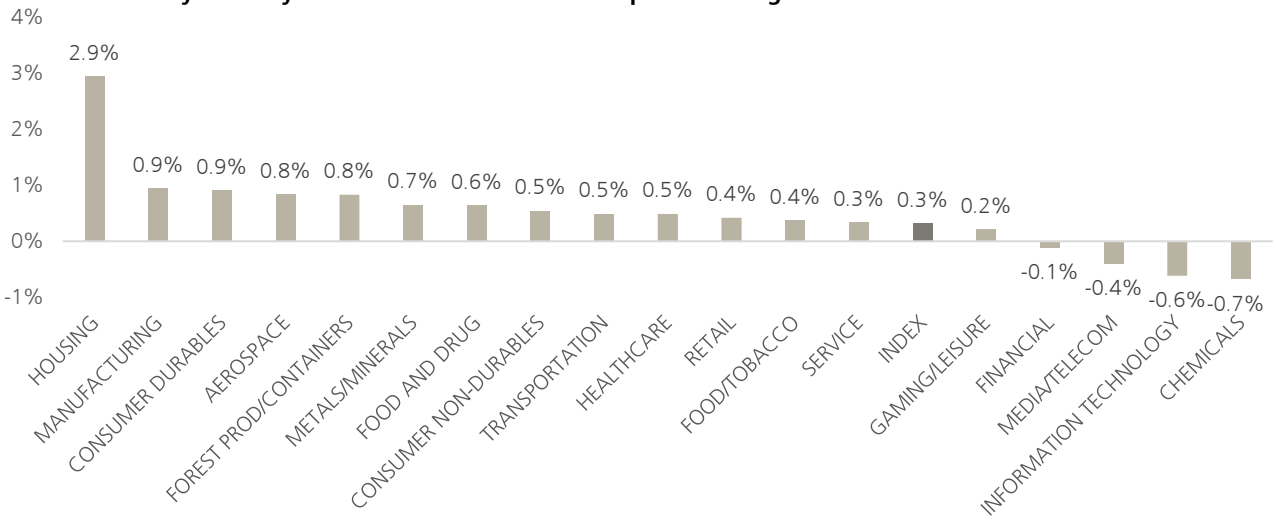
Source: UBS, S&P Indices. **Past performance is no guarantee of future results.**

Exhibit F: Returns by rating tier in the S&P UBS Leveraged Loan Index



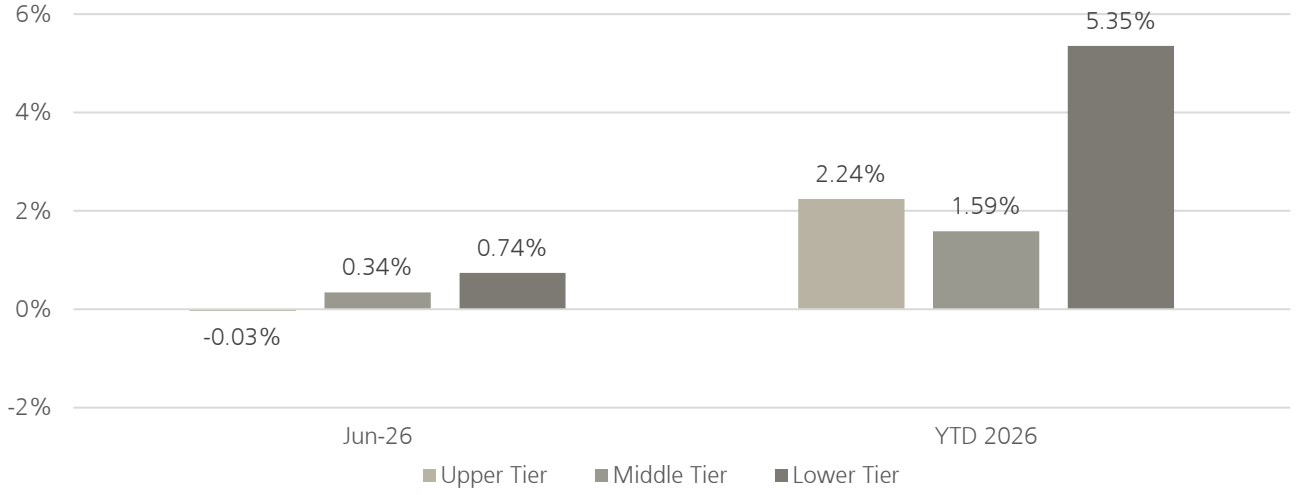
Note: Upper tier: split BBB and BB; middle tier: split BB, B and split B; lower tier: CCC/split CCC and default. Source: Bloomberg, UBS, S&P Indices. **Past performance is no guarantee of future results.**

Exhibit G: Returns by industry in the S&P UBS Western European Leveraged Loan Index – June 2026



