



Credit Market Update

November 2025

Table of Contents

- 01 Executive Summary
- 02 GDP & Economic Drivers
- 03 Labor Market Trends
- 04 Unemployment & Wage Growth
- 05 Consumer Finances
- 06 Corporate Profitability & Credit Health
- 07 Public Rates & Fed Outlook
- 08 Public Credit Markets
- 09 Bank Lending & Capital Strength
- 10 Private Credit Markets
- 11 M&A Trends & Sector Highlights
- 12 Outlook

Executive Summary

1

November data supported the view that the U.S. economy is still expanding, but more modestly. Ongoing AI-related investment and reasonably firm consumer spending maintained a ~2-3% annualized growth rate. However, several categories such as **employment and regional Fed surveys have weakened**, indicating slowing momentum. Despite November's initial market downturn driven by valuation and employment concerns, the Fed's dovish tone suggests further **rate cuts in early 2026** buoying markets for now.

2

Credit quality is well-supported by **strong balance sheets** and **solid earnings trends**, signaling that corporate fundamentals remain sound. High-yield **credit spreads are near historical tights**, at approximately 2.9–3.0%, underscoring strong investor demand and abundant market liquidity. Despite tighter underwriting standards, both bank and private credit channels continue to provide ample financing, allowing borrowers to access capital efficiently.

3

Deal activity remains robust, particularly in **large-scale M&A transactions**, as improved trade policy visibility and easing rates have encouraged a renewed appetite for transactional risk. Credit markets appear open and available to support a **constructive M&A environment to begin 2026**, supported by steady macro conditions, accommodative funding prospects, and a low corporate default rate.

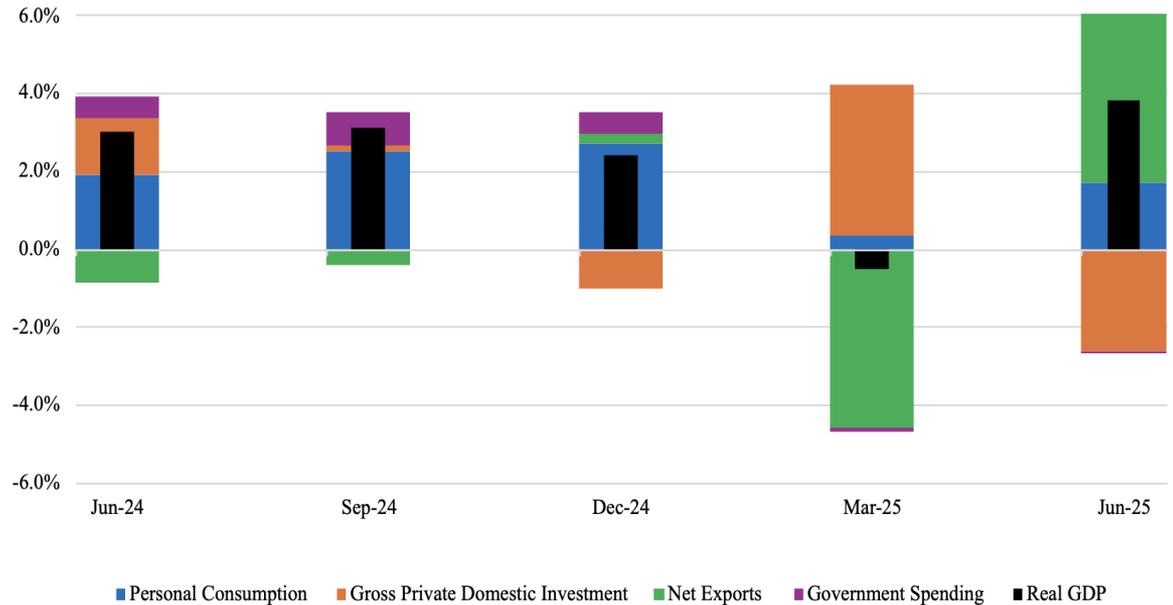
US GDP Breakdown

A strong rebound in U.S. economic momentum was highlighted by the Q2 GDP advance estimate, which came in at a solid **+3.8% annualized**. Weakness in inventories was more than offset by strength in exports and consumer spending, confirming that domestic demand is still the main driver of growth. This mid-year data point indicates that the economy has stabilized following a weak start to the year, supporting projections for a steady expansion into the second half of 2025.

Easing credit conditions look to increase investment appetite, while policy stability and robust household income continue to support discretionary consumption and services activity. Stable corporate balance sheets and the positive policy impacts of the Big Beautiful Bill (BBB) have helped propel business investment growth. Consumer demand remains stable as a result of recent policy changes and moderating inflation.

Growth momentum remains moderately constructive heading into year-end, though trade-sensitive and speculative tech sectors may introduce near-term volatility. Global demand softening and uneven manufacturing output could weigh modestly on external trade, yet the broader trajectory continues to point toward **steady, sustainable domestic expansion**.

