

High Yield & Loan Strategy

Defaults and downgrades in 2026

Convergence in HY and Loan credit losses

Distress ratios have become less indicative of future defaults in the era of LMEs. Better macro predictors exist, which point to declining default pressures in '26 for US loans. Our bottom-up analysis of the current loan universe suggests the same outcome. Migration rates, however, are expected to remain tilted towards net downgrades, though they should improve slightly from current levels. We expect recoveries to remain healthy and credit losses to ease from current levels. That said, lender-level dispersion of recoveries which has afflicted a majority of deals YTD, is expected to persist in '26.

In HY, our CSI points to an increase in defaults next year vs current levels. We expect incremental defaults to come from distressed CCCs that have yet to refi their built-up maturity walls. Net migrations are generally expected to remain flat. Recoveries point higher but not enough to offset increased defaults, pushing credit losses marginally higher.

We think the story in '26 will be one of convergence in HY and Loan credit losses, but divergence in private vs public performance on account of relatively higher pressures in the latter from coverage ratios and downgrades. Dispersion is expected to remain high.

HY and Loan Weekly Update

Credit markets were flat this week with HY wrapped around 300bps (fair value 325bps) and Loans around \$97 (fair value \$97.5). Notably, stability prevailed despite HY demand slipping back to "Liberation Day" lows. However, we still don't see a return of animal spirits in credit, as investors are being cautious about possible landmines and dispersion remains high. This was evident in HY Paper, Packaging and Cable, down -0.4% in price WTD, offset by Healthcare and Media up +0.4%. Loan sectors had more consistent performance. We think it makes sense to continue our stepwise approach – derisk into strength and buy quality on a dip.

HY spreads tightened 3bps WTD to 301bp, now at 29th pctile. The index returned +0.19%, lifting MTD returns into positive territory (+0.04%). BBs led (+0.25% WTD) while CCCs underperformed (-0.06%). Primary activity was limited, totaling \$1.5bn for refi. HY funds registered a third consec. week of net outflows (-\$1.3bn). Calls/mtly totaled \$1.1bn for the week along with coupons of \$0.1bn. We estimate a better print next week with calls/mtly (\$2.0bn) and coupons (\$0.5bn).

The loan index returned 0.15% WTD, on higher prices. The week saw \$4.5bn in new issuance and no new BSL CLO creation, driving softer demand net supply. Flows remain pressured, with -\$100mn outflows from BSL Open-Ends WTD, and flat BSL ETF flows. We counted two new Loan defaults totaling \$556mn from Florida Food Products following a distressed debt exchange, though LTM Loan default rate remains at 4% by par and 4.1% by issuer. Retail (+0.27% WTD) and Services (+0.22%) outperformed.

23 October 2025

High Yield & Loan Strategy United States

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Defaults and downgrades in '26

Amid LMEs becoming the dominant source of LevFin defaults, well established metrics to gauge default pressures – such as distress ratios – have lost their predictive power, especially in Loans. Alternative factors including ISM Manufacturing PMI, shadow distress, and federal funds rates are more promising, and signal a decline in NTM Loan issuer default rate to 3.7% from current 4.1% levels, while par default rate is expected to ease to 3.6%. This estimated DR also lines up well with our bottom-up approach based on rating and maturity distribution of the index. Relief is expected to come on account of LMEs, while hard defaults persist at current 1.5% levels.

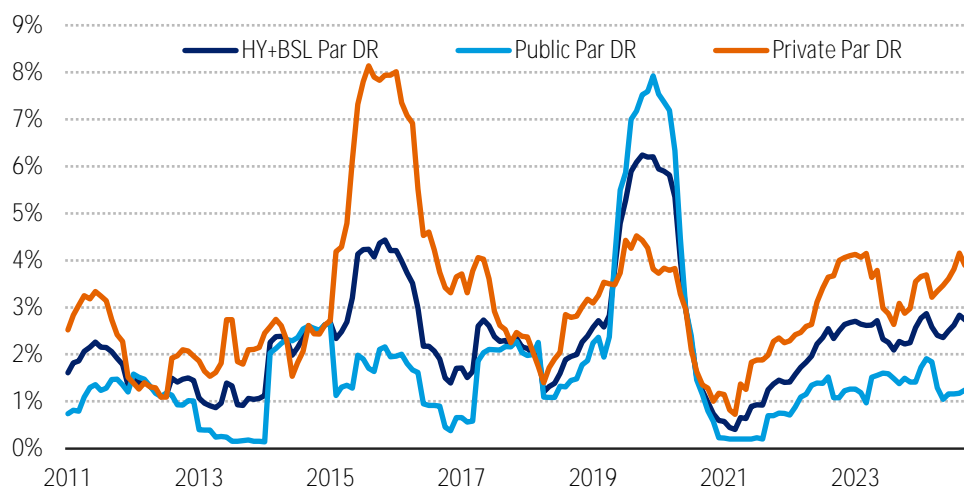
Trade policy uncertainties amid high interest rates have led loans to register worsening net downgrades this year. Looking ahead, we think 12-month net downgrades will improve, supported by rate cuts, but we don't expect migrations to cross over into net upgrades anytime soon. Loan recoveries have continued to improve through '25 and are currently at \$60. Next year, we expect recoveries to remain healthy on LME preponderance, which generates higher recoveries, leading to a credit loss of 90bps. Importantly, lender-level dispersion in recoveries, which has afflicted ~60% of YTD LME outcomes, is expected to continue.

In HY, CSI continues to correlate well with NTM par DR and signals 1.5% for 2026, up from current DR of 1.2%, while issuer DR could increase from 2.4% to 2.7%. We expect additional defaults to come from distressed CCC issuers given the current elevated gap between their coupons and yields (16%), indicating higher default pressures ahead on account of costly refinancings. For net migration, we pencil in a slight net upgrade of 0.4% though downside risks exist depending on how the Q3 earnings season pans out. Credit loss is poised to increase moderately to ~60bps, despite increasing HY recoveries.

There is a clear wedge between the public and private factions of LevFin (based on type of issuer equity). On a combined basis, private issuer DR has reached 3.8% across HY & BSL markets, vs 1.2% amongst public issuers (Exhibit 1). Our interest coverage scenario analysis corroborates this outcome – showing that private issuers have lower coverage ratios accounting for ratings and capex differences. This divergence is poised to persist in our YE'26 base case of four more rate cuts and challenged LevFin earnings. We think the story in '26 will be one of convergence in HY and Loan credit losses, but divergence in private vs public performance on account of relatively higher pressures amongst private issuers from coverage ratios and downgrades. Dispersion will remain elevated.

Exhibit 1: US HY/BSL Par DR in public vs privately owned issuers

Par DR among private Levfin issuers has been consistently running higher than that among public issuers since 2021. Currently private par DR stands at 4% vs 1% among public Levfin issuers.



Source: BofA Global Research, ICE Data Indices, LLC

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US Loan defaults in '26

We forecast 2026 Loan issuer DR of ~3.7% and par default ~3.6%. Distress ratio has lost its predictive power over NTM DR – we deduce better macro metrics to gauge top-down default pressures – while our bottom-up approach is based on rating and maturity distribution of the index. We expect loan recoveries to remain solid in 2026 ~\$60, due to ongoing dominance of LME defaults that bring higher recoveries, and a credit loss of 90bps. However, we note LME-only recoveries are more nuanced given differing economic outcomes for lenders. Loan net migration has deteriorated YTD based on trade policy uncertainties and earnings pressure from tariffs and high interest rates. Looking ahead, we expect 12-month net migration to improve, supported by anticipated rate cuts but remaining tilted to net downgrades. We expect most defaults to come from CCCs and private issuers despite their improving coverage ratios.

Distress ratios no longer indicative of defaults

In our previous report [The era of pre-emptive LMEs](#), we demonstrated that although distress ratios have historically shown a strong correlation with default rates, recent trends suggest a breakdown in this relationship. Specifically, while the distress ratio has declined, default rates including LMEs have continued to rise. This divergence indicates that the distress ratio alone is no longer a reliable predictor of defaults and that newer factors are needed to explain default rates.

We identify five broad categories of risk factors that could plausibly influence defaults, based on both theoretical reasoning and market intuition. These categories, summarized in Exhibit 2, incorporate both macroeconomic and loan market-specific factors. We identify factors having the highest correlation with NTM default rates and run parsimonious multivariate regressions to see which combination of factors maximizes explanatory power. Taken together we find a 3-factor regression containing PMI, shadow distress, and fed funds rate to have the best explanatory power for NTM default rates (Exhibit 3).

Exhibit 2: Broad categories of risk factors that could influence defaults

We incorporate both macroeconomic and loan market-specific factors to assess drivers of loan default rates

Risk Category	Rationale	Sample factors
Macroeconomic conditions	Loan market performance and defaults are closely tied to the business cycles and broader economic backdrops	ISM Manufacturing PMI, Unemployment Rate, Treasury yields, Fed Funds rate
Credit Quality	A higher concentration of low-quality (LO) loans or issuers in the index is associated with a higher probability of default	B3 issuers as % of index, CCC issuers as % of index, average rating of index
Distress/Dispersion	Distress ratio and dispersion tend to increase during downturns and periods of stress, signaling elevated default risk	Distress ratio, Shadow distress ratio, Dispersion
Issuer access to primary	Defaults occur when issuers, especially CCC-rated, are not able to access source of funding	B3 issuer access to primary, CCC issuer access to primary
Maturity profile	A pronounced near-term maturity wall, especially among low-quality issuers, elevates refinancing risk and default probabilities	% of loans in index with maturity < 2yr, % of LO issuers with maturity < 3yr

Source: BofA Global Research

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Exhibit 3: Specification of the 3-factor regression

We find a regression with PMI, shadow distress and Fed Funds rate to have the best explanatory power over NTM default rates, with an 80% adjusted R-square

Factor	Coefficients	P-value	Adj Rsq
Intercept	0.056249649	3.63307E-09	0.798858091
Manufacturing PMI	-0.000845808	2.38292E-07	
Shadow Distress ratio	0.05117872	3.58862E-27	
FDTR	0.004423619	2.46737E-22	

Source: BofA Global Research, LCD, Bloomberg

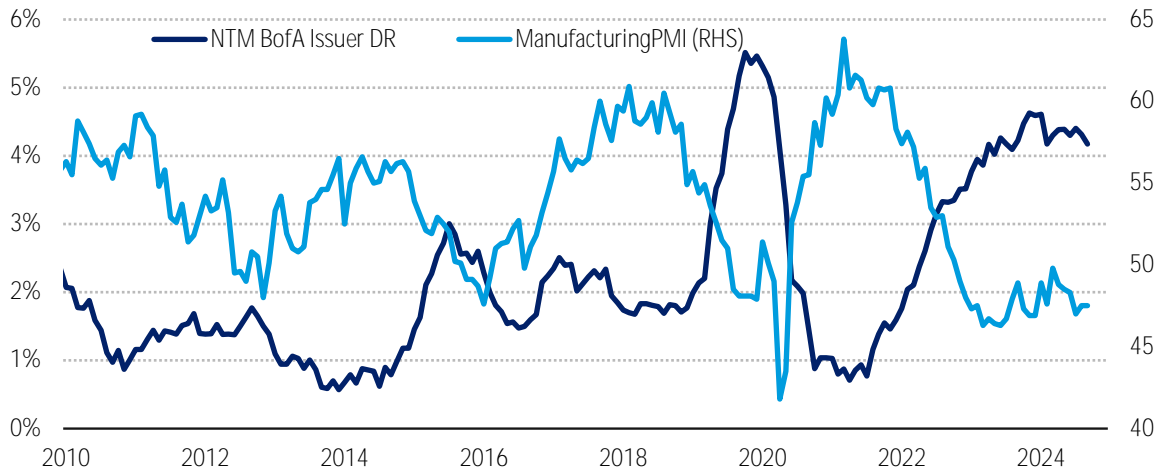
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The set of most predictive factors

ISM Manufacturing PMI emerges as the most powerful factor, with a -76% correlation to NTM default rates, the highest among all candidate factors. PMI, a good reflection of economic activity, has historically shown a strong relationship with small-cap earnings growth (see [2025: Meet me in the Middle report](#)), which provides a natural link to future performance including defaults. The drop in PMI post 2021 coincides with a commensurate rise in NTM loan default rate, though both have now somewhat stabilized (Exhibit 4).