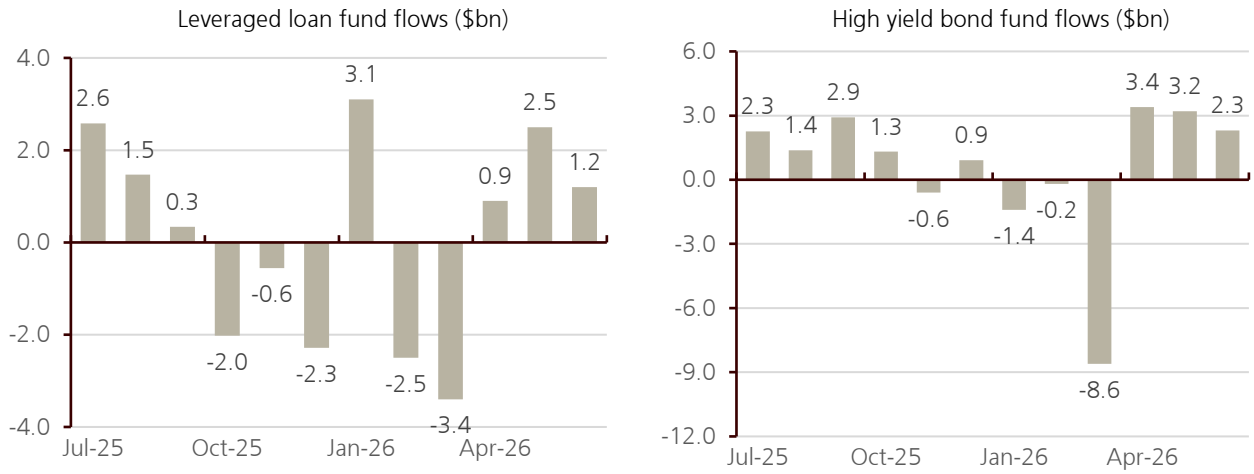
Source: S&P UBS West Euro Leveraged Loan Index Value, non-USD denominations, hedged to Euro. **Past performance is no guarantee of future results.**

Exhibit H: Returns by rating tier in the S&P UBS Western European Leveraged Loan Index



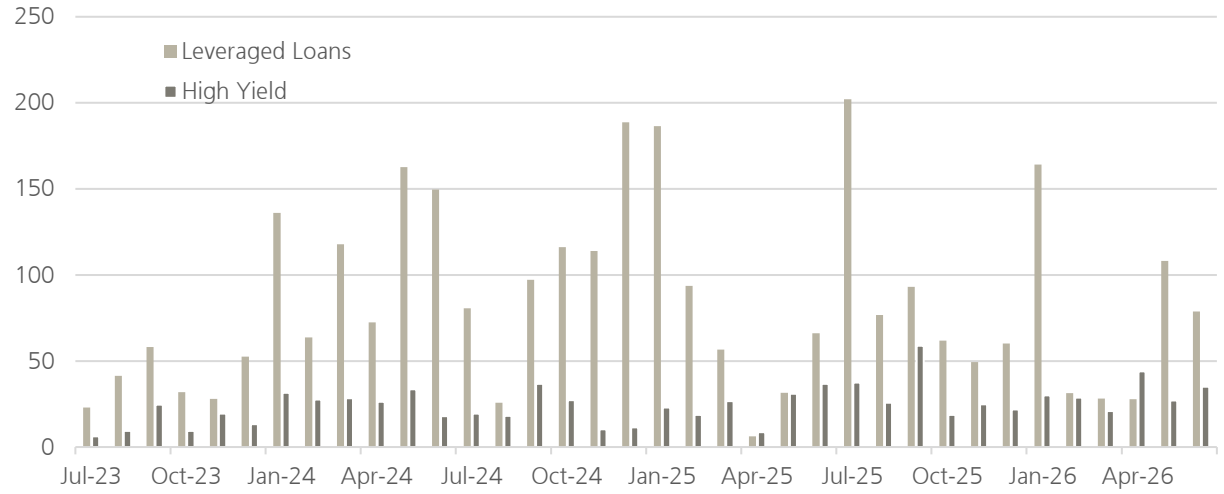
Note: Upper tier: split BBB and BB; middle tier: split BB, B and split B; lower tier: CCC/split CCC and default. Source: S&P UBS West Euro Leveraged Loan Index Value, non-USD denominations, hedged to Euro. **Past performance is no guarantee of future results.**

Exhibit I: US monthly mutual fund flows



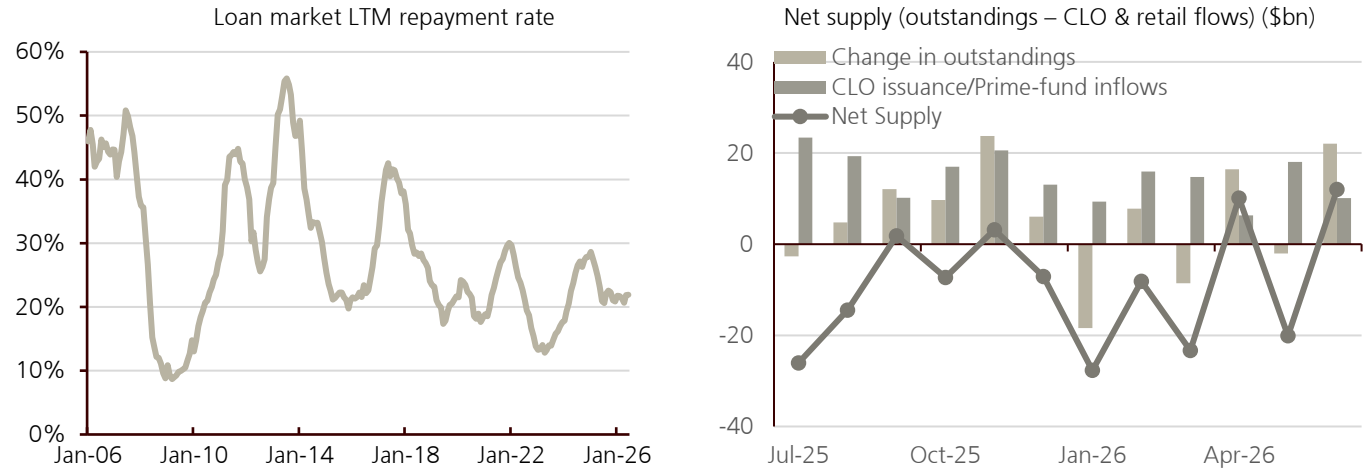
As of June 30, 2026. Most recent month figures are estimates and subject to change. Source: JP Morgan, Lipper.