Contributions to Percent Change in Real Gross Domestic Product



Source: BEA Data as of 25 September, 2025

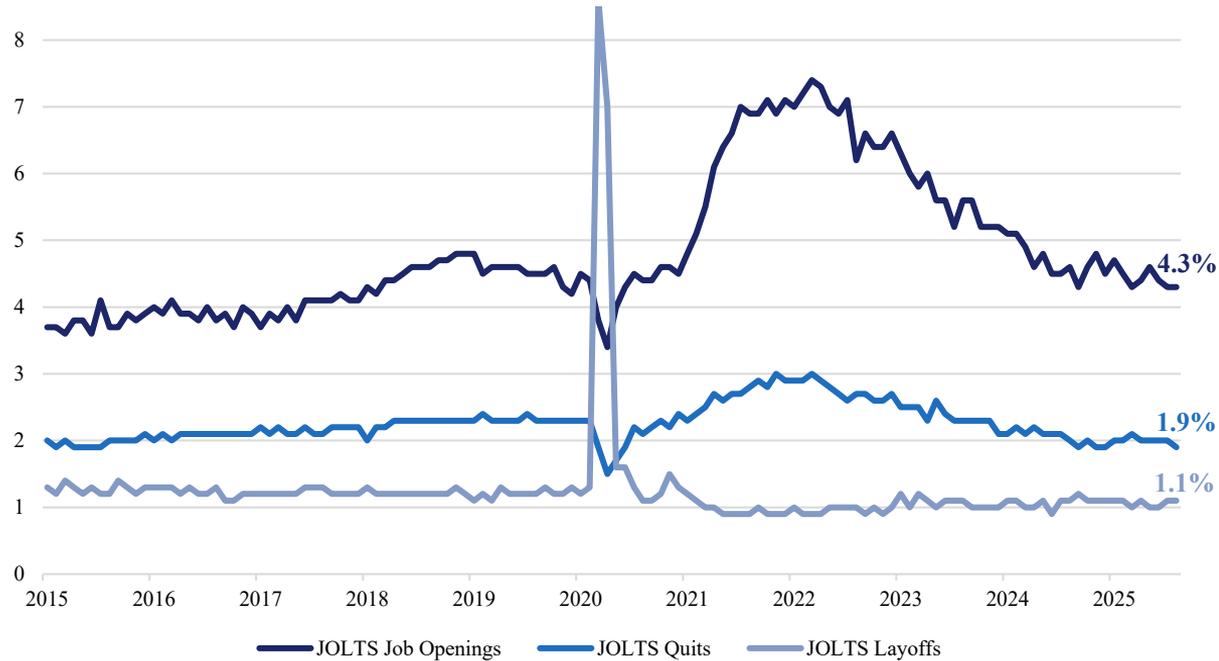
JOLTS Employment Survey Data

According to the most recent August 2025 Job Openings and Labor Turnover Survey (JOLTS) data, the labor market remains healthy with factors indicating labor market tightness is abating thereby decreasing inflationary pressures. As businesses reassess their hiring requirements in the face of steady but slower economic growth, job openings gradually decreased to about 7.2 million. Openings are still higher than they were before 2020, indicating that employers are still vying for skilled workers despite this moderation.

Layoffs increased marginally to 1.7 million but remained in line with long-term trends, while quits remained stable at 3.1 million, indicating that workers are still optimistic about their future employment. This equilibrium between stable separations and less urgent hiring suggests a soft-landing dynamic, in which labor demand declines without leading to a large-scale loss of jobs.

Wage pressures have subsided as the labor market rebalances, allowing the Fed more leeway to think about decreasing interest rates without igniting inflation. The employment environment is still strong overall, boosting consumer spending and maintaining the longer-term growth forecast through late 2025.

JOLTS Job Openings, Nonfarm Quits, and Nonfarm Layoff Rates (%)



Source: US Department of Labor Data as of 30 September, 2025

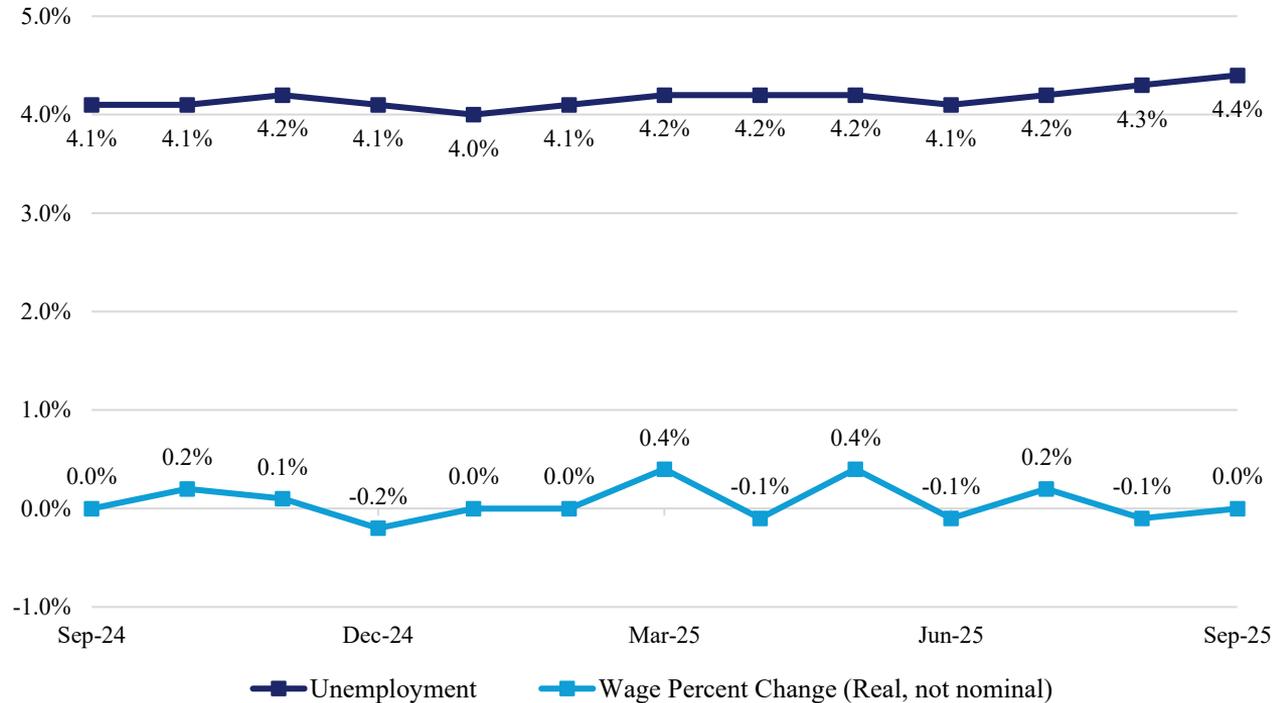
Unemployment and Wage Growth

The U.S. labor market has remained remarkably steady through 2025, with the **unemployment rate anchored in the low-4% range (4.0–4.4%)**. This consistency reflects a balanced employment environment, where job creation has kept pace with labor force growth, and month-to-month volatility has been minimal. Despite slowing economic momentum, employers have largely held onto workers, suggesting confidence in underlying demand and a reluctance to reintroduce hiring frictions.