Exhibit 4: NTM BofA Issuer DR vs. ISM Manufacturing PMI
 Manufacturing PMI has a 76% correlation to NTM default rates, the highest among all candidate factors

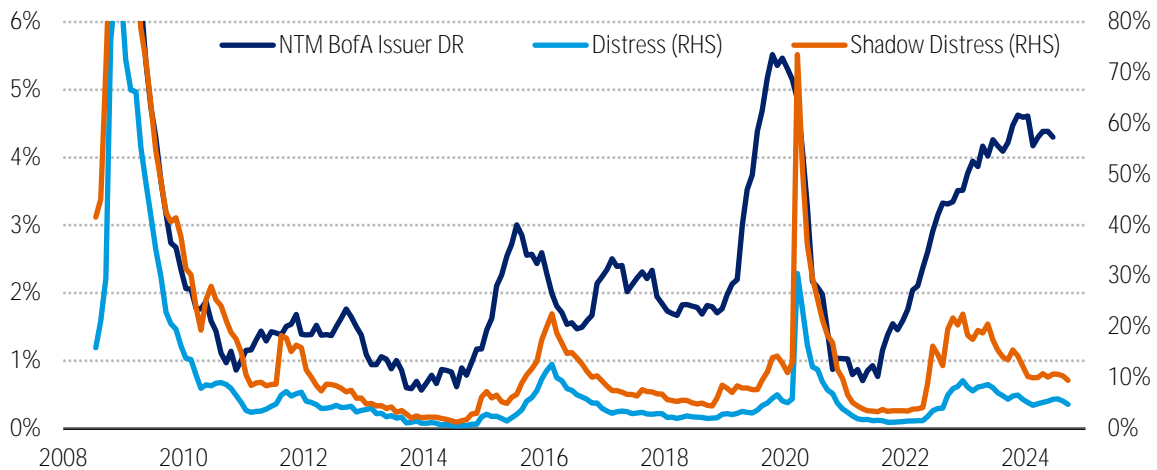


Source: BofA Global Research, LCD, Bloomberg

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The shadow distress ratio has the second-strongest correlation (+73%) with NTM default rates. Despite recent divergence, our analysis indicates that it remains an important factor for two reasons. First, it helps explain historical default patterns better than the standard distress ratio. This is because during economic shocks, the share of loans priced below 90 (shadow distress) increases far more sharply than the share below 80 (distress), as observed during the COVID-19 period (Exhibit 5). Second, our prior report ([The era of pre-emptive LMEs](#)) shows that avg price of LMEs 12m prior to default has increased from \$70 in 2024 to \$83 today, and will essentially be better tracked by the shadow distress ratio going forward.

Exhibit 5: NTM BofA Issuer DR vs. Distress & Shadow distress ratio
 Shadow distress ratio has the second strongest correlation (+73%) with NTM default rates



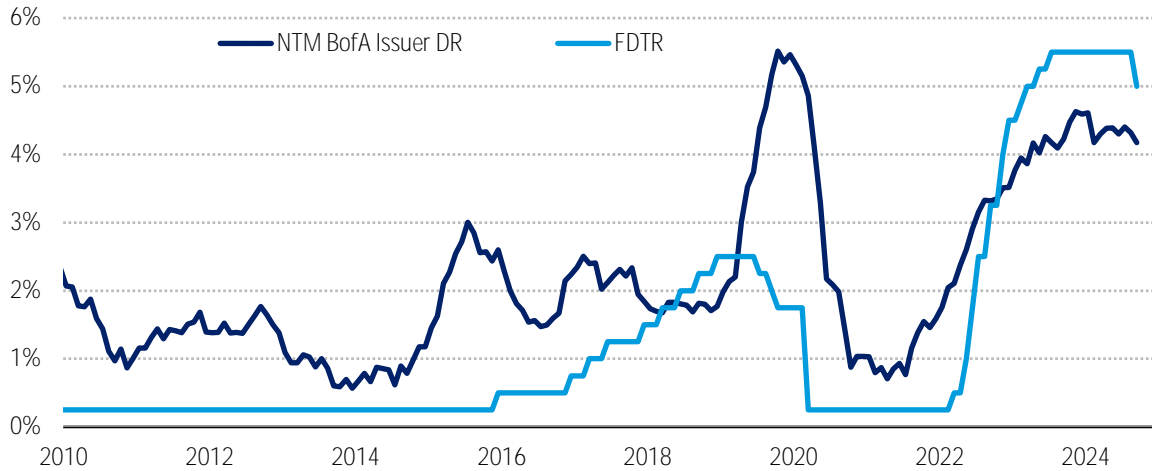
Source: BofA Global Research, LCD

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The federal funds (FF) rate also proves to be a meaningful predictor. Overall, the prevailing FF rate exhibits a +45% correlation with NTM default rates, but this figure is distorted by the prolonged zero-rate environment prior to 2016 (Exhibit 6). Restricting the sample to the post-2016 period increases the correlation to +68%, a more realistic reflection of its predictive power. This makes intuitive sense, as higher policy rates increase issuer funding costs, compress coverage ratios, and elevate downgrade and default pressures. Similar to Manufacturing PMI, higher rates appear to be another key driver of rising LMEs post 2023, potentially leading to a greater share of low-quality (B3 and below) issuers and deteriorating overall credit quality of the loan index, both of which may have triggered more pre-emptive LMEs, as discussed in Part I of our report ([The era of pre-emptive LMEs](#)).

Exhibit 6: NTM BofA Issuer DR vs. fed funds rate
 Fed funds rate has a +68% correlation with NTM default rates when restricting the sample to post-2016



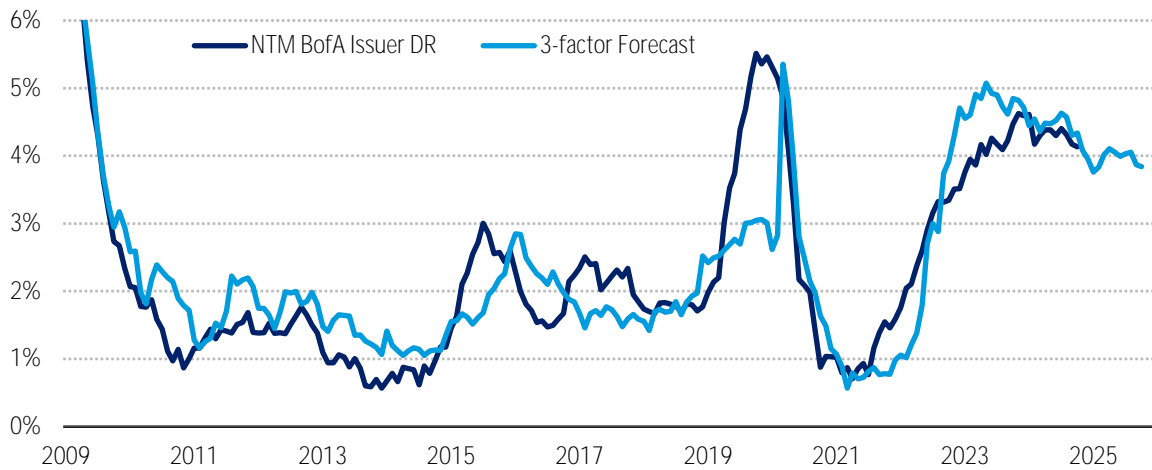
Source: BofA Global Research, LCD, Bloomberg

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Loan DR to ease driven by LMEs

Based on the final selected factors, we estimate the NTM issuer default rate to be between 3.6% and 3.8%, depending on the number of rate cuts by YE '25, representing modest declines from today's 4.1% level (Exhibit 7). The historical relationship between par and issuer default rates indicates a par default rate of 3.5-3.7%. Notably, each 25bp rate cut reduces the default rate estimate by approximately 10bps.

Exhibit 7: NTM issuer default rate estimate with 3-factor regression
 We estimate Issuer DR to decline to 3.6%-3.8% from today's 4.1% level



Source: BofA Global Research, LCD, Bloomberg

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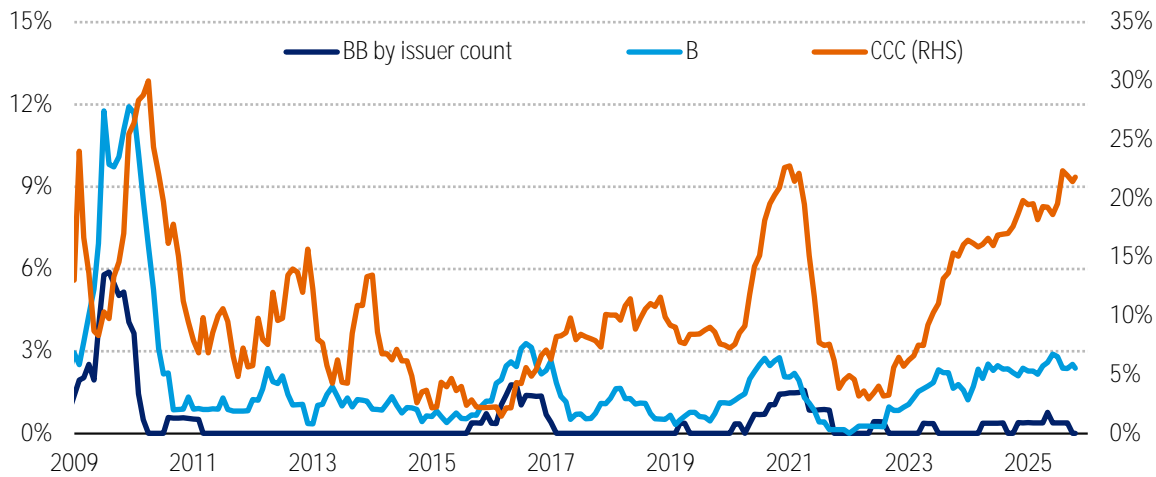


Assuming a 60-40 split between LME vs hard defaults (see [The era of pre-emptive LMEs report](#)), gives us a 1.5% DR estimate excluding LMEs, flat from current levels, suggesting the improvement in DR will likely be a function of decreasing LME defaults going forward.

Bottom-up analysis also points to lower defaults led by CCCs

This year CCC defaults reached pandemic levels, currently at 22% by issuer and 35% by par (Exhibit 8). Many CCC loan issuers with debt maturities <12m have already defaulted or extended maturities; therefore we expect CCC DRs to flatten to around current levels in 2026, especially in the context of supportive rate cuts. In contrast, HY CCCs defaults have remained muted this cycle, but are expected to pick up in 2026 (discussed in HY section).

Exhibit 8: BofA issuer default rates by rating
CCC issuer DR has climbed to 22%, level not observed since Covid



Source: BofA Global Research, LCD

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A bottom-up analysis based on the current rating and maturity distribution of the index, as done in our previous year-ahead report, suggests the same downward trajectory (Exhibit 9). To be conservative we assume loan default rates by rating category remain at today's levels. We roll forward existing rating-wise DRs (Bs 2.1% and 2.4% by par and issuer count, respectively, and BBs at 0%). This generates an aggregated index-level default forecast of 3.4% by par and 3.5% by issuer, below current levels of 4.0% and 4.1% by par and issuer count.