Exhibit J: US new issuance volume ($bn)



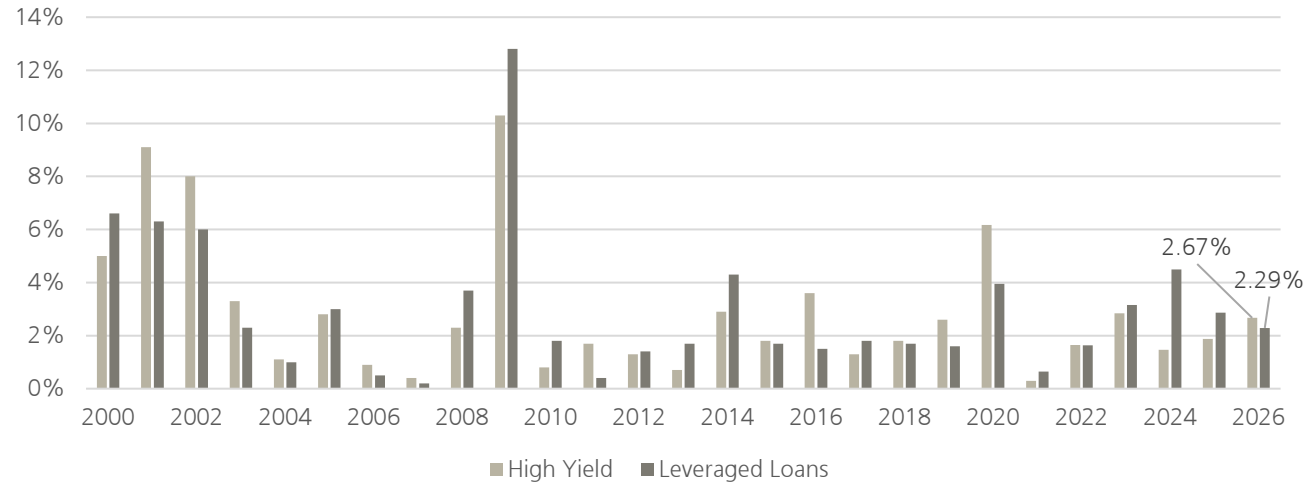
As of June 30, 2026. Source: JP Morgan.

Exhibit K: US loan market technicals



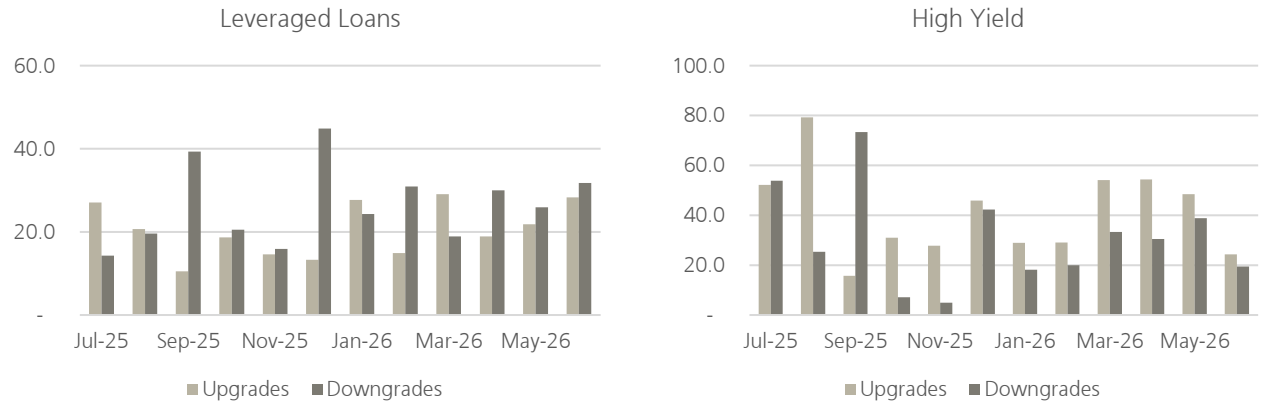
As of June 30, 2026. Net supply equals change in total outstanding volume in the loan market minus the visible demand (retail fund flows and CLO issuance). A positive number indicated more supply than visible demand. Source: Pitchbook I LCD.

Exhibit L: US annual default rates (including distressed exchanges)



As of June 30, 2026. Source: JP Morgan.