Real average hourly earnings have shown limited directional momentum, fluctuating within a narrow band of -0.2% to +0.4% over the past year. The most recent readings of -0.1% and 0.0% month-over-month—highlight the absence of wage acceleration as inflation pressures ease. This modest wage growth points to a labor market that is neither overheating nor deteriorating, offering a rare equilibrium between employment stability and cost containment.

Bottom line: labor conditions remain balanced. Unemployment remains low, wage pressures are contained, and there are few signs of broad-based stress or overheating. This backdrop provides policymakers with valuable flexibility, allowing them to navigate inflation and growth trade-offs without the urgency of labor-driven price spirals

US Unemployment Rate and Wage Growth Rate



Source: US Department of Labor Data as of 21st November, 2025

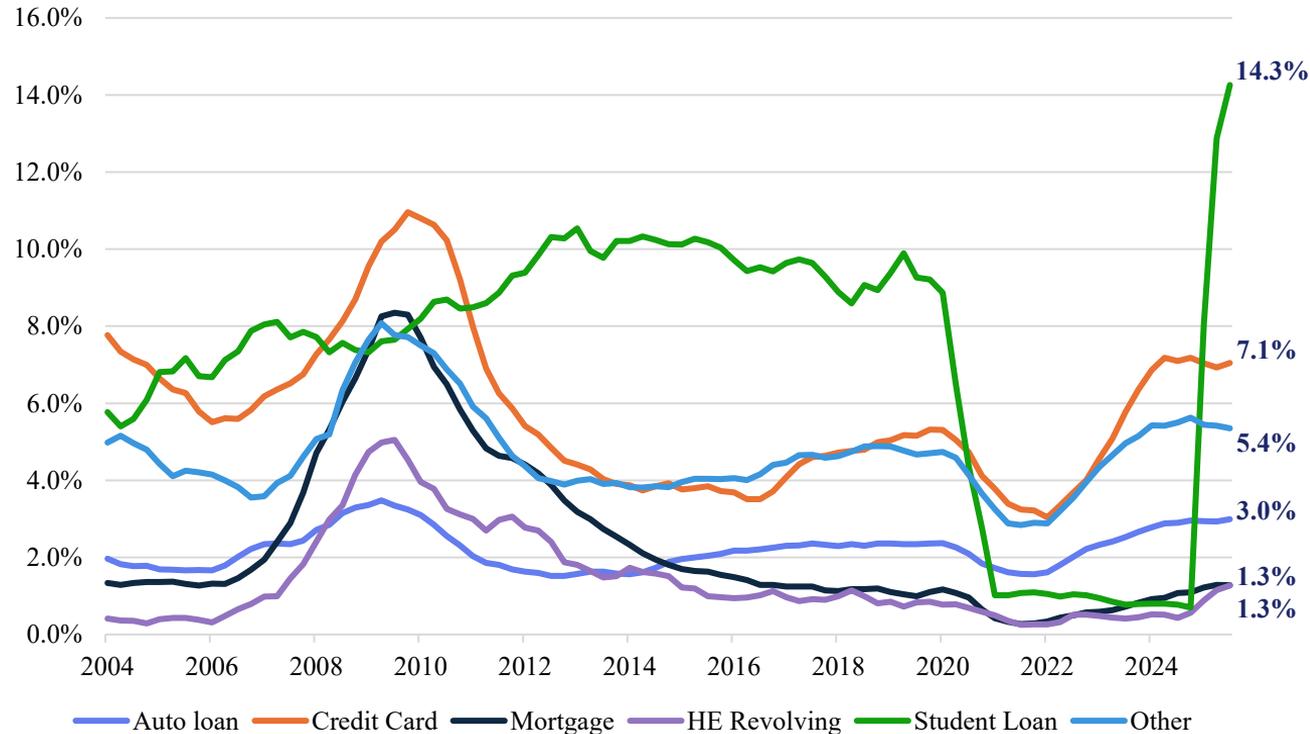
Consumer Financial Health

Consumer balance sheets remain broadly resilient, though **credit stress is increasingly uneven across loan types in 2025**. Transitions into serious delinquency (90+ days past due) have risen from pandemic-era lows, reflecting a normalization in credit performance as interest rates remain elevated. Importantly, most categories remain below prior cycle peaks, indicating that household credit stress is still contained by historical standards.

However, student loan delinquency have risen sharply to 14.3%, following the resumption of repayments, representing the most pronounced area of stress. **Credit card delinquencies have increased to 7.1%**, while **auto and other consumer loans remain more moderate**. In contrast, current **mortgage delinquencies remain low at ~1.3%**, supported by borrower equity and fixed-rate structures.

Overall, these trends point to continued consumer **spending momentum into the second half of the year**, but with growing pressure on credit-sensitive segments – particularly younger and lower-income borrowers. These pockets of vulnerability warrant close monitoring, especially in the context of rising living costs and tighter lending standards.