Exhibit 9: Bottom-up DR estimate by rating and remaining life
On average issuer DR may reach 3.8% and par DR 3.6%, close to our top-down estimates

Rating	Est DR	Ind Wt	Weighted Issuer DR
BBB	0.0%	6%	0.0%
BB	0.0%	23%	0.0%
B	2.4%	60%	1.4%
CCC	21.8%	9%	2.0%
NR	2.4%	2%	0.1%
DR projection			3.5%
Life	Est DR	Ind Wt	Weighted Issuer DR
0-1yrs	17.9%	1%	0.2%
1-2yrs	8.0%	3%	0.3%
2-3yrs	4.8%	22%	1.0%
3+yrs	3.5%	74%	2.6%
DR projection			4.1%

Source: BofA Global Research, LCD

Rating	Est DR	Ind Wt	Weighted Par DR
BBB	0.0%	6%	0.0%
BB	0.0%	24%	0.0%
B	2.1%	62%	1.3%
CCC	35.1%	6%	2.1%
NR	2.1%	2%	0.0%
DR projection			3.4%
Life	Est DR	Ind Wt	Weighted Par DR
0-1yrs	24.3%	0%	0.1%
1-2yrs	14.1%	2%	0.4%
2-3yrs	7.6%	19%	1.4%
3+yrs	3.0%	78%	2.3%
DR projection			4.2%

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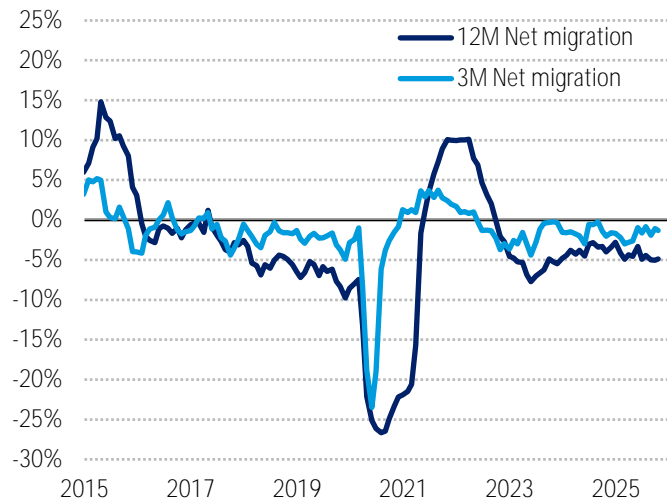
This analysis suggests issuer DR may reach 3.8% and par DR 3.6%, close to our top-down estimates. Note that these estimates don't account for the FF trajectory, therefore DRs could eventually finish lower because of 75bps-100bps of rate cuts.

Net downgrades to improve

Loan downgrades worsened in '25

Loan net migration has continued to deteriorate YTD. At the index level, the 12-month net migration rate has declined from -2.8% at year-end 2024 to -5.1% as of the latest reading (Exhibit 10), although this is modestly better than our Year-Ahead 2025 estimate of -6%. The first half of the year, particularly prior to May, was characterized by a slowdown in upgrades, likely driven by heightened policy and trade uncertainties. In contrast, the second half has seen a rise in downgrades, likely because tariff impacts started to surface for certain businesses and issuers are facing increasing pressure on their coverage metrics due to elevated interest rates. The 3-month net migration rate has also remained negative throughout 2025, though it has shown signs of improvement since May, following a de-escalation in trade tensions and the Federal Reserve's decision to pause its rate hiking cycle.

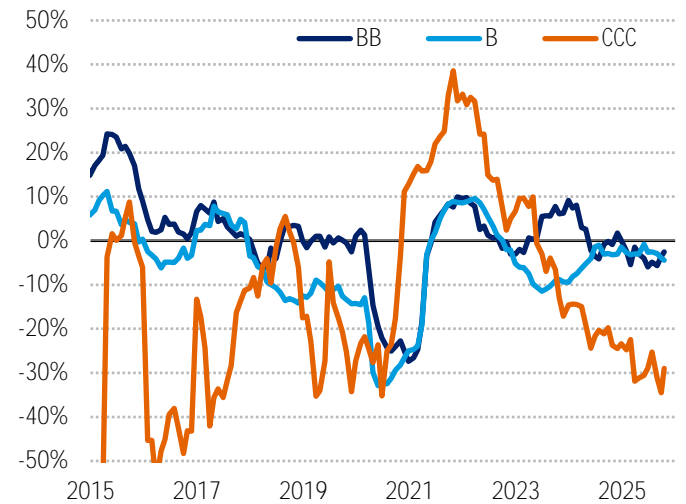
Exhibit 10: Loan index net migration
12M and 3M net migration currently stands at -4.9% and -1.3% respectively



Source: BofA Global Research, LCD

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Exhibit 11: 12M net migration by rating
CCC net migration has dropped from -23% to -29% YTD



Source: BofA Global Research, LCD

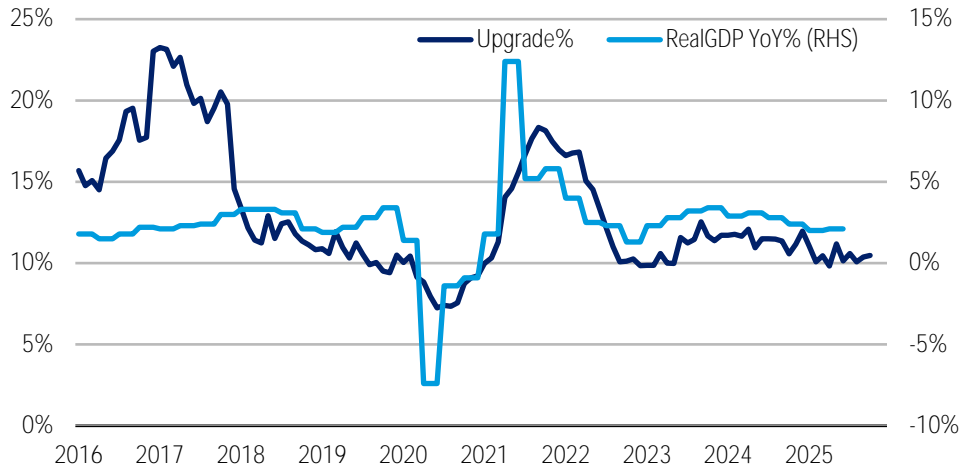
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On rating level, 12-month net migration has deteriorated across all rating categories. BB-rated issuers, which had a neutral migration rate of 0% in December 2024, have seen this fall to -6% by June 2025, with a modest recovery to -2.5% more recently (Exhibit 11). B-rated issuers have experienced a decline from -1.5% to -4.5% over the same period. The most pronounced deterioration has occurred among CCC-rated issuers, where net migration has dropped from -23% to -29%, consistent with our Year-Ahead 2025 outlook that anticipated downgrade pressure on low quality issuers to remain elevated amid high rates (see [Year Ahead 2025: Jekyll vs Hyde](#)). We think these trends can be attributed to two key factors: (1) lingering tariff-related uncertainty has dampened corporate outlooks and led rating agencies to adopt a more cautious stance on upgrades; and (2) the Federal Reserve's delay in initiating a rate-cutting cycle, due to persistent inflation concerns, has exacerbated coverage challenges for issuers, especially those with weaker credit quality.

We follow a similar approach as in our EU forecast report ([EU loans in 2026](#)), decomposing net migration into downgrades and upgrades and trying to assess their relationships with macroeconomic indicators to analyze the forward trajectories. We find upgrade % tends to align closely with GDP growth (Exhibit 12), particularly in the post-COVID period, while downgrade % exhibits a loose correlation with fed fund rates.



Exhibit 12: LTM upgrades as pct of index vs. Real GDP yoy%
Upgrade% (10.5% LTM) tends to align closely with GDP growth



Source: BofA Global Research, LCD, Bloomberg

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Expect modest balance sheet improvement

To further assess net migrations in 2026, we stress tested various FF rates and issuer cashflow growth scenarios by rating category to generate pro-forma cashflow coverage ratios in each scenario. We bifurcate our analysis into public loan issuers and private loan issuers, using Bixby¹ data for the latter. Given limited sample size for B3/CCC rated public issuers, we focus on private issuer data for these cohorts.

For '26 we use an expected FF rate of 3.5% given rate cuts, and a decline in CF of -2.5% due to margin impact from tariffs that we think cannot be passed through as before. This aligns with BofA Economics Real GDP forecast of 1.8% in 4Q26, down from 2.8% in 2Q25, and combined 100bps of additional rate cuts by YE'26.

Our analysis suggests that coverage ratios will improve across all ratings from today's levels, even if CFs decline -2.5%. Public issuer BB coverage ratios would improve 40bp to 3.9x, with slightly less improvement in B1 rated issuers (up 20bp to 2.1x) and B2 rated issuers (up 10bp to 1.3x). Turning to private issuer data, CCC coverage ratios would improve slightly to 1.0x from 0.9x, while B3 coverage ratios would improve 20bp to 1.3x.

With CCC coverage ratios still challenged in the current FF rate environment at <1x, these issuers are especially vulnerable to earnings erosion from tariffs. Even when taking into account the capex buffer, interest coverage remains low at 1.0x. Assuming FF rates are lowered to 3.5%, CCC issuers would still need earnings to grow 7.5% in order to raise coverage ratios one-tenth of a point to 1.1x. Therefore, CCC issuers will need earnings to stay flat to decrease default and downgrade pressure. Similarly, B3 coverage ratios are expected to improve to 1.3x but are still below our threshold of 1.5x to avoid downgrades. Therefore, we expect loan migrations to lean negative.

Notably, private issuers will improve at slightly higher levels relative to public issuers. This is not surprising, as private issuers have lower baseline coverage ratios relative to public issuers and therefore have more room to improve. In addition, FF rate cuts are a stronger tailwind for private issuers vs public issuers, because private issuers tend to be smaller compared to public issuers, with fewer levers to pull to improve fundamentals, and who benefit more from a large, positive shift in macro.

¹ Bixby research, a Fitch Solutions company

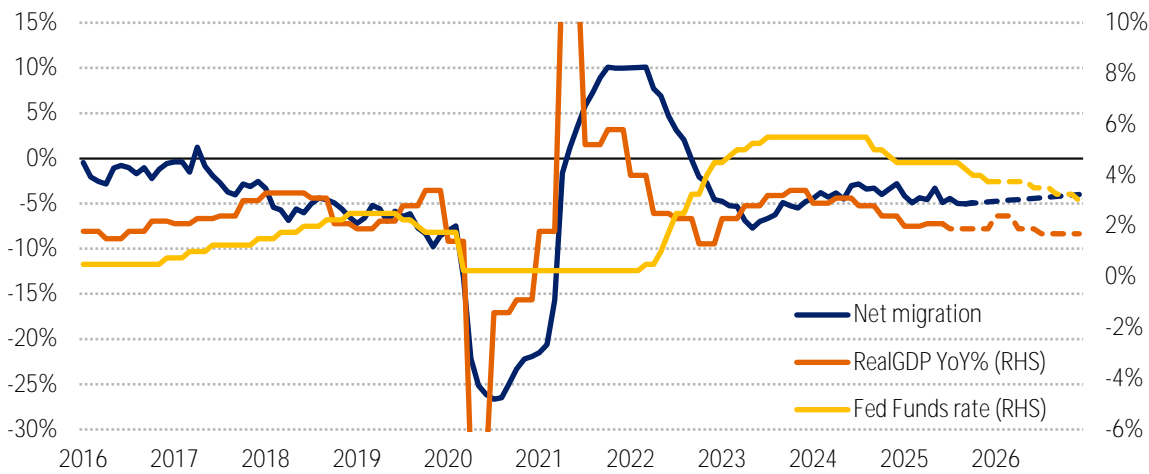


The upside to our analysis is if earning growth remains positive at 2.5%, in which case B3 coverage ratios would improve to 1.4x, albeit still far from robust (CCC coverage would remain flat at 1.0x). The downside case is if earnings are 0% but rising inflation halts additional rate cuts in 2026 and FF stays at 4.0%. In this case, private CCC coverage ratios would fall below 1x to 0.9x, and B3 coverage ratios would improve slightly from 1.1x to 1.2x from the elevated interest expense.