Exhibit M: US LTM upgrade/downgrade activity (by volume in $bn)



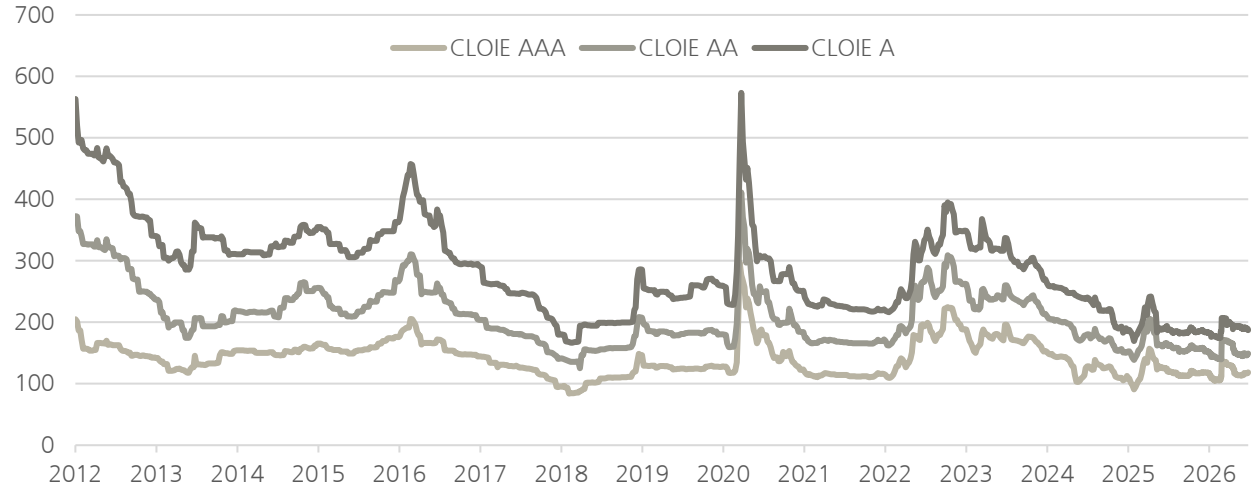
As of June 30, 2026. Source: JP Morgan.

Exhibit N: Returns of US CLO debt tranches

	2025	Apr-26	May-26	Jun-26	2Q 2026	YTD 2026
J.P. Morgan CLO Index	5.87%	0.80%	0.50%	0.37%	1.68%	2.43%
J.P. Morgan CLO AAA Index	5.45%	0.55%	0.43%	0.38%	1.36%	2.39%
J.P. Morgan CLO AA Index	5.93%	0.70%	0.45%	0.43%	1.59%	2.60%
J.P. Morgan CLO A Index	6.28%	0.64%	0.53%	0.50%	1.67%	2.74%
J.P. Morgan CLO BBB Index	7.09%	1.78%	0.66%	0.39%	2.86%	2.70%
J.P. Morgan CLO BB Index	9.11%	3.89%	1.37%	-0.18%	5.12%	1.80%
J.P. Morgan CLO B Index	11.57%	4.28%	5.31%	1.07%	11.00%	0.12%

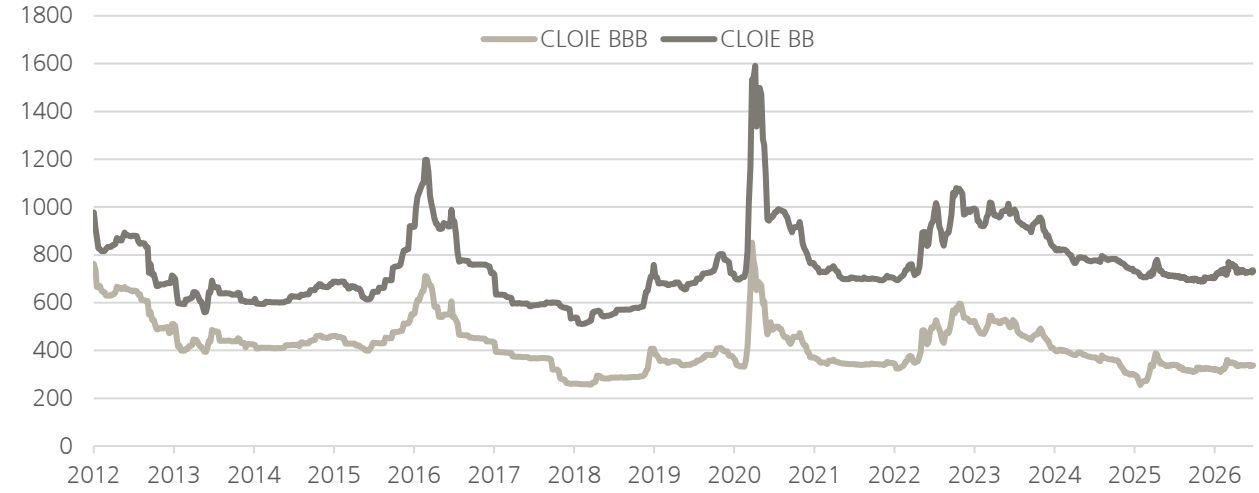
Source: Bloomberg, JP Morgan. **Past performance is no guarantee of future results.** Investors cannot invest directly in an index.