Transition into Serious Delinquency by Loan Type (90+)



Source: Federal Reserve New York, Data as of November, Q3 2025

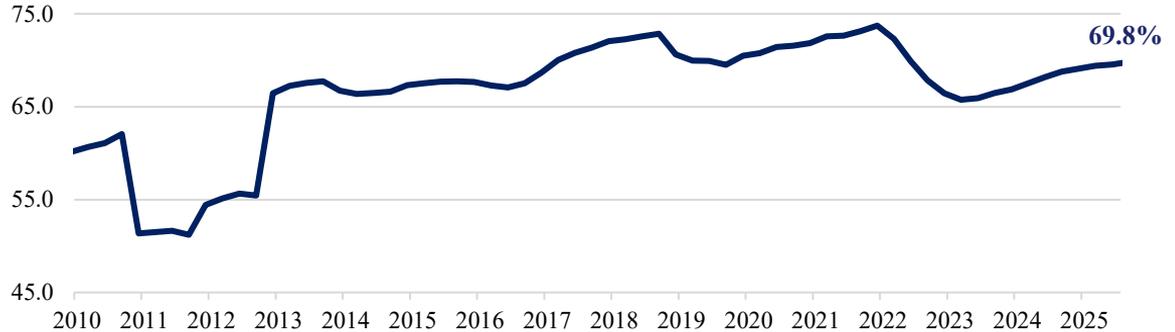
Corporate Financial Health

Five years on from COVID, and corporate America continues to demonstrate remarkable resilience. **S&P 500 gross margins, while slightly below their recent highs, remain elevated at 69.8%**, well above long-term averages. This strength reflects sustained pricing power, disciplined cost management, and ongoing efficiency gains—particularly in sectors that have embraced automation and digital transformation. Companies have shown an ability to protect profitability even as input costs fluctuate and demand patterns shift.

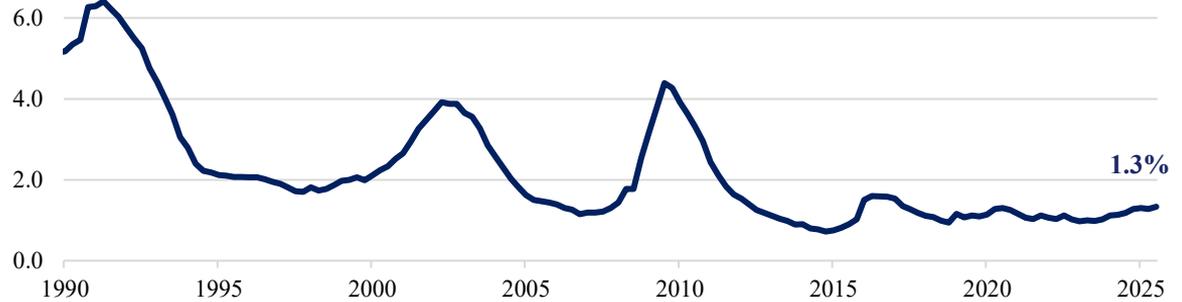
Business loan delinquency rates remain historically low, hovering around 1.3% in early 2025, a clear signal of healthy corporate balance sheets and prudent financial stewardship. This low level of stress in bank loan books suggests that most firms are managing their debt obligations effectively, with ample liquidity and access to capital markets. The benign credit environment has also helped banks maintain strong asset quality, reducing the risk of contagion across the financial system.

Earnings resilience and low corporate delinquencies continue to underpin credit market confidence, supporting robust demand for both investment-grade and high-yield issuance. This favorable backdrop has M&A, driven by strategic consolidation and opportunistic deal-making, particularly in sectors with strong cash flow visibility and balance sheet flexibility.

S&P 500 Gross Margins (%) Since 2010



Delinquency Rate (%) on Business Loans, All Commercial Banks



Sources: Federal Reserve St. Louis, Macrotrends Data as of 30 September, 2025

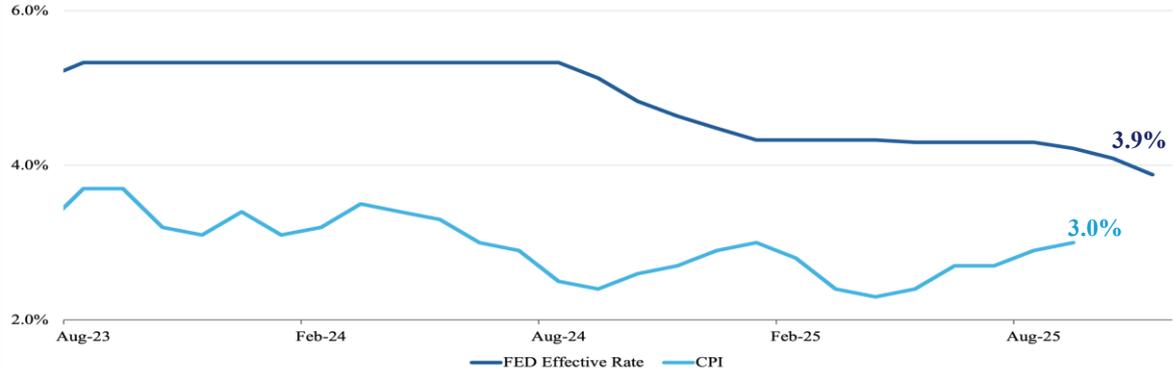
Public Rates Markets

While **September's CPI rose modestly to 3.0%**, inflation continues to show signs of moderation from the elevated levels seen between 2022 and 2024. This easing in inflationary pressures has given the **Federal Reserve greater flexibility, allowing it to cut its target policy rate for the third time this year. As of mid-December, the federal funds rate stands at 3.5%.**

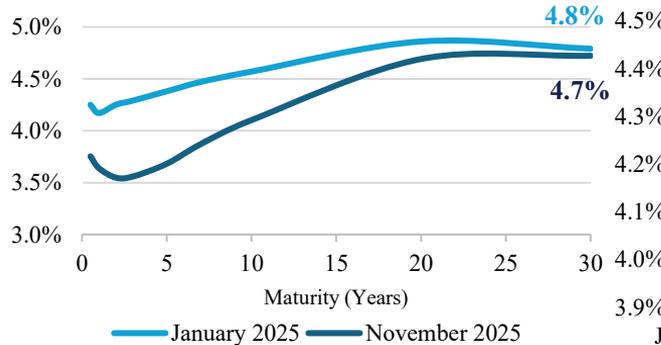
Corporate credit spreads have continued to grind tighter as yield-oriented investors across both investment-grade and high-yield markets remain constructive. Strong balance sheet fundamentals and a supportive macroeconomic backdrop have underpinned demand, with credit sectors demonstrating notable resilience. Spreads are hovering near historic lows, reflecting robust investor appetite and confidence in corporate fundamentals.