Net migration to improve to -4% on rate cuts

Looking ahead, we expect 12-month net migration to improve, supported by the house view on rate cuts, which will help coverage ratios across the board. In addition, GDP growth is expected to remain decent, preventing a large decline in earnings, per the house view. On balance, we believe the benefits of rate cuts will outweigh the headwinds from slower growth, resulting in an improvement in net migration, though it is likely to remain negative around the -4% level (Exhibit 13). This is consistent with our expectation of declining default rates in 2026.

Exhibit 13: 12M net migration vs. GDP yoy% vs. fed funds rate
 We expect 12M net migration to improve to -4% in 2026 as benefits of rate cuts outweigh headwinds from slower growth



Source: BofA Global Research, LCD, Bloomberg

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Recoveries and credit losses

Average loan recovery has continued its upward trajectory in 2025, reaching \$60, slightly below its historical median of \$61 (Exhibit 14) as LMEs continued to dominate defaults this year. LMEs facilitate higher recoveries, as partial exchanges/restructurings are generally realized at higher prices compared to recoveries from hard defaults (see [The era of pre-emptive LMEs](#)).



Exhibit 14: US FL Loan recovery

Loan FL recovery increased from 50pt at end of '23 to 60pt now.



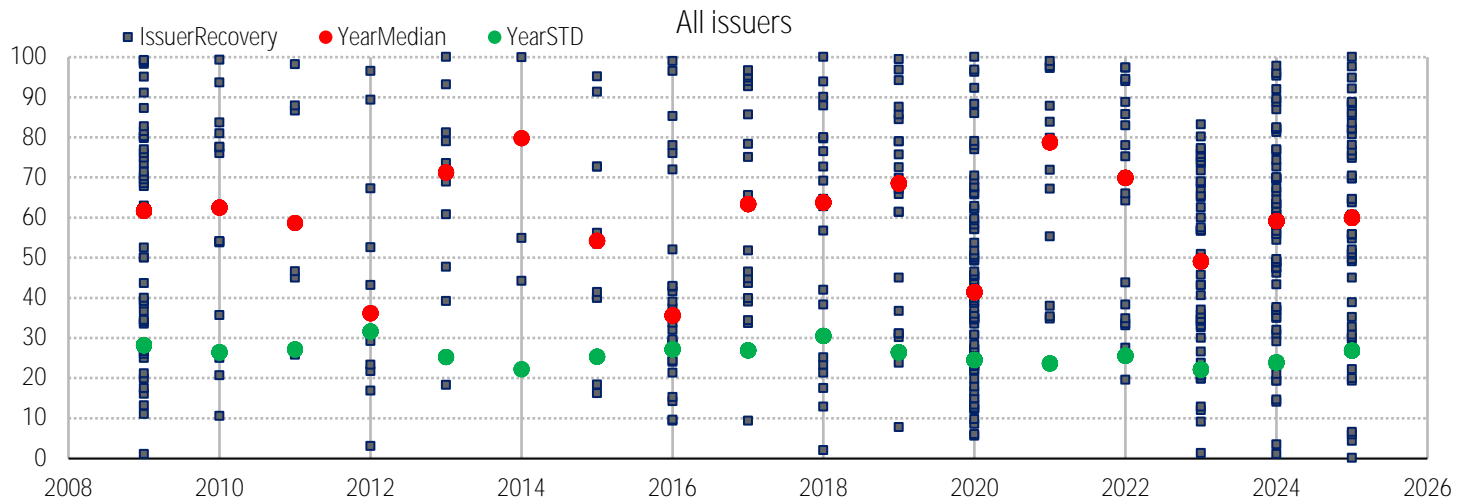
Source: BofA Global Research, LCD

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Median recoveries have remained flat this year while standard deviation of recoveries has ticked up, driven by greater dispersion in 2025 (example <\$1 for Mitel Networks and \$100 for Alvogen Pharma).

Exhibit 15: Annual Median and Std. Deviation of Recoveries

YTD median recovery stays the same as 2024 at 60pt. YTD standard deviation increases slightly from 23.87 last year to 26.83.



Source: BofA Global Research, LCD

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Loan-only recoveries continue to run lower

Recoveries for Loan-only issues are generally lower than their bond-loan counterparts, although the delta has compressed by 7pts this year (Exhibit 16), largely on the back of outsized '24 bond-loan recoveries retracing lower in '25. Lower recoveries for Loan-only issuers comports with our earlier discussion about coverage ratios, with private issuers with Loan-only structures exhibiting lower coverage ratios / more stress relative to public issuers. Loan-only issuers also have no junior debt to absorb potential losses.



Exhibit 16: Bond Loan vs Loan Only recovery

Loan only recovery has been increasing steadily from 45.7pt in mid '23 to 58.4pt now. Bond-Loan recovery decreased from 74.9pt in Apr '25 to 65pt now.



Source: BofA Global Research, LCD

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LMEs have caused lender-level dispersion of recoveries

Since 2023, a majority of loan defaults have stemmed from LMEs instead of hard defaults. LMEs – with higher recoveries due to generally more value in the company at the time of execution relative to a Chapter 11 filing or missed payment – have driven overall loan recoveries higher. We investigated this in a prior report (see [Life of an LME](#)).

Equally important is the dispersion in recoveries within an LME transaction for differing lender groups. A lack of fulsome details on transaction wise \$ recoveries precludes a quantitatively driven analysis. However, we can ascertain that nearly 60% of LMEs completed YTD saw a variable set of recoveries by lender group – a trend that is becoming entrenched amongst US loan soft defaults. We reviewed available restructuring terms for bifurcation of lender groups into advantaged vs less advantaged groups – i.e., ad hoc groups (AHG), coop groups, participating lenders vs non ad hoc group, non-coop member and non-participating lenders. We excluded any LME where the entire lender group was equally impacted, i.e., full debt to equity conversion, or adding PIK component to interest.

At the risk of generalizing, investors with lower recoveries tend to be: (1) lenders who did not participate in the LME and were rendered subordinate to the new debt in some way (primed, removal of collateral or covenants, etc.); and/or (2) lenders that were not part of AHG or similarly advantaged group.

Among LMEs with differing recovery economics, the majority of these had lenders bifurcated into advantaged/non-advantaged lenders, with the latter posting lower recoveries. Non AHG lenders were generally allowed to exchange their debt but at a substantially larger discount relative to AHG lenders, or allowed to exchange into new but lower priority debt.

Looking ahead to 2026, we expect this lender dispersion of recoveries on deal-level to persist given the state of current documentation. That said this doesn't change the expectation of the average recovery – which we think remains at current levels of ~\$60 given LME preponderance. Combining this with our 3.6% par default estimate generates our credit loss estimate of 90bps for US loans in 2026 (Exhibit 17).



Exhibit 17: Projected Credit Losses in 2026
 Expect credit loss to decrease to 90 bps in 2026

	2025	2026 Base Case
Default Rate, pct	4.0	3.6
Recovery Rate, pct	60	60
Assumed current price of future defaults, pts	80	80
Credit Loss, bps	100	90

Source: BofA Global Research, LCD

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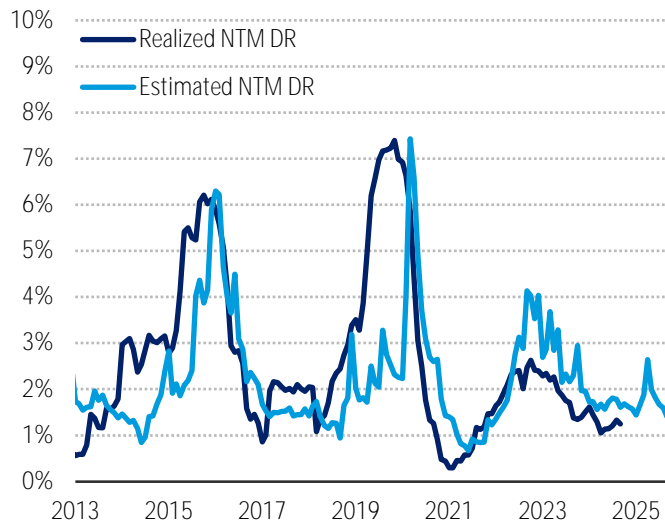
US HY defaults in '26

In HY, we forecast NTM DR of 1.5% for 2026 based on our CSI, up from 1.2% today. We expect higher defaults from distressed CCC issuers that have a high mark-to-market in interest costs from pending refinancings. We forecast a net migration of 0.4% in HY based on lower CSI (25%) and rate tailwinds but downside exists. HY has seen increased recoveries this year, and we expect this to continue due to LME dominance. With a moderately elevated default estimate, credit losses are poised to increase from 45bp to 60bp.

HY defaults to increase led by CCC refinancings

In the HY space, we don't see a similar problem with traditional default predictors, and distress ratio (a contributor to our CSI) continues to be a good forward-looking indicator of default rates. As expected, our CSI has eased toward 25th pctl, which implies an NTM par default rate of 1.5% (Exhibit 18) and a 2.7% issuer DR based on their historical relationship. This is a step down from our forecast a year ago on the back of persistently low distress ratios as well as expected rate cuts. Just like in Loans, we expect LMEs to dominate, accounting for 70-80% of the defaults (Exhibit 19).

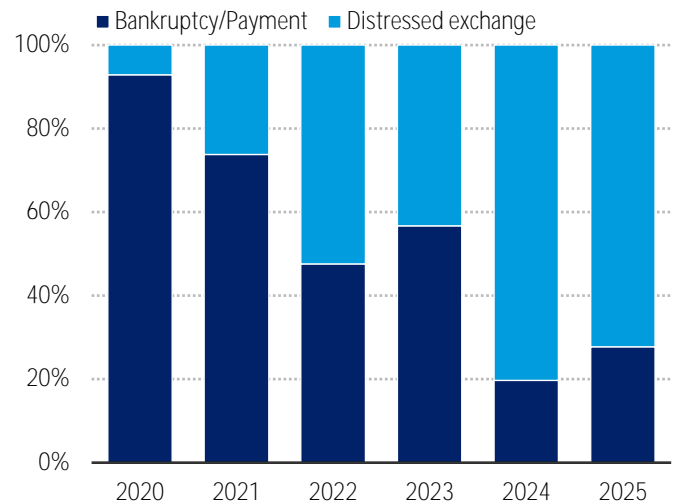
Exhibit 18: US HY Estimated vs Realized NTM par default rate
 US HY Par DR has been trending lower from 2.7% in Jan '23 to 1.2% the latest. We project it to edge up to 1.5% in '26.



Source: BofA Global Research, ICE Data Indices

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Exhibit 19: US HY Hard Defaults vs LMEs
 Distressed exchanges accounted for 80% of the defaulted par in '24 and 72% YTD.



Source: BofA Global Research

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That said, our '26 forecast is higher than prevailing default levels at 1.2% (by par) and 2.4% (by issuer). We expect additional defaults to build up from the CCC bucket. A good way to assess the extent of this pressure is to measure the distance between current coupons and yields of HY bonds. We dub this measure "mark-to-market (MTM) carry" since this is the incremental coupon that issuers will have to pay if they tap the market today, all things being equal.