Exhibit O: Discount margin of AAA-, AA-, and A-rated US CLO tranches



Source: JP Morgan and Bloomberg. Data as of June 30, 2026. **Past performance is no guarantee of future results.**

Exhibit P: Discount margin of BBB- and BB-rated US CLO tranches



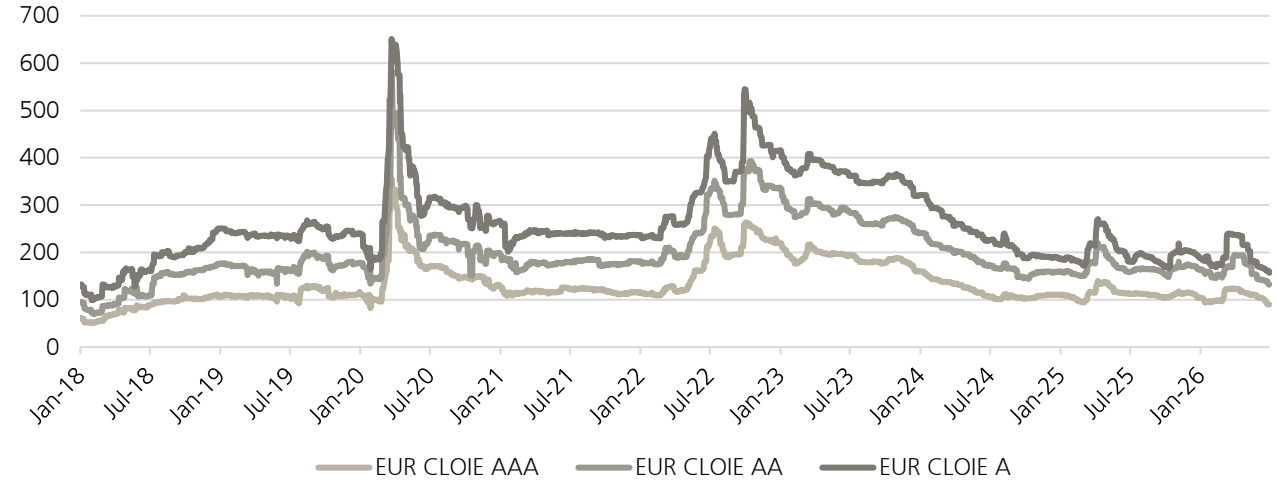
Source: JP Morgan and Bloomberg. Data as of June 30, 2026**. Past performance is no guarantee of future results.**

Exhibit Q: Returns of Euro CLO debt tranches

	2025	Apr-26	May-26	Jun-26	2Q 2026	YTD 2026
J.P. Morgan Euro CLO Index	4.56%	0.77%	0.53%	0.42%	1.72%	2.06%
J.P. Morgan Euro CLO AAA Index	3.73%	0.46%	0.33%	0.36%	1.15%	1.72%
J.P. Morgan Euro CLO AA Index	4.37%	0.78%	0.55%	0.37%	1.71%	2.20%
J.P. Morgan Euro CLO A Index	4.97%	0.64%	0.75%	0.42%	1.82%	2.39%
J.P. Morgan Euro CLO BBB Index	5.84%	1.22%	0.89%	0.63%	2.76%	3.09%
J.P. Morgan Euro CLO BB Index	8.34%	2.26%	1.32%	0.67%	4.31%	4.06%
J.P. Morgan Euro CLO B Index	12.50%	4.15%	1.85%	0.98%	7.12%	2.03%

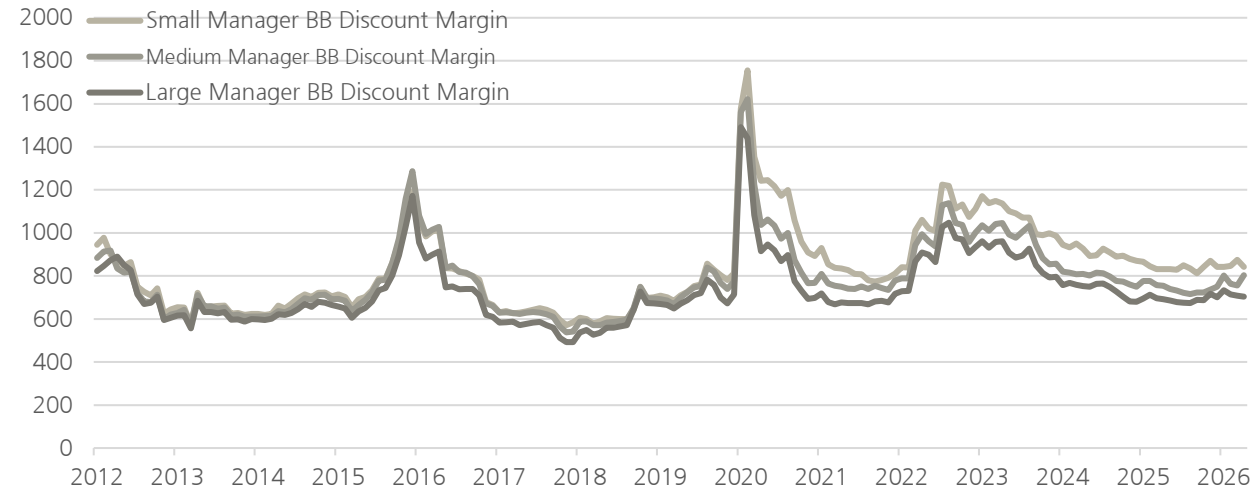
Source: Bloomberg, JP Morgan. **Past performance is no guarantee of future results.** Investors cannot invest directly in an index.