Meanwhile, the **"kinked" shape of the U.S. Treasury yield curve suggests expectations for further monetary easing in the coming quarters.** At the same time, elevated long-term yields imply that investors anticipate either a relatively brief rate-cutting cycle or a potential reacceleration of inflation over the longer term. The widening gap between short- and intermediate-maturity yields highlights growing anticipation of policy easing, even as near-term funding pressures continue to influence market dynamics.

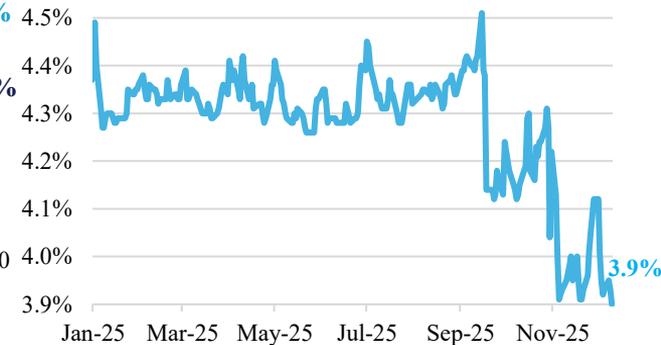
CPI Vs. Fed Effective Rate



Treasury Yield Curve

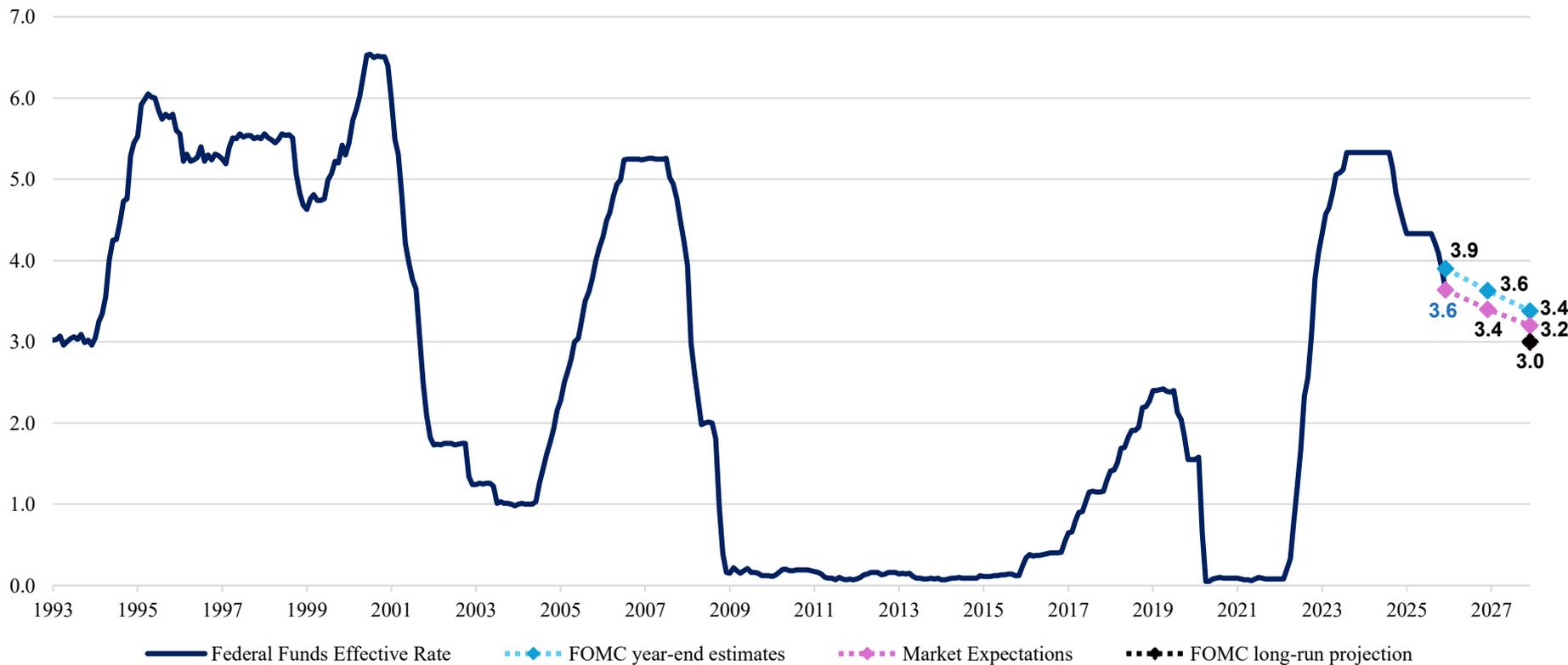


US SOFR Overnight Rate



Sources: Federal Reserve St. Louis, US BLS, US Dept. of Treasury, CME FedWatch Data as of 1 December, 2025