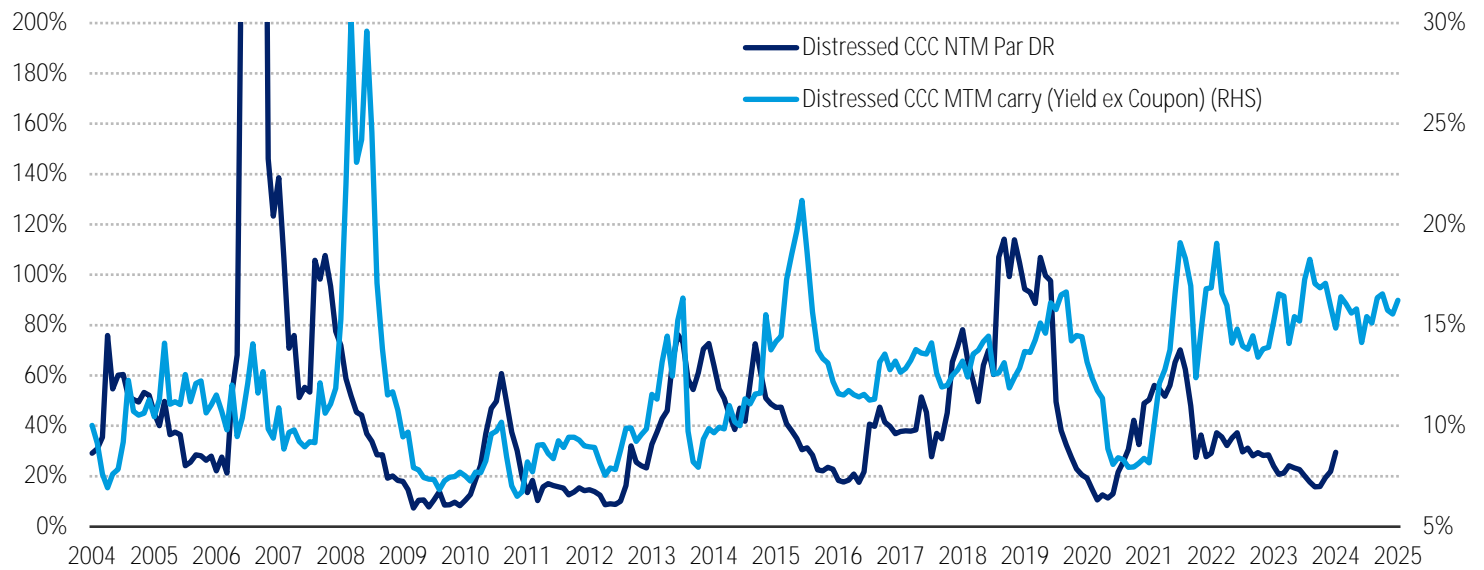


For HY, this MTM carry stands at 0.2% today, down from the recent peak of 4% in '22 but still elevated when compared to -2% in '21. Importantly, this build-up hasn't translated to defaults as fixed-rate bond issuers have been able to hide behind their maturity walls for an extended period and avoid refinancing into high coupons (maturity walls are steep at 95+th pctl with 9% coming due n2yr, and 22% in n3yr). In a majority of cases, investors have been forgiving due to solid issuer balance sheets. However, that luxury is eroding for CCCs – especially distressed ones where performance has diverged sharply from their performing CCC brethren.

Exhibit 20 shows the relationship between NTM default rates of distressed CCCs and their prevailing MTM carry. The higher the MTM carry, the larger the projected cash pressures that issuers have to absorb when rolling current debt over, pushing default probabilities higher. MTM carry for distressed CCC bonds doubled to 19% in '22 as the Fed started hiking, and has since remained elevated. However, CCC default rates have not seen a commensurate increase since '22. While CCC issuers also seem to have avoided refinancings while awaiting lower rates, it appears they may have run out of time with default rates rapidly rising over the last three months. We believe there is more to come as distressed CCCs defaults normalize towards their historical median at 37%, driven by their high MTM carry.

Exhibit 20: Distressed CCC NTM Par DR vs MTM carry

Par DR = sum of all monthly distressed defaults in last 12mo divided by the distressed CCC size 12mo ago. In extreme cases (GFC and COVID), par DR could exceed 100% if a wave of distressed and defaulted names entered the universe during 12mo window. Distressed CCC NTM par DR nearly doubled from 16% in Jun 24 to 29% in Sep 24. Distressed CCC MTM carry surged from 8% in '21 to 19% in '22 and stayed elevated at 16% now.



Source: BofA Global Research, ICE Data Indices, LLC

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In contrast, non-distressed CCCs have outperformed the index by 0.3% YTD, with their DR at 1.3%, nearly matching index-level DR. Their MTM carry is also benign at 1%, and we project defaults to remain limited in this cohort. Integrating info from both CCC buckets, brings aggregate CCC DR to 12% and headline HY DR to 1.5%, exactly at our top-down CSI indicated forecast (Exhibit 22).



Exhibit 21: US HY Current LTM Par DR

Over the last 12mo, BB/B did not see defaults. CCC ex Distress DR has been 1.3%, while CCC Distress DR is at 29.5%.

Rating	Current DR	Ind Wt (1yr ago)	Weighted DR
BB	0.0%	53%	0.0%
B	0.0%	33%	0.0%
CCC	8.8%	14%	
CCC ex Distress	1.3%	10%	0.1%
CCC Distress	29.5%	4%	1.1%
DR			1.2%

Source: BofA Global Research, ICE Data Indices, LLC

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Exhibit 22: US HY Projected NTM Par DR

We project BBs/Bs have no defaults in the next 12mo. CCC ex Distress will default at the same pace as now (1.3%) while CCC Distress at 37%.

Rating	Est DR	Ind Wt	Weighted DR
BB	0.0%	54%	0.0%
B	0.0%	33%	0.0%
CCC	12.0%	12%	
CCC ex Distress	1.3%	9%	0.1%
CCC Distress	37.0%	4%	1.4%
DR projection			1.5%

Source: BofA Global Research, ICE Data Indices, LLC

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Recoveries and credit losses

HY Sr unsecured bonds have seen rangebound recoveries between 45-50pt YTD according to Moody's, a major improvement from 35pt in Oct 24 and 27pt in Aug 23. We expect LMEs to continue to be a large share of the defaults, and therefore project recovery rates to remain at higher at 45pt. With a moderately elevated default estimate, the credit loss is poised to increase from 45bp to 57bp (Exhibit 23).

Exhibit 23: US HY Credit Loss (bps) current vs projection

We project the recovery rate (45pt) and price of future defaults (83pt) for next year the same as current. With default projection elevated from 1.2% to 1.5%, credit loss rises from 45bp to 57bp.

	Current	2026 Base Case
Default Rate, pct	1.2	1.5
Recovery Rate, pct	45	45
Assumed current price of future defaults, pts	83	83
Credit Loss, bps	45	57

Source: BofA Global Research, ICE Data Indices, LLC, Moody's

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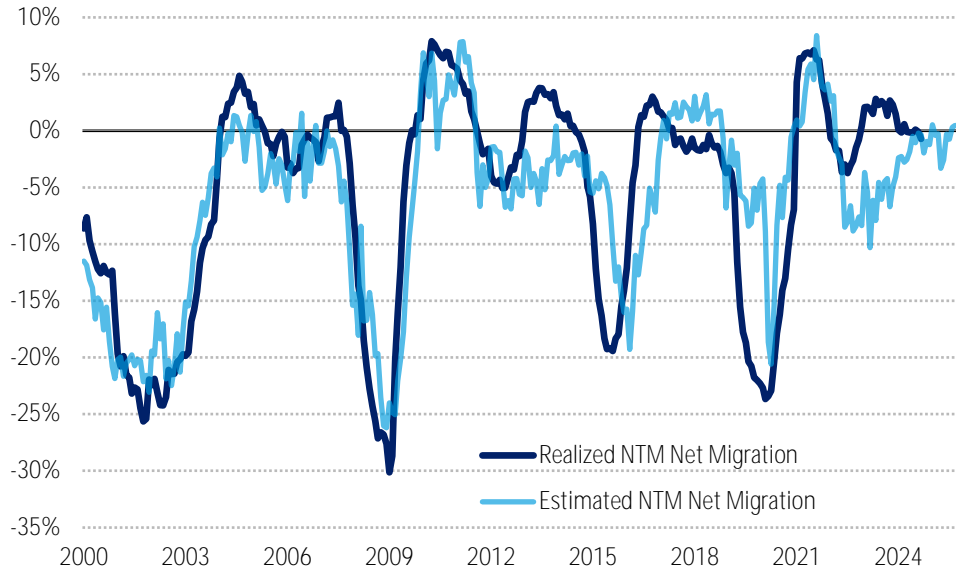
Net Migration to remain flat

Our migration rate forecast is calculated as NTM upgrades minus NTM downgrades and is based on factors such as fundamental inputs (earnings, leverage and interest coverage), CSI, and momentum (Exhibit 24). The net upgrades in '23 and '24 were primarily driven by Energy (~12% of HY) on the back of supportive oil prices. More recently, the net upgrades have tapered off.

In '26, we estimate a small 0.4% net upgrade rate driven by lower CSI and rate tailwinds. That said, our estimate is quite sensitive to CSI, which has been volatile of late. For perspective, should credit stress increase to the 40th pctl, this would lead to a net downgrade of 1%. Amongst other factors, leverage (24th pctl) and coverage (77th pctl) also matter. If either were to revert to historical medians, we'd flip back to small net downgrades as well. Q3 earnings will be critical in setting the tone for '26 migrations. Given net migrations are currently flat, this would indicate an insignificant change going forward in our base case.



Exhibit 24: Estimated vs Realized NTM HY net downgrade rate
 HY saw 3% net upgrades in the 12mo ending Oct '23, which has deteriorated slowly since then to 0.7% net downgrade as the latest. We project a net 0.4% upgrade for NTM.



Source: BofA Global Research, ICE Data Indices, LLC, Bloomberg

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A small, albeit counterintuitive, improvement in migration, when default rates are increasing, suggests that stress will likely be limited to the distressed segment, while higher-quality credits remain resilient.



Market Recap: USD HY

Systematic Strategies

Our rich/cheap screens shown below are defined as names screening the widest relative to their underlying issuer-level CSI (cheap) and those screening the tightest (rich).

Exhibit 25: Rich/cheap screen: issuers trading wide/tight to their CSI-implied OAS
 OASe: OAS estimate based on issuer-level CSI; OAS Δ : projected spread change (OASe – OAS)

Cheap to fair value in overweight segments							Rich to fair value in underweight segments						
Ticker	Issuer	Sector	Face	OAS	OASe	OASΔ	Ticker	Issuer	Sector	Face	OAS	OASe	OASΔ
CVNA	CARVANA CO	Autos	3,929	722	365	-357	CHTR	CHARTER COMMS	Cable	26,493	188	383	195
SPLS	STAPLES INC	Retail	3,301	1,013	816	-197	WBD	WARNERMEDIA HOLD	Media	14,349	223	442	219
PETM	PETSMART INC/PET	Retail	2,700	425	218	-207	LUMN	LUMEN TECHNOLOGI	Telecoms	6,141	484	781	296
RRD	RR DONNELLEY & S	Media	1,525	555	379	-176	GTN	GRAY TV	Media	4,934	542	760	218
CNR	CORNERSTONE BUIL	Real Estate	1,529	860	459	-401	OGN	ORGANON & CO/ORG	Healthcare	4,858	368	623	254
BRANDI	BRAND INDUSTRIAL	Cap Goods	1,435	789	600	-189	GT	GOODYEAR TIRE &	Autos	3,644	287	507	220
CLH	CLEAN HARBORS	Services	1,345	329	158	-171	CC	CHEMOURS CO	Chemicals	2,498	377	565	188
CDK	CNT PRNT	Autos	1,505	1,088	774	-314	AMPBEV	ARDAGH METAL PAC	Packaging	2,250	211	409	199
MERLLN	MOTION FINCO SAR	Travel	1,320	654	343	-311	CLVTSC	CLARIV SCI HLD	Healthcare	1,843	265	497	232
AMBATH	CP ATLAS BUYER I	Real Estate	989	693	423	-270	VSAT	VIASAT	Cable	1,733	390	602	212
ASTONM	ASTON MARTIN CAP	Autos	1,050	1,064	828	-236	VFC	V.F. CORPORATION	Retail	1,814	226	441	215
ABEGET	GETTY IMAGES INC	Retail	840	957	735	-222	HPP	Hudson Pacific P	Financials	1,650	351	550	199
INFRAB	INFRABUILD AUSTR	Metals	700	819	389	-430	ADAHEA	ADAPTHEALTH	Healthcare	1,450	244	421	178
UIS	UNISYS CORP	Technology	700	547	355	-192	DHC	SENIOR HOUSING P	Healthcare	1,375	331	607	276
MSSCRK	MOSS CREEK RESOU	Energy	750	526	353	-173	FUN	CEDAR FAIR LP	Travel	1,300	210	389	179
TEKNI	TRIDENT TPI	Packaging	620	522	310	-212	CODI	COMPASS GROUP DI	Financials	1,300	470	795	325
PLNFIN	PLANET FINANCIAL	Financials	600	554	379	-175	KSS	KOHL'S STORES	Retail	1,287	511	789	278
CRASHC	CHAMPIONS FINANC	Autos	600	723	371	-352	LNDPT	LD HOLDINGS GROU	Financials	840	609	793	184
PLDEVE	P&L DEV LLC/PLD	Healthcare	510	741	412	-329	PENN	PENN NATL GAMING	Gaming	800	209	460	251
RADIAT	RADIATE HOLDCO /	Cable	794	1,129	823	-306	JELD	JELD-WEN INC	Real Estate	750	462	648	186
Total/Average			26,741	744	482	-262	Total/Average			81,309	290	510	219

Source: BofA Global Research, ICE Data Indices, LLC. Disclaimer: The screen above is intended to be an indicative metric only and may not be used for reference purposes or as a measure of performance for any financial instrument or contract, or otherwise relied upon by third parties for any other purpose, without the prior written consent of BofA Global Research. This screen was not created to act as a benchmark. Note: This screen is not a recommended list either individually or as a group of stocks. Investors should consider the fundamentals of the companies and their own individual circumstances/objectives before making any investment decisions.

