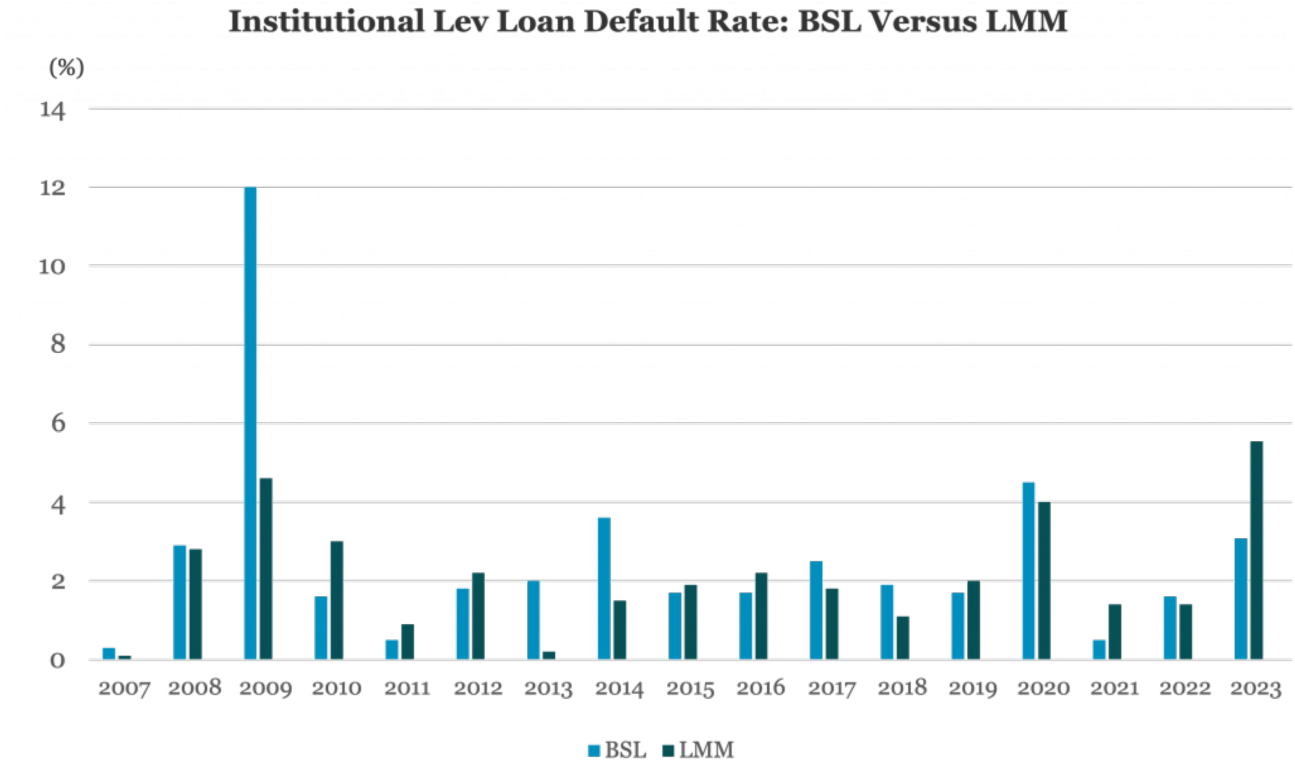
How Does the Default Outlook for the Middle Market Compare to BSL?

Fitch Ratings | April 23, 2024



BSL – Broadly syndicated loans. LMM – Large middle market
Source: Fitch Ratings, U.S. Leveraged Loan Universe, Refinitiv LPC, Bloomberg

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The default rate for loans in Fitch's U.S. Leveraged Loan Universe was 3.3% at the end of 2023, in line with our forecast of 3.0%-3.5% and up from just 1.6% the previous year. The default rate for BSL companies in the index was 3.1%, up from 1.6% in 2022, while the same rate for large middle market (LMM) companies was 5.6%, up from 1.4% yoy.

The 5.6% recorded for the LMM segment was the highest rate that Fitch has recorded since we started tracking in 2007, while the BSL figure was only slightly above long-term averages. The LMM part of Fitch's Leveraged Loan Universe consists largely of syndicated loans.

(Past performance is no guarantee of future results.)