Fed Funds Rate Expectations



Sources: Federal Reserve St. Louis, Bloomberg Data as of 1 December, 2025

Public Credit Markets

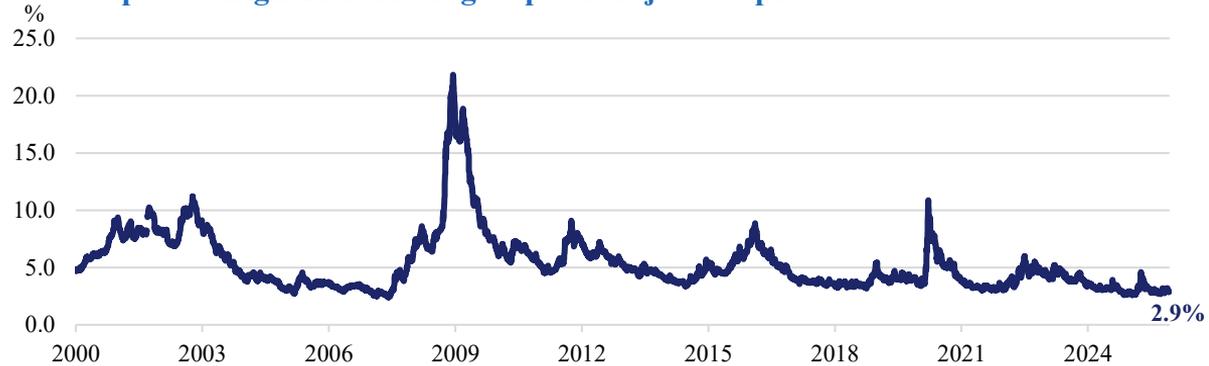
High-yield credit spreads tightened from 3.2% to 2.9% in November, reflecting sustained investor demand for yield. Although the magnitude of the tightening was modest, spreads remain low by historical standards, underscoring a constructive credit environment supported by resilient corporate fundamentals and continued appetite for risk.

The high-yield index has undergone a notable shift since the pre-Global Financial Crisis era. BB-rated bonds now comprise nearly 50% of the index, up from roughly 30%, while B-rated allocations have moderated. This move up in credit quality reflects stronger gross margins across industries and reduced leverage, as the past years elevated inflation contributed to the natural deleveraging of corporate balance sheets.

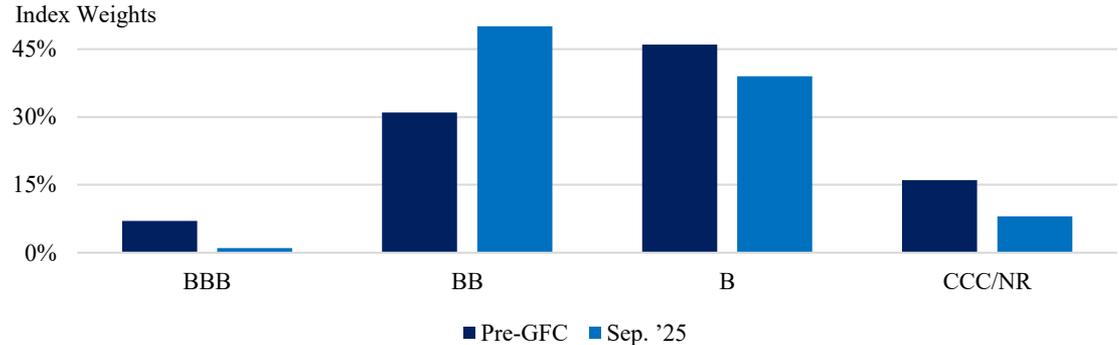
Index weights to CCC-rated and non-rated (NR) bonds have also declined sharply, further tilting the index toward higher-quality credit. This shift enhances market resilience and reduces vulnerability to default cycles.

Following reputational setbacks during the Global Financial Crisis, rating agencies have adopted more conservative assumptions and stricter scrutiny of issuer fundamentals. **These tighter underwriting standards make the move toward higher-quality issuance even more notable,** reflecting a lower corporate leverage preference and a more disciplined credit environment.

US Corporate High Yield Average Option Adjusted Spreads



Credit Rating Weights in U.S. High Yield Index



Source: Federal Reserve Bank of St. Louis, J.P. Morgan Domestic High Yield Index weights

Bank Lending Markets

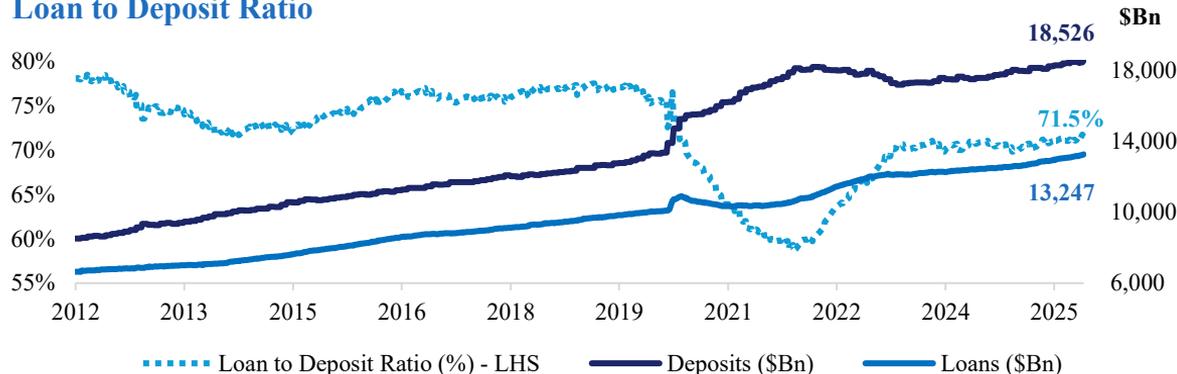
The loan-to-deposit ratio, which peaked near 78% prior to the COVID-19 pandemic, has now stabilized around 71.5%, reflecting continued caution across the banking sector in the wake of the Silicon Valley Bank bankruptcy. The Banks remain highly selective and risk-averse, contributing to a 7-point gap that, if closed, would unlock nearly **\$1 trillion in deployable lending capital**—a powerful signal of the system’s untapped credit capacity.