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Exhibit 26: Largest issuers by CSI deciles

Top 15 largest cap structures by face value in each decile, as ranked by individual issuer CSIs

Ticker	Rtg	OAS	CSI	Ticker	Rtg	OAS	CSI	Ticker	Rtg	OAS	CSI	Ticker	Rtg	OAS	CSI	Ticker	Rtg	OAS	CSI
D1				D2				D3				D4				D5			
GFLCN	BB2	111	0.31	CCL	BB2	114	0.44	PFSI	BB3	183	0.52	POWSOL	B2	193	0.57	RGCARE	B3	270	0.60
URI	BB2	96	0.33	ACI	BB2	117	0.45	BPL	BB2	153	0.52	CHDN	B1	158	0.57	SOLEIN	B3	215	0.60
HLT	BB2	111	0.33	XYZ	BB1	127	0.45	RKT	BB1	138	0.52	ALIAN	B3	219	0.58	PRSESE	B1	233	0.61
IQV	BB1	113	0.35	FTAI	BB3	154	0.46	POST	B2	173	0.52	ST	BB2	156	0.58	BCULC	BB3	141	0.61
VST	BB1	102	0.35	PR	BB1	151	0.46	WFRD	BB2	288	0.53	PETM	B2	425	0.58	MXCN	BB2	187	0.61
TDG	B1	148	0.36	EMECLI	BB3	158	0.47	JANEST	BB1	174	0.53	AAL	BB1	188	0.58	OMF	BB2	226	0.62
YUM	BB3	115	0.37	SUN	BB1	153	0.47	TEP	B1	232	0.53	ACRISU	B3	215	0.58	GEL	B2	246	0.62
CPN	BB3	98	0.39	IRM	BB3	142	0.48	BLDR	BB3	155	0.53	MGM	BB3	153	0.59	HNDLIN	BB3	204	0.62
WCC	BB2	122	0.39	HBGCN	B2	163	0.48	OTEXCN	BB2	163	0.54	RAKUTN	BB3	231	0.60	LVL	B1	249	0.62
COOP	B1	114	0.39	STWD	BB2	166	0.48	ENTG	BB2	139	0.54	NAVI	BB3	229	0.60	ABG	BB3	164	0.62
SCI	BB3	124	0.42	MEDIND	BB3	119	0.49	SBAC	BB2	142	0.54	COMM	CCC2	283	0.60	ARDGRP	CCC1	306	0.62
BBDBCN	B1	141	0.42	QUIKHO	B1	157	0.49	BBWI	BB2	173	0.55	TIHLLC	B2	223	0.60	MINAU	BB3	236	0.63
BALL	BB1	108	0.42	NCX	BB3	177	0.49	NXST	BB3	166	0.55	NCLH	B2	205	0.60	GPK	BB2	152	0.63
THC	BB3	145	0.43	NRG	BB1	131	0.51	VEGLPL	BB2	202	0.56	FREMOR	B2	269	0.60	MOH	BB2	186	0.63
SEE	BB2	122	0.43	FMGAU	BB1	146	0.51	BMCAUS	BB2	158	0.56	HRI	BB3	169	0.60	DVA	BB3	182	0.64
Avg		118				145				176				221					213
D6				D7				D8				D9				D10			
OUT	B1	161	0.64	UNIT	B3	294	0.69	CCO	CCC1	291	0.74	SBGI	B3	411	0.80	MCFE	CCC1	598	0.91
CWENA	BB2	167	0.64	SOFTBK	BB2	240	0.69	DISH	CCC1	490	0.74	IEP	B1	537	0.80	BHCCN	CCC1	654	0.91
VENLNG	BB3	308	0.65	UNSEAM	B3	251	0.69	CHTR	BB1	188	0.75	NLSN	B1	591	0.82	GTN	B3	542	0.91
W	BB3	278	0.65	UVN	B2	337	0.70	NSANY	BB2	242	0.75	ZIGGO	BB3	354	0.82	SABHLD	B3	845	0.91
CHRD	BB2	244	0.65	VENTGL	BB1	211	0.70	DTV	BB3	464	0.75	ZFFNGR	BB3	441	0.82	LUMN	CCC1	484	0.92



Exhibit 26: Largest issuers by CSI deciles

Top 15 largest cap structures by face value in each decile, as ranked by individual issuer CSIs

Ticker	Rtg	OAS	CSI	Ticker	Rtg	OAS	CSI	Ticker	Rtg	OAS	CSI	Ticker	Rtg	OAS	CSI	Ticker	Rtg	OAS	CSI
LAD	BB2	159	0.65	RIG	CCC1	339	0.70	BWY	B3	424	0.75	GT	B1	287	0.83	SPLS	CCC1	1,013	0.92
NOVHOL	B1	299	0.66	WIN	B1	398	0.71	VMED	BB3	272	0.76	GRA	B2	381	0.85	HTZ	B3	909	0.93
APU	B2	309	0.66	CIVI	BB3	359	0.72	CAR	B1	309	0.77	FRTITA	CCC1	397	0.85	ALTICE	CCC2	1,388	0.94
TIBX	B2	273	0.66	GSYCN	BB3	395	0.72	CRWV	B1	521	0.77	CC	B1	377	0.86	XRX	B2	1,936	0.95
UWMC	BB3	246	0.66	HGVLLC	BB3	245	0.72	WHR	BB1	241	0.77	MPW	CCC1	446	0.86	LILAPR	CCC1	2,623	0.96
EVRI	BB3	422	0.67	CE	BB1	248	0.72	NWL	B1	308	0.77	SVC	CCC1	424	0.87	IHRT	CCC2	1,066	0.97
COIN	BB3	188	0.67	CZR	B1	234	0.72	AAP	BB3	271	0.79	OGN	BB3	368	0.88	CSCHLD	CCC2	1,562	0.98
CLF	BB3	242	0.67	GWCN	B3	314	0.73	AXL	B1	337	0.79	BSPEED	CCC1	739	0.88	LABL	CCC2	2,153	0.99
SIRI	BB2	157	0.68	CVNA	B2	722	0.73	HILCRP	BB2	358	0.79	MLTPLN	CCC2	587	0.90	NFE	CCC3	6,125	1.00
DKL	B1	307	0.68	SATS	B3	280	0.73	WBD	BB2	223	0.79	CYH	CCC1	579	0.90	ARGID	CC	4,576	1.00
Avg		251				324				329				461				1,765	

Source: BofA Global Research, ICE Data Indices, LLC. Rtg = agency rating. Disclaimer: The screen above is intended to be an indicative metric only and may not be used for reference purposes or as a measure of performance for any financial instrument or contract, or otherwise relied upon by third parties for any other purpose, without the prior written consent of BofA Global Research. This screen was not created to act as a benchmark. Note: This screen is not a recommended list either individually or as a group of stocks. Investors should consider the fundamentals of the companies and their own individual circumstances/objectives before making any investment decisions.

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Exhibit 27: New issue candidate list

Issuers with close maturities, small coupon step-up, no recent primary taps, and improving credit profiles

Dec = issuer-CSI quality decile; MtyN2y = face maturity size next 2 years (bonds & loans); dCPN = coupon step up between existing and likely new-issue; YrsLNI = years since last new issue (bonds & loans) This is a representative list. For the full list, please reach out directly.

Ticker	Issuer	Rating	Dec	Face	OAS	MtyN2yr	dOAS	dCPN	YrsLNI
RAKUTN	RAKUTEN GROUP I	BB2	D4	3,809	180	1,802	-28	-5.11	0.9
GGAMFI	GGAM FINANCE LT	BB2	D1	2,499	151	1,099	21	-2.38	1.1
LYV	LIVE NATION ENT	B1	D1	3,772	113	3,272	-17	-0.70	4.9
CALDER	CALDERYS FINANC	CCC1	D5	850	307	0	-66	-4.80	1.3
BDN	BRANDYWINE OPER	BB2	D5	1,700	184	450	-15	-1.01	0.1
AAL	AMERICAN AIRLIN	BB2	D4	13,191	188	2,034	38	-0.97	0.4
BWY	MAUSER PACKAGIN	B2	D8	4,819	422	4,819	45	-0.56	0.9
VST	VISTRA OPERATIO	BB1	D1	7,998	102	3,601	12	-1.30	0.9
NAVI	NAVIENT CORP	BB3	D4	3,950	227	1,200	20	-1.21	0.4
MINAU	MINERAL RESOURC	BB3	D5	3,749	236	1,325	21	-2.37	0.1
AMGFN	SPRINGLEAF FINA	BB2	D3	1,915	181	424	31	-0.89	5.5
STWD	STARWOOD PROPER	BB2	D2	4,293	165	900	-10	-0.53	0.1
FREMOR	FREEDOM MORTGAG	B2	D4	4,835	271	535	-65	-3.18	0.2
UNIT	UNITI GROUP/CSL	CCC2	D7	5,255	307	0	8	-1.59	0.1
UWMLLC	UNITED WHOLESAL	BB3	D7	2,000	247	1,300	82	0.46	3.9
VENLNG	VENTURE GLOBAL	BB3	D6	11,000	308	0	90	-2.08	1.3
TRN	TRINITY INDUSTR	BB2	D1	600	94	0	-30	-3.26	1.4
CLMT	CALUMET SPECIAL	CCC2	D8	650	602	325	-17	0.64	0.8
RWNYYN	GENTING NY LLC/	BB1	D3	625	224	0	28	-1.46	1.1
INFRAB	INFRABUILD AUST	CCC1	D8	700	819	0	56	-2.76	1.2
DISH	DISH DBS	CCC3	D8	13,249	493	8,250	-418	0.90	2.8
TMHC	TAYLOR MORRISON	BB1	D1	1,450	147	500	7	-0.56	5.3
PROFUN	PROVIDENT FDG/P	B3	D7	525	425	0	41	-1.95	0.4
NCX	NOVA CHEMICALS	BB3	D2	3,075	176	1,050	26	-1.19	0.9
AHOMES	ADAMS HOMES	B1	D5	400	333	0	24	-2.37	1.5
PHOAVI	PHOENIX AVIATIO	B2	D7	600	434	0	72	-1.36	0.3
SPR	SPIRIT AEROSYST	CCC1	D1	3,676	187	876	84	-2.48	2.0
ACI	ALBERTSONS COS/	BB2	D2	6,550	117	2,100	-6	-0.05	0.0
GEN	GEN DIGITAL INC	BB3	D1	8,754	144	4,097	20	-1.65	0.5
CHBANI	CHOBANI HOLDCO	CCC1	D2	2,523	192	921	16	-1.83	0.7

Source: BofA Global Research, ICE Data Indices, LLC. Note: This screen is not a recommended list either individually or as a group of stocks. Investors should consider the fundamentals of the companies and their own individual circumstances/objectives before making any investment decisions.