Exhibit R: Discount margin of AAA-, AA-, and A-rated Euro CLO tranches



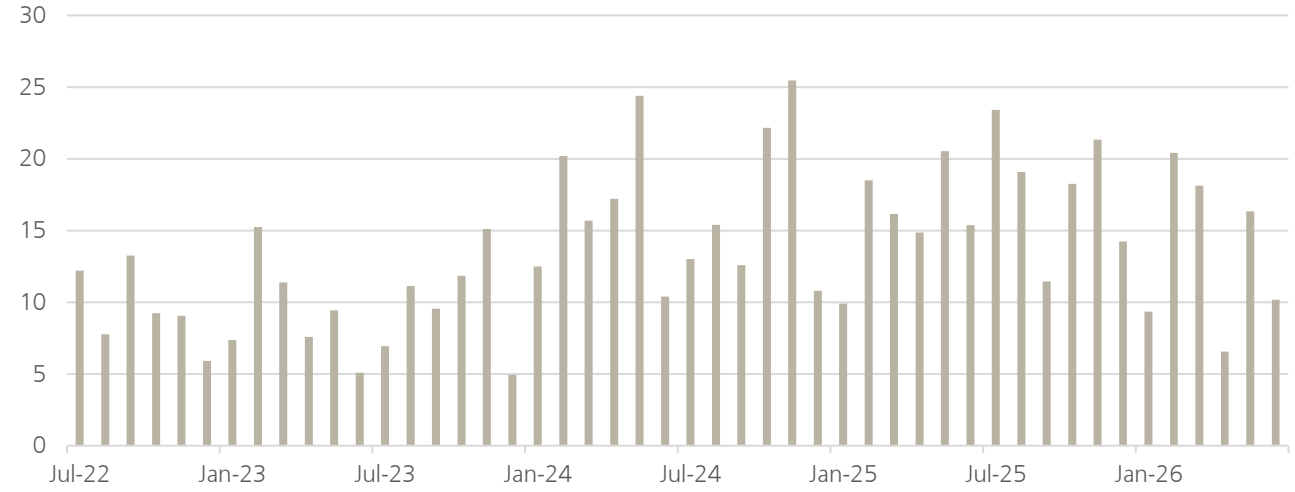
Source: JP Morgan and Bloomberg. Data as of June 30, 2026. **Past performance is no guarantee of future results.**

Exhibit S: Discount margin of CLO BBs by manager size



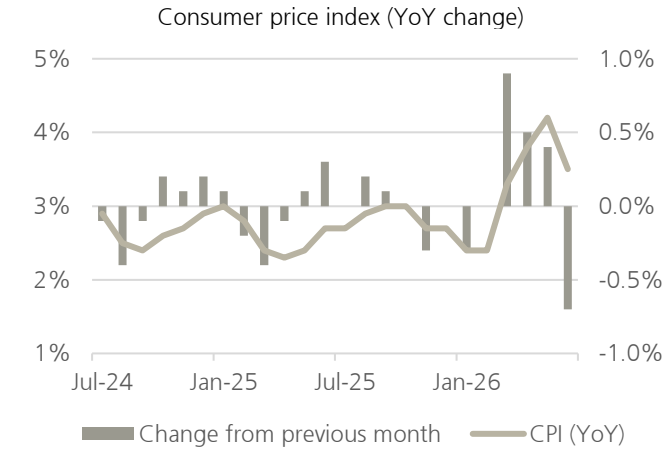
Source: JP Morgan and Bloomberg. Data as of June 30, 2026. **Past performance is no guarantee of future results.**

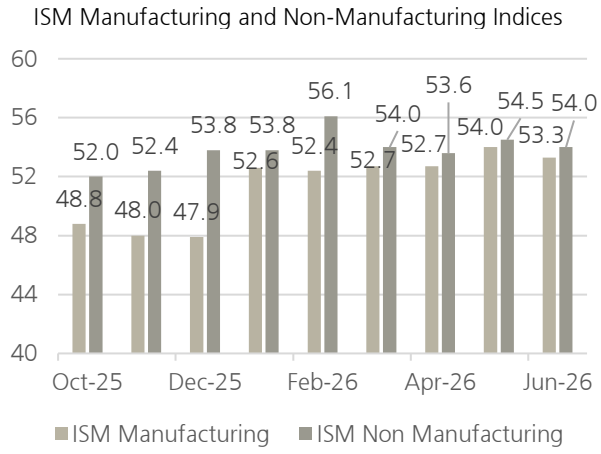
Exhibit T: Monthly US CLO new issuance volume ($bn)



Source: JP Morgan. Data as of June 30, 2026.