Tier-1 capital ratios remain elevated at 14.1%, near post-Global Financial Crisis highs. These strong capital buffers provide a solid foundation for credit expansion and risk absorption, reinforcing the sector’s ability to support larger corporate financings even in a more conservative lending environment.

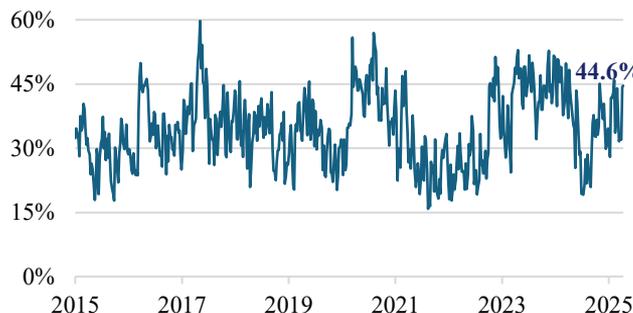
While overall lender sentiment remains subdued, bullishness increased by 6.6 percentage points in November to 44.6%. This rebound reflects greater macroeconomic clarity and an improving outlook for credit markets, supported by the sector’s underlying financial strength.

The combination of **steady deposit inflows and robust capital reserves** positions banks to remain active participants in credit intermediation through the second half of the year. Despite soft sentiment, the industry’s strong balance sheets suggest ample capacity to sustain lending activity and absorb potential credit shocks—without triggering a material tightening of underwriting standards.

Loan to Deposit Ratio



Lender Sentiment Survey, % Bullish



Bank Tier-1 Capital as % of Assets



Sources: Federal Reserve St. Louis, S&P Capital IQ, AAIL

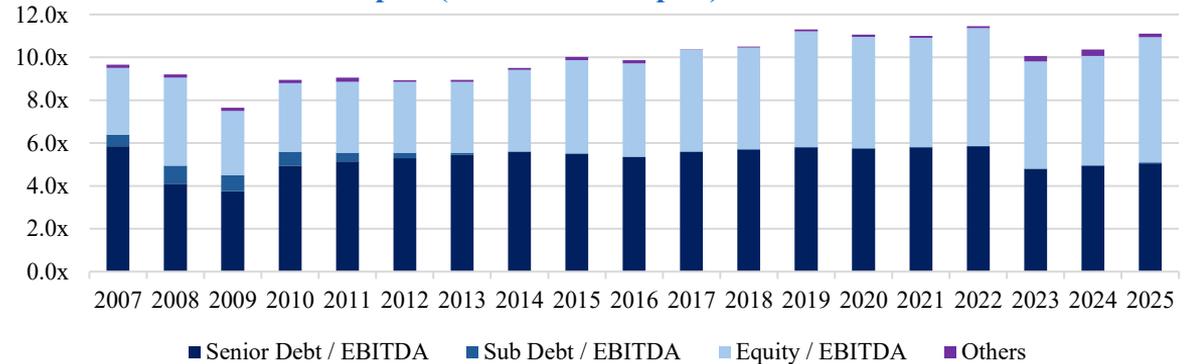
Private Credit Markets

LBO purchase price EBITDA multiples remain elevated, supported by strong sponsor activity and senior debt financing averaging 4.0x–4.5x EBITDA. While modestly below the 2021–2022 highs, overall purchase price multiples have stabilized near 10x EBITDA, underscoring sustained competition among lenders. Senior leverage has remained conservative, aided by the widespread use of unitranche facilities that continue to minimize reliance on subordinated or mezzanine debt.

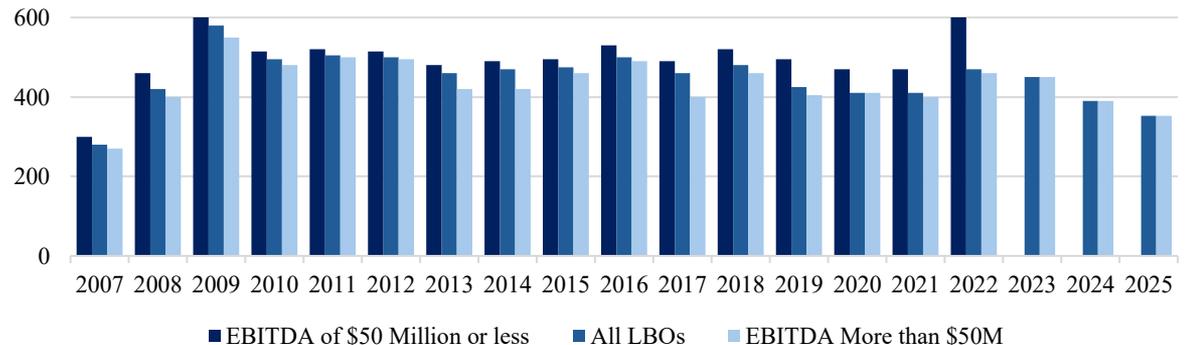
Institutional loan spreads contracted slightly in 2025, mirroring last year’s compression. Average spreads now range between 350–400 bps, down from roughly 400 bps in 2024, as lenders adjusted to higher funding costs and macroeconomic volatility. Spreads remain well below 2022 peaks and continue to reflect strong credit quality and disciplined underwriting. The spread differential between sub-\$50 million and larger EBITDA deals persists, though it has narrowed as smaller borrowers regained access to private credit markets.

Overall, private credit remains competitively priced and highly accessible for well-structured transactions. Robust liquidity, elevated equity contributions, and flexible debt structures continue to favor borrowers. However, if macroeconomic uncertainty and rate volatility persist, lenders may reprice risk selectively, especially for lower middle-market credits.

LBO Purchase Price Multiples (EBITDA Multiples)



LBO Institutional Spreads



Source: Pitchbook Q3'25 US LBO Update

M&A Trends

Through late 2025, U.S. M&A activity contracted, with total capital invested falling to \$181 billion in November, below the October setback of \$187 billion.