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Projected Index Rebalancing

Projected rebalancing will widen the index spread by 6.86bp.

Exhibit 28: Projected rebalancing for HOAO (ICE BofA US HY index) as of 10/22

Δ Face = face impact on the index in \$mn; Δ OAS = face-weighted impact on the index OAS in bps. This is a representative list. For the full list, please reach out directly.

ISIN	BondID	Rating	ΔFace	Price	OAS	ΔOAS	ISIN	BondID	Rating	ΔFace	Price	OAS	ΔOAS
New entrants (Top 30)							Exits & reduced face (Top 30)						
US79380MAB19	SAGLEN 11 2029	CC	941	42.0	3,805	1.07	US644393AB64	NFE 6.5 2026	CC	-511	20.9	10,000	-0.76
US982911AA70	WULF 7.75 2030	BB2	3,200	101.7	357	0.82	US74166MAE66	PRSESE 6.25 2028	B2	-1,300	100.0	322	-0.30
US81880AAA07	SGUSLL 11 2029	CCC2	762	87.3	1,176	0.55	US947075AU14	WFRD 8.625 2030	BB2	-1,300	101.9	308	-0.29
US020956AA67	SFRFP 10 2033	CCC3	957	93.2	772	0.49	US184496AN71	CLH 4.875 2027	BB2	-545	99.9	655	-0.25
US02090DAD03	SFRFP 6.5 2032	CCC1	1,925	95.0	371	0.48	US46205YAB74	IONTRA 9.5 2029	B3	-775	104.4	393	-0.23
US02090DAA63	SFRFP 9.5 2029	CCC1	1,348	101.0	497	0.48	US374276AJ21	ABEGET 9.75 2027	B3	-300	94.5	1,083	-0.22
US79380MAC91	SAGLEN 11 2029	C	441	23.0	6,608	0.47	US25461LAA08	DTV 5.875 2027	BB3	-1,500	100.0	197	-0.21
US46205OAB41	IONPLA 7.875 2032	B2	1,500	97.7	452	0.47	US42329HAB42	IONCOR 8.75 2029	B2	-700	102.6	400	-0.20
US02090DAE85	SFRFP 6.875 2032	CCC1	1,540	95.1	399	0.41	US16308NAA28	CHEEVE 7.125 2027	B3	-325	101.7	703	-0.16
US681639AE00	SOLEIN 7.25 2033	B3	1,580	98.2	369	0.41	US37959GAC15	GBLATL 4.7 2051	BB1	-750	97.7	270	-0.14
US97382BAB53	UNIT 7.5 2033	B1	1,400	98.9	371	0.36	US00511BAE74	ILOGIC 9 2029	B2	-500	104.3	360	-0.13
US374276AR47	ABEGET 10.5 2030	B1	628	100.6	665	0.30	US46205YAA91	IONTRA 5.75 2028	B3	-450	95.3	431	-0.13
US629377DD11	NRG 6 2036	BB2	2,400	100.7	167	0.29	US63861CAF68	COOP 7.125 2032	B1	-1,000	104.3	175	-0.13
US46206AAB89	IONPLA 9.5 2029	B2	773	104.4	456	0.26	US30315XAC83	FSBIOE 8.875 2031	BB3	-400	103.7	393	-0.12
US315292AU60	FGP 9.25 2031	B2	650	100.3	547	0.25	US77313LAA17	RKT 2.875 2026	BB1	-1,150	98.1	125	-0.10
US65480CAL90	NSANY 6.125 2030	BB2	1,250	99.1	276	0.24	US315289AA69	FGP 5.375 2026	CCC2	-650	99.9	213	-0.10
US02090DAB47	SFRFP 6.875 2030	CCC1	847	96.2	412	0.24	US379352AL15	GLBMRN 7 2028	CCC1	-261	95.4	552	-0.10
US46206AAD46	IONPLA 8.75 2029	B2	699	102.6	439	0.22	US63861CAG42	COOP 6.5 2029	B1	-750	102.6	174	-0.09
US78412FAX24	SPN 7.875 2030	B1	600	97.1	499	0.21	US69506YSC48	PACW 3.25 2031	BB1	-385	91.7	372	-0.09
US70082LAC19	PRIMBP 8 2031	B3	800	101.9	346	0.20	US449934AD05	IOV 5 2026	BB2	-1,050	99.9	122	-0.09
US92676XAH08	VIKCRU 5.875 2033	BB3	1,700	101.0	157	0.19	US42329HAA68	IONCOR 4.625 2028	B2	-350	95.3	319	-0.08
US87422VAN82	TLN 6.5 2036	B1	1,290	102.3	192	0.18	US143658BR27	CCL 6 2029	BB2	-2,000	101.5	52	-0.07
US87422VAM00	TLN 6.25 2034	B1	1,400	101.9	173	0.17	US88224QAA58	TCBI 4 2031	BB1	-375	98.5	271	-0.07
US92858RAE09	VMED 6.75 2033	BB3	850	100.0	281	0.17	US70082LAB36	PRIMBP 6.75 2029	CCC2	-292	98.3	346	-0.07
US22757VAA89	CROSIN 6.5 2030	B1	900	100.6	263	0.17	US63861CAE93	COOP 5.75 2031	B1	-600	100.5	161	-0.07
US46206AAF93	IONPLA 9 2029	B2	500	103.2	450	0.16	US92676XAD93	VIKCRU 5.875 2027	B1	-825	100.0	117	-0.07
US92944BAA98	WBI 6.25 2030	BB3	825	99.0	282	0.16	US00511BAA52	ILOGIC 5 2028	B2	-350	97.0	280	-0.07
US38046YAE14	GLNG 7.5 2030	B3	500	97.1	462	0.16	US29082HAD44	EMBRBZ 7 2030	BBB3	-750	109.2	115	-0.07
US05619CAA36	BKVCOR 7.5 2030	B3	500	97.6	446	0.15	US70082LAA52	PRIMBP 5.625 2029	CCC2	-346	97.7	275	-0.07
US91845AAB17	ZIGGO 7.5 2033	BB3	600	100.9	337	0.14	US89054XAC92	BRKHEC 5.75 2039	BB1	-498	100.0	187	-0.07
Net Impact*			48,681			12.38				-46,336			-5.52

Source: BofA Global Research, ICE Data Indices, LLC

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Performance Recap

HY spreads were directionless over the week ahead of inflation data, with spreads finishing 6bps wider on the week at 301bps. The index has flat returns on a mtd basis, with BBs gains (+30bps) offsetting losses in lower-rated segments especially CCCs (-75bps). IG has outperformed HY this month with gains of 120bps, while loans have lagged with losses of 10bps.

Exhibit 29: Spreads, prices, and yields

Pctles calculated based on data from Jan 2000 onwards. CCCs xD= CCCs non-distressed.

	OAS	Change			52wk		Price	YTW	Pctle	
		1d	1wk	1mo	Tights	Wides			OAS	YTW
HY	301	4	6	32	259	461	97.7	6.73	14%	29%
BBs	191	3	5	25	156	306	99.8	5.68	16%	34%
Bs	310	4	8	32	254	486	99.9	6.79	17%	29%
CCCs xD	490	6	2	36	443	743	94.4	8.34	17%	37%
CCCs	854	7	7	64	690	1,137	82.6	12.09	40%	51%
IG	80	1	2	6	74	121	96.8	4.67	4%	46%
As	66	1	2	5	61	102	97.1	4.51	4%	48%
BBBs	102	1	3	9	93	149	97.4	4.89	7%	42%
Loans	435	-1	-1	13	413	538	97.0	7.96	29%	54%



Exhibit 29: Spreads, prices, and yields

Pctles calculated based on data from Jan 2000 onwards. CCCs xD= CCCs non-distressed.

	OAS	Change			52wk		Price	YTW	Pctle	
		1d	1wk	1mo	Tights	Wides			OAS	YTW
BB Loans	275	0	-2	14	248	339	99.2	6.52	24%	54%
B Loans	431	-1	-2	14	408	545	97.7	7.98	23%	49%
CCC Loans	1,489	-2	-6	-15	1,199	1,665	79.0	18.60	71%	84%
EM HY	368	2	2	61	307	488	96.2	7.37	26%	31%
EM BBBs	126	1	2	15	110	185	98.4	5.05	6%	48%
EM BBs	264	3	1	10	239	389	98.7	6.38	6%	40%
EM Bs	484	0	-1	154	327	576	95.6	8.25	37%	43%

Source: BofA Global Research

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Packaging/paper (-175bps), Autos (-75bps) and Chemicals (-65bps) are the three worst performing sectors of this month, while Healthcare (+70bps), Food (+70bps) and Metals (+55bps) have outperformed others.

Exhibit 30: Index returns

CCCs xD= CCCs non-distressed

Market	Total returns							
	1wk	2wks	mtd	1m	3m	6m	ytd	1yr
DM USD HY	0.07	0.01	0.04	-0.15	2.1	7.3	7.1	7.8
5yr Trsy	0.37	0.90	1.04	0.97	2.4	3.8	7.0	5.9
10yr Trsy	0.72	1.57	1.79	1.90	4.3	5.9	8.8	6.4
IG	0.44	0.96	1.21	1.23	3.9	7.6	8.3	7.3
Loans	0.19	-0.08	-0.10	-0.09	0.8	4.9	4.5	6.0
EM HY	0.31	0.05	0.12	-0.64	2.4	7.3	7.4	7.9
BBs	0.19	0.23	0.31	0.10	2.4	6.9	7.6	7.9
Bs	-0.01	-0.08	-0.16	-0.31	1.8	7.0	6.6	7.3
CCCs xD	0.08	-0.25	-0.24	-0.22	2.9	10.1	7.4	8.7
CCCs	-0.31	-0.89	-0.74	-0.98	1.2	9.7	6.3	8.2

Source: BofA Global Research

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Exhibit 31: Excess returns vs HY index

By issuer-CSI quality decile, rich/cheap baskets, and new issues.

Decile	Excess returns vs HY index							
	1wk	2wks	mtd	1m	3m	6m	ytd	1yr
D1	0.18	0.42	0.57	0.63	0.0	-2.0	-0.1	-0.6
D2	0.15	0.28	0.39	0.40	-0.2	-1.8	-0.6	-1.1
D3	0.16	0.28	0.37	0.36	0.1	-1.2	-0.5	-0.8
D4	0.10	0.09	0.11	0.14	0.1	-0.4	0.6	0.8
D5	0.13	0.21	0.28	0.28	0.3	0.2	0.8	0.4
D6	-0.04	-0.02	0.12	0.14	-0.7	0.5	0.2	0.5
D7	-0.12	-0.31	-0.38	-0.37	0.4	1.1	0.8	0.5
D8	0.12	0.24	0.28	0.42	1.0	3.3	1.5	2.6
D9	-0.22	-0.10	-0.71	-0.77	1.2	3.7	1.2	0.5
D10	-0.92	-1.70	-1.71	-2.13	-2.5	0.7	-3.6	-2.2
Cheap all deciles	-0.27	-0.54	-1.77	-2.23	-1.6	-0.2	-6.7	-5.2
Rich all deciles	-0.13	0.14	-0.05	-0.24	2.2	6.4	5.3	5.5
New issues last-1m	0.37	0.33	0.19	0.31	1.5	4.1	6.6	7.6
New issues last-3m	0.20	0.26	0.16	0.16	1.4	3.5	4.4	4.6

Source: BofA Global Research

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Exhibit 32: Strongest movers (ticker-level price changes)
Ranked by 1wk index impact (market* Δ price)