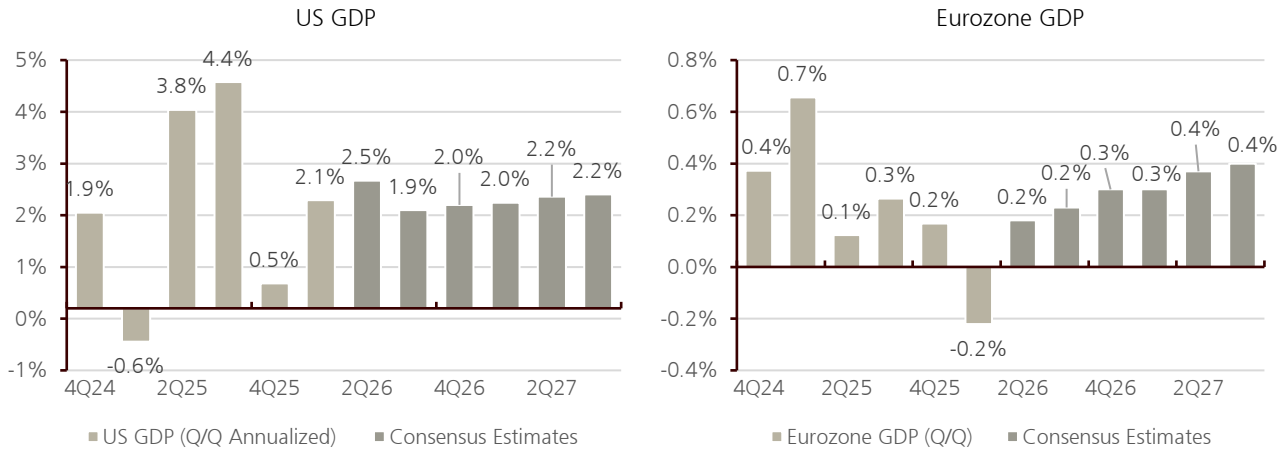
Exhibit U: US economic data





Source: Bloomberg. Data as of July 14, 2026.

Exhibit V: GDP data



Source: Bloomberg. Data as of July 14, 2026. Consensus estimates based on Bloomberg survey of economists. Actual results may vary substantially.

About the Credit Investments Group

The Credit Investments Group (CIG) is a sub-investment grade arm of UBS Asset Management and manages approximately $57.6 billion as of May 31, 2026, in dedicated below-investment grade strategies in multiple vehicles including CLOs, institutional accounts, mutual funds, and other commingled vehicles. CIG has approximately 71 front office professionals and is one of the largest CLO managers.

Index Definitions

S&P UBS Leveraged Loan Index: The index is designed to mirror the investable universe of the $US-denominated leveraged loan market. New loans are added to the index on their effective date if they qualify according to the following criteria: Loans must be rated "5B" or lower; only fully-funded term loans are included; the tenor must be at least one year; and the Issuers must be domiciled in developed countries (Issuers from developing countries are excluded). Fallen angels are added to the index subject to the new loan criteria. Loans are removed from the index when they are upgraded to investment grade, or when they exit the market (for example, at maturity, refinancing or bankruptcy workout). Note that issuers remain in the index following default. Total return of the index is the sum of three components: principal, interest, and reinvestment return. The cumulative return assumes that coupon payments are reinvested into the index at the beginning of each period. Rating Tiers are defined as follows: Upper Tier: Split BBB and BB; Middle Tier: Split BB, B and Split B; Lower Tier: CCC/Split CCC and Default.

S&P UBS Western Europe Leveraged Loan Index Non-USD (hedged to Eur): The index is designed to mirror the investable universe of the non-US$ denominated leveraged loan market in Western Europe. New loans are added to the index on their effective date if they qualify according to the following criteria: Loans must be rated "5B" or lower; only fully-funded term loans are included; the tenor must be at least one year; and the Issuers must be domiciled in developed countries (Issuers from developing countries are excluded). Fallen angels are added to the index subject to the new loan criteria. Loans are removed from the index when they are upgraded to investment grade, or when they exit the market (for example, at maturity, refinancing or bankruptcy workout). Note that issuers remain in the index following default. Total return of the index is the sum of three components: principal, interest, and reinvestment return. The cumulative return assumes that coupon payments are reinvested into the index at the beginning of each period. The Index is hedged to Euros.

ICE BofA US High Yield Index tracks the performance of US dollar denominated below investment grade corporate debt publicly issued in the US domestic market. Qualifying securities must have a below investment grade rating (based on an average of Moody's, S&P and Fitch), at least 18 months to final maturity at the time of issuance, at least one year remaining term to final maturity as of the rebalancing date, a fixed coupon schedule and a minimum amount outstanding of $250 million. In addition, qualifying securities must have risk exposure to countries that are members of the FX-G10, Western Europe or territories of the US and Western Europe. The FX-G10 includes all Euro members, the US, Japan, the UK, Canada, Australia, New Zealand, Switzerland, Norway and Sweden. Original issue zero coupon bonds, 144a securities (both with and without registration rights), and pay-in-kind securities (including toggle notes) are included in the index. Callable perpetual securities are included provided they are at least one year from the first call date. Fixed-to-floating rate securities are included provided they are callable within the fixed rate period and are at least one year from the last call prior to the date the bond transitions from a fixed to a floating rate security. Contingent capital securities ("cocos") are excluded, but capital securities where conversion can be mandated by a regulatory authority, but which have no specified trigger, are included. Other hybrid capital securities, such as those issues that potentially convert into preference shares, those with both cumulative and non-cumulative coupon deferral provisions, and those with alternative coupon satisfaction mechanisms, are also included in the index. Securities issued or marketed primarily to retail investors, equity-linked securities, securities in legal default, hybrid securitized corporates, eurodollar bonds (USD securities not issued in the US domestic market), taxable and tax-exempt US municipal securities and DRD eligible securities are excluded from the index.

ICE BofA BB US High Yield Constrained Index contains all securities in The ICE BofA US High Yield Index that are rated BB1 through BB3, based on an average of Moody's, S&P and Fitch, but caps issuer exposure at 2%. Index constituents are capitalization-weighted, based on their current amount outstanding, provided the total allocation to an individual issuer does not exceed 2%. Issuers that exceed the limit are reduced to 2% and the face value of each of their bonds is adjusted on a pro-rata basis. Similarly, the face values of bonds of all other issuers that fall below the 2% cap are increased on a pro-rata basis. In the event there are fewer than 50 issuers in the Index, each is equally weighted and the face values of their respective bonds are increased or decreased on a pro-rata basis.

