CREDIT MARKET BRIEFING - FRIDAY, SEPTEMBER 11, 2026

EXECUTIVE SUMMARY

Key Credit Market Developments

Market Signal	Implication
Credit ETFs underperforming amid Treasury selloff	LQD -0.90%, HYG -0.46% as 10Y yield surges 11bp to 4.94%
Duration risk driving IG weakness	Long-duration IG bonds facing dual headwinds from rates and modest spread widening
HY showing relative resilience	Shorter duration profile providing defensive characteristics in rising rate environment
Risk-off sentiment emerging	SPY -0.60%, QQQ -1.06% suggesting broader credit caution warranted

CREDIT SPREAD OVERVIEW

Investment Grade & High Yield Spreads

Instrument	Current Level	Daily Change	Spread Implication
LQD (IG ETF)	**$104.36**	-0.90%	Modest IG spread widening
HYG (HY ETF)	**$78.62**	-0.46%	HY spreads stable to slightly wider
JNK (HY ETF)	**$94.63**	-0.43%	Confirming HY resilience vs IG
BofA HY OAS (9/9)	**271bp**	Historical context	Near cycle lows, room for widening

TREASURY MARKET CONTEXT

Yield Curve Dynamics

Maturity	Current Yield	Daily Change	Curve Impact
3-Month (^IRX)	**3.85%**	+4bp	Short end rising modestly
10-Year (^TNX)	**4.94%**	+11bp	Belly steepening significantly
30-Year (^TYX)	**5.36%**	+8bp	Long end following 10Y higher
2s10s Spread	~51bp	Steeper	Curve normalization continuing

CREDIT ISSUANCE PIPELINE

Primary Market Conditions

Segment	Issuance Outlook	Pricing Conditions	Investor Demand
Investment Grade	Moderate pipeline expected	New issue concessions widening	Duration-sensitive buyers cautious
High Yield	Selective issuance likely	Stable to modest widening	Yield buyers still engaged
Financials	Bank issuance may accelerate	Benefiting from steeper curve	Strong institutional demand
Utilities	Rate-sensitive postponements	Duration penalty increasing	Yield-focused buyers only

SECTOR ANALYSIS

Credit Sector Rotation Signals

Sector	Relative Performance	Credit Fundamentals	Positioning Recommendation

Energy	Outperforming on oil surge	Cash flow improving, leverage declining	**Overweight**
Technology	Underperforming with QQQ	Strong balance sheets, growth concerns	Neutral to Underweight
Financials	Benefiting from curve steepening	NIM expansion supportive	**Overweight**
Utilities	Duration headwinds intensifying	Stable but rate-sensitive	Underweight
REITs	Under pressure from rates	Refinancing risks emerging	Underweight

MACRO CREDIT IMPLICATIONS

Economic Data Impact on Credit Markets

Economic Indicator	Latest Reading	Credit Market Impact	Fed Policy Implication
Unemployment Rate	**4.3%**	Labor market resilience supports credit	Reduces dovish Fed pressure
Nonfarm Payrolls	**159,075K**	Steady employment aids default outlook	Supports gradual policy normalization
CPI (July)	332.813	Inflation trajectory key for real rates	Maintains hawkish Fed bias
Fed Balance Sheet	$6.74T	QT continues, liquidity tightening	Technical headwinds for credit

DEVELOPMENTS TO WATCH

Credit Risk Monitoring

Risk Category	Current Status	Probability	Credit Impact
Rating Downgrades	Selective pressure in rate-sensitive sectors	Medium	Utilities, REITs vulnerable
Default Rate	Below historical average	Low	Benign credit environment persists
Refinancing Risk	Emerging in 2027-2028 maturities	Medium	Higher-beta credits at risk
Liquidity Conditions	Adequate but tightening	Medium	Bid-ask spreads may widen

RECOMMENDATIONS

Tactical Credit Positioning

Strategy	Rationale	Implementation	Risk/Reward
Overweight HY vs IG	Duration advantage in rising rate environment	Reduce LQD, add HYG/JNK	High conviction, moderate risk
Sector Rotation to Energy/Financials	Beneficiaries of macro environment	Targeted sector ETFs or single names	Medium conviction, cyclical risk
Underweight Long Duration IG	Rate sensitivity creating headwinds	Focus on 3-7 year maturity bucket	High conviction, duration risk
Maintain Credit Quality Bias	Late-cycle positioning prudent	BB/BBB focus, avoid CCC exposure	Defensive positioning

Bull/Bear Scenarios

Scenario	Probability	Credit Market Outcome	Positioning Adjustment
Bull Case: Fed pivot, rates stabilize	30%	Credit rally, IG outperforms	Add duration, reduce HY bias
Base Case: Gradual rate normalization	50%	Selective credit performance	Maintain current positioning
Bear Case: Aggressive Fed, credit stress	20%	Spread widening, quality flight	Reduce risk, increase cash