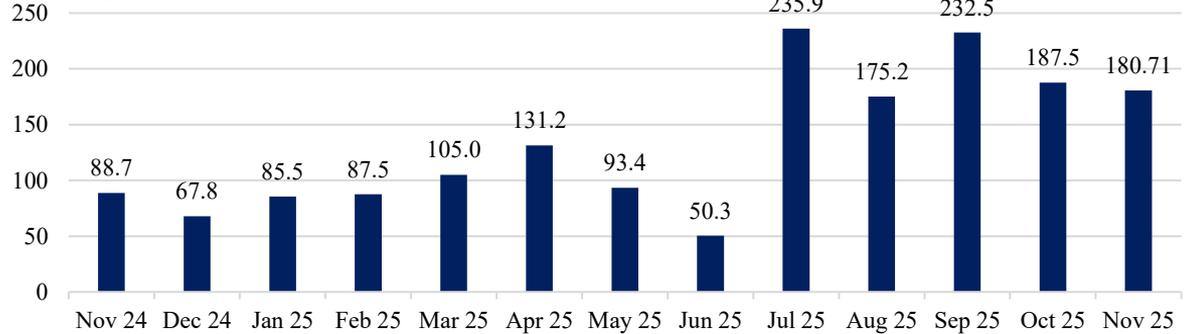
This reduction underscores a slowing deal momentum and sponsor confidence following a midyear slowdown. Aggregate deal value for 2025 remains well above 2024 levels, reflecting broad recovery across strategic and private equity transactions.

While deal count remains moderate but lower, transaction size continues to expand—driven by a wave of large-scale buyouts and add-ons. M&A transactions (476) and buyouts/LBOs (360) still account for the majority of deal flow, though volumes have eased, while smaller categories such as secondary and management buyouts saw limited activity.

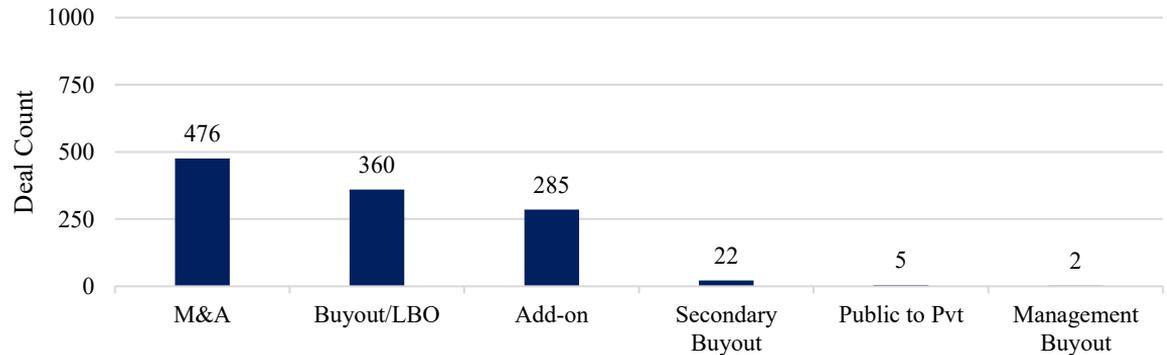
This ongoing shift toward larger, sponsor-backed deals highlights both abundant liquidity and heightened risk concentration in the upper end of the market.

Looking ahead, sustained activity levels suggest continued investor appetite through year-end. However, as valuations rise and financing conditions tighten, acquirers may face increasing pressure on leverage ratios and post-merger integration capacity.

US Capital Invested (\$B)



Financing Trends by Deal Type



Source: Pitchbook

Outlook

The near-term macro-outlook appears broadly constructive, supported by resilient labor markets, contained inflation, and strong consumer spending—all of which continue to anchor economic momentum. Liquidity remains ample across both traditional banks and private credit channels, while growing expectations of a measured Fed pivot toward lower rates suggests financial conditions may ease meaningfully in the near term.

Improving policy visibility and fading trade uncertainties are helping to revive deal activity, with July already showing an uptick in larger transactions and renewed corporate investment confidence. Credit spreads remain historically tight, and investor demand across rating tiers continues to provide a stable and diversified funding base.

While near-term risks—including potential trade disruptions or abrupt shifts in rate expectations—warrant close monitoring, the overall market tone remains positive and supportive of continued transaction flow.



Managing Partner
raconsul@bankersedgeadvisory.com
(248) 953-5163



Managing Partner
mvermet@bankersedgeadvisory.com
(313) 670-3339

Richard Consul, CFA

Managing Partner

Mr. Consul brings over 20 years of expertise in domestic and international capital markets as a Senior Portfolio Manager and Fixed Income, Currency, and Commodities Strategist. Most recently, serving as Senior Portfolio Manager and Fixed Income Strategist for Victory Capital's institutional fixed income team, where he was a member of the investment committee overseeing nearly \$7 billion in assets under management across Total Return, Short-Duration, and Convertibles strategies. Throughout his career, Mr. Consul has been a trusted business partner for corporate, banking, and insurance clients, helping them navigate and solve complex challenges related to liquidity, risk management, Asset-liability Management (ALM), and secondary market dynamics.

Mitch Vermet, CFA, CAIA

Managing Partner

Mr. Vermet brings nearly a decade of experience in institutional asset management and investment banking to the team. He has been an integral part of close-knit investment teams responsible for the portfolio construction and tactical asset allocation of over \$30 billion in institutional capital, helping clients manage and structure their balance sheets with strategic asset liability management solutions. As a trusted advisor, Mitch has consistently guided clients to solutions for their most immediate challenges while helping to enable them to prudently manage risk and be dynamically positioned to capitalize on opportunities over all possible future macroeconomic scenarios.