ICE BofA Single-B US High Yield Constrained Index contains all securities in The ICE BofA US High Yield Index that are rated B1 through B3, based on an average of Moody's, S&P and Fitch, but caps issuer exposure at 2%. Index constituents are capitalization-weighted, based on their current amount outstanding, provided the total allocation to an individual issuer does not exceed 2%. Issuers that exceed the limit are reduced to 2% and the face value of each of their bonds is adjusted on a pro-rata basis. Similarly, the face values of bonds of all other issuers that fall below the 2% cap are increased on a pro-rata basis. In the event there are fewer than 50 issuers in the Index, each is equally weighted and the face values of their respective bonds are increased or decreased on a pro-rata basis.

ICE BofA CCC and Lower US High Yield Constrained Index contains all securities in The ICE BofA US High Yield Index that are rated CCC1 and lower, based on an average of Moody's, S&P and Fitch, but caps issuer exposure at 2%. Index constituents are capitalization-weighted, based on their current amount outstanding, provided the total allocation to an individual issuer does not exceed 2%. Issuers that exceed the limit are reduced to 2% and the face value of each of their bonds is adjusted on a pro-rata basis. Similarly, the face values of bonds of all other issuers that fall below the 2% cap are increased on a pro-rata basis. In the event there are fewer than 50 issuers in the Index, each is equally weighted and the face values of their respective bonds are increased or decreased on a pro-rata basis.

ICE BofA Euro High Yield Index: The index tracks the performance of EUR dominated below investment grade corporate debt publicly issued in the euro domestic or eurobond markets. Qualifying securities must have a below investment grade rating (based on an average of Moody's, S&P and Fitch), at least 18 months to final maturity at the time of issuance, at least one year remaining term to final maturity, a fixed coupon schedule and a minimum amount outstanding of EUR 250 million.

ICE BofA IG Corporate Index tracks the performance of US dollar denominated investment grade corporate debt publicly issued in the US domestic market. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch), at least 18 months to final maturity at the time of issuance, at least one year remaining term to final maturity as of the rebalancing date, a fixed coupon schedule and a minimum amount outstanding of $250 million. Original issue zero coupon bonds, 144a securities (with and without registration

rights), and pay-in-kind securities (including toggle notes) are included in the index. Callable perpetual securities are included provided they are at least one year from the first call date. Fixed-to-floating rate securities are included provided they are callable within the fixed rate period and are at least one year from the last call prior to the date the bond transitions from a fixed to a floating rate security. Contingent capital securities ("cocos") are excluded, but capital securities where conversion can be mandated by a regulatory authority, but which have no specified trigger, are included. Other hybrid capital securities, such as those issues that potentially convert into preference shares, those with both cumulative and non-cumulative coupon deferral provisions, and those with alternative coupon satisfaction mechanisms, are also included in the index. Equity-linked securities, securities in legal default, hybrid securitized corporates, eurodollar bonds (USD securities not issued in the US domestic market), taxable and tax-exempt US municipal securities and DRD-eligible securities are excluded from the index. Index constituents are market capitalization weighted. Accrued interest is calculated assuming next-day settlement. Cash flows from bond payments that are received during the month are retained in the index until the end of the month and then are removed as part of the rebalancing. Cash does not earn any reinvestment income while it is held in the index. Information concerning constituent bond prices, timing and conventions is provided in the ICE BofA Bond Index Guide, which can be accessed on our public website (https://indices.theice.com), or by sending a request to iceindices@theice.com. The index is rebalanced on the last calendar day of the month, based on information available up to and including the third business day before the last business day of the month. New issues must settle on or before the calendar month end rebalancing date in order to qualify for the coming month. No changes are made to constituent holdings other than on month end rebalancing dates.

ICE BofA Current 10-Year US Treasury Index is a one-security index comprised of the most recently issued 10-year US Treasury note. The index is rebalanced monthly. In order to qualify for inclusion, a 10-year note must be auctioned on or before the third business day before the last business day of the month.

ICE BofA US Corporate, Government & Mortgage Index tracks the performance of US dollar denominated investment grade debt publicly issued in the US domestic market, including US Treasuries, quasi-governments, corporates, covered bonds and residential mortgage pass-throughs.

ICE BofA US ABS & CMBS Index tracks the performance of US dollar denominated investment grade fixed and floating rate asset backed securities and fixed rate commercial mortgage backed securities publicly issued in the US domestic market.

S&P 500® Index is widely regarded as the best single gauge of large-cap US equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971. The composition of the NASDAQ Composite is heavily weighted towards companies in the information technology sector.

The VIX Index is a calculation designed to produce a measure of constant, 30-day expected volatility of the U.S. stock market, derived from real-time, mid-quote prices of S&P 500 Index call and put options.

The Bloomberg Aggregate Bond Index is a broad base, market capitalization-weighted bond market index representing intermediate term investment grade bonds traded in the United States.

JP Morgan CLOIE Index: The Index tracks floating-rate CLO securities in 2004–present vintages. Additional subindices are divided by ratings AAA through B, and further divided between pre- and post-crisis vintages. CLO 2.0, or post-crisis vintages, consists of deals issued in 2010 and later. CLOIE utilizes a market-value weighted methodology.

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