Ticker	Rtg	Dec	Sector	1Wk	2Wk	1Mo	3Mo	YTD	Ticker	Rtg	Dec	Sector	1Wk	2Wk	1Mo	3Mo	YTD
CYH	CCC1	D10	Healthcare	1.2	0.4	0.0	0.5	6.0	CSCHLD	CCC2	D10	Cable	-2.1	-4.2	-2.9	-10.1	-10.0
BHCCN	CCC2	D10	Healthcare	0.9	0.8	-1.1	6.2	13.0	OGN	BB3	D9	Healthcare	-1.4	-1.9	-2.6	0.2	-2.4
DISH	CCC1	D8	Cable	0.5	0.2	0.0	6.2	8.1	HTZ	B3	D10	Autos	-2.3	-4.2	-3.8	-4.4	-0.2
CCO	CCC2	D8	Media	1.5	1.1	0.4	4.3	7.9	LABL	CCC2	D10	Packaging	-2.4	-3.2	-10.9	-20.2	-26.0
IHRT	CCC2	D10	Media	1.7	0.9	3.8	10.4	3.0	MERC	B2	D10	Packaging	-5.1	-4.7	-5.0	-10.1	-18.9
CVS	BB1		Healthcare	0.9	0.2	0.3	2.9	5.3	CDK	B3	D10	Autos	-3.8	-4.9	-6.7	0.0	-18.8
SIX	BB3	D6	Travel	1.1	0.6	0.1	-0.3	0.0	CRGYFN	BB3	D7	Energy	-1.9	-2.7	-2.8	-1.0	-3.0
IRM	BB3	D2	Services	0.3	0.4	0.1	0.8	3.2	CVNA	B2	D7	Autos	-1.0	-1.6	-2.5	-5.3	-8.1
MIK	CCC1	D10	Retail	1.4	-0.4	8.8	16.2	20.8	CONSEN	B2	D10	Chemicals	-4.1	-7.6	-15.1	-12.8	-16.1
JWN	BB1	D8	Retail	1.0	0.7	0.2	3.5	1.4	VTLE	B2	D8	Energy	-2.0	-2.8	-2.7	8.6	-2.4
NSANY	BB2	D8	Autos	0.3	-0.1	-0.5	1.3	1.0	MAGN	B1	D9	Packaging	-2.6	-4.2	-4.6	-4.2	-6.0
MCFE	CCC1	D10	Technology	0.9	0.8	-1.3	-0.5	-4.6	CIVI	BB3	D6	Energy	-0.6	-1.3	-0.7	0.7	-1.6
VOD	BB1		Telecoms	0.4	0.3	0.3	1.7	4.0	TALO	B2	D6	Energy	-2.1	-2.8	-2.4	-0.6	-0.9
HOLX	BB2		Healthcare	1.2	1.5	1.3	3.0	6.7	SPLS	B3	D10	Retail	-0.8	-1.7	-3.1	4.1	-1.2
SUN	BB1	D2	Energy	0.3	0.1	0.0	0.5	2.0	HILCRP	BB2	D8	Energy	-0.5	-1.8	-2.1	-2.1	1.4

Source: BofA Global Research

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Primary Market Activity

Primary market activity remained tepid for the second week, with only one issuer tapping the market this week. Mtd issuance now stands at \$12.3bn, in 13 deals, split evenly into BBs and Bs. Refinancing deals have accounted for 36% of the mtd supply, followed by acquisition financing (27%), capex (26%) and GCP (11%).

Exhibit 33: Recent New Issues

*Dec = issuer CSI decile; †Denotes 1st time issuer in HY; **Spread at the time of this update (change since issuance); °Denotes matches with New Issue Candidates List.

Date	Ticker	Dec*†	Rating	Spread**	Size	Issuer	Sector	Cpn/Mty	Price
10/1	ALPGEN	D3	B2/B+	254 (+3)	750	Alpha Generation	Utilities	6.250s of 2034	99.9 (+0.7)
10/1	JANEST	D3	Ba1/BB	235 (+1)	650	Jane Street	Financials	6.750s of 2033	104.0 (+0.8)
10/1	ZIGGO	D9	B1/B+	363 (-0)	600	VodafoneZiggo	Cable	7.500s of 2033	100.8 (+0.8)
10/6	ABEGET	D10	B1/BB-	678 (+2)	628	Getty Images	Retail	10.500s of 2030	100.6 (+0.6)
10/7	VMED	D8	Ba3/B+	300 (+14)	850	Virgin Media	Cable	6.750s of 2033	100.1 (+0.1)
10/7	CLF	D6	Ba3/	342 (+14)	275	Cleveland-Cliffs	Metals	7.625s of 2034	102.9 (+0.1)
10/9	DAC	D1	Ba2/BB+	331 (+24)	500	Danaos	Transportation	6.875s of 2032	99.1 (-0.3)
10/10	TLN	D1	B2/B	210 (-13)	1,400	Talen Energy	Utilities	6.250s of 2034	101.4 (+1.4)
10/10	TLN	D1	B2/B	228 (-18)	1,290	Talen Energy	Utilities	6.500s of 2036	102.0 (+2.0)
10/16	WULF	†	Ba2/BB	374 (-46)	3,200	Terawulf	Telecoms	7.750s of 2030	101.9 (+1.9)
10/17	FGP	D8	B3/B	559 (-5)	650	Ferrellgas	Energy	9.250s of 2031	100.4 (+0.4)
10/21	ACI	D2°	Ba2/BB+	176 (-42)	800	Albertsons	Retail	5.750s of 2034	100.3 (+0.3)
10/21	ACI	D2°	Ba2/BB+	187 (-7)	700	Albertsons	Retail	5.500s of 2031	100.4 (+0.4)
Total				319 (-16)	12,293				101.2 (+1.1)

Source: BofA Global Research

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Sources of Demand

HY funds recorded net outflows of \$1.3bn wtd for the third week in row, with cumulative outflows of \$4.9bn from Oct 5th onwards; outflows were concentrated in open-ends (-\$5.3bn), while ETFs recorded net inflows of \$0.4bn over the same period. Calls/mtly totaled \$1.1bn for the week along with coupons of \$0.1bn. Primary market activity remained subdued with wtd new issuance of \$1.5bn from a single issuer; the forward calendar has more than \$3bn of deals as of writing.

For next week, we estimate a tad better print in calls/mtly (\$2.0bn) and coupons (\$0.5bn).



Exhibit 34: Combined HY supply/demand
 Calls/mtly of \$2.0bn + coupons of \$0.5bn due next week.

	Issuance	ETFs	Funds	Calls/Mtly	Net*	Coupon
Thu 10/16	3,200	-67	-845	1,319	1,881	23
Fri 10/17	650	179	-505	458	192	22
Mon 10/20	0	438	-705	0	0	0
Tue 10/21	1,500	448	-700	819	681	0
Wed 10/22	0	-348	-438	315	-315	0
Week 09/26	18,000	1,003	-315	2,300	15,700	36
Week 10/03	11,975	2,622	1,294	7,923	4,052	4,801
Week 10/10	4,943	-669	-1,321	4,289	654	113
Week 10/17	3,850	559	-2,170	3,244	606	5,606
Week 10/24e				1,136		85
Week 10/31e				2,005		527
Aug 2025	27,175	2,189	926	3	27,172	10,540
Sep 2025	58,300	2,745	1,212	18,318	39,982	8,671
Oct MTD	12,293	2,224	-4,142	14,781	-2,488	9,711
Oct 2025e	18,923			20,920	-1,997	8,818
Nov 2025e	25,107			20,229	4,879	7,467
YTD 2024	256,296	10,354	15,076	147,687	108,609	83,685
YTD 2025	280,395	22,609	-1,698	167,494	112,901	90,215
Pct chg	9%			13%	4%	8%
FY 2024	289,411	10,017	12,898	180,495	108,916	100,151
FY 2025e	285,000			191,116	93,884	107,623

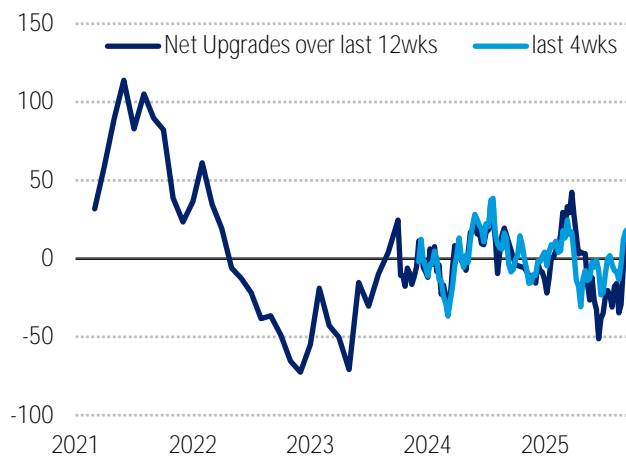
*Net supply = Issuance - Calls/Mtly.
 Source: BofA Global Research

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Rating Action Tracker

This week downgrades dominated upgrades. Services (Xerox, ADT, Prime Security Services) led downgrades; Travel (Carnival, Viking Cruises), Financials (Mr Cooper), and Autos (Carvana) led upgrades over last 4wks.

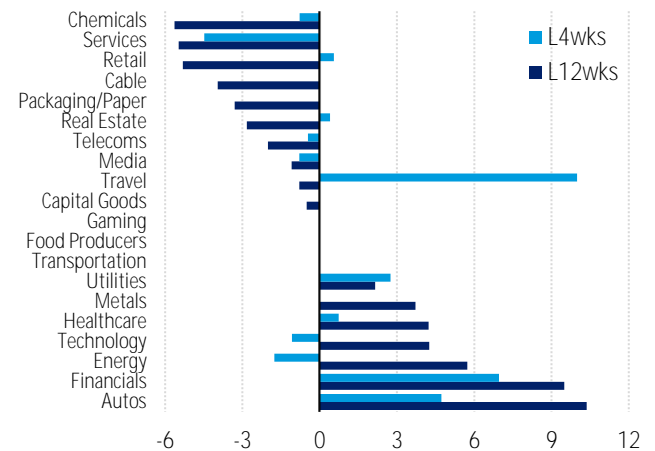
Exhibit 35: HY index-eligible debt net upgrade (\$bn)
 This week upgrades \$2.6bn and downgrades \$3.4bn.



Source: BofA Global Research, ICE Data Indices, LLC

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Exhibit 36: Index-eligible debt up/downgraded by sector (\$bn)
 Services led downgrades over last 4wks; Travel, Financials, and Autos led upgrades.



Source: BofA Global Research, ICE Data Indices, LLC

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Exhibit 37: Recent rating upgrades & downgrades
1wk/3m: actual notches upgraded/downgraded.

Recent realized upgrades (top 15)								Recent realized downgrades (top 15)									
Ticker	Name	Sector	Face	OAS	Rtg	1wk	3m	Est	Ticker	Name	Sector	Face	OAS	Rtg	1wk	3m	Est
ARIS	ARIS WATER HOLD	Energy	500	113	BBB3	5	5		VIAV	VIAVI SOLUTIONS	Telecoms	400	209	B1	-1	-1	-2
BSPEED	CONNECT HOLDING	Telecoms	2,225	739	B3	1	6		LILAPR	LCPR CABLE	Cable	1,981	2,623	CCC1		-2	-1
FBM	FOUNDATION BUIL	Real Estate	400	25	CCC1	1	1		TROX	TRONOX	Chemicals	1,475	1,447	B3		-2	-1
GNL	GLOBAL NET LEAS	Financials	500	168	BBB3	1	1		COLPLN	COLONIAL ENTERP	Energy	2,500	141	BBB3		-2	
RTL	AMERICAN FIN TR	Financials	500	168	BBB3	1	1		XRX	XEROX HOLDINGS	Services	2,152	1,936	CCC1		-2	
COOP	NATIONSTAR MTG	Financials	4,450	114	BB1		3		OPI	OFFICE PPTY INC	Financials	1,294	1,287	C		-2	
ENDP	ENDO FINANCE HO	Healthcare	1,000	274	BB3		2		JELD	JELD-WEN INC	Real Estate	750	462	CCC1		-2	
INFRAB	INFRABUILD AUST	Metals	700	819	CCC1		2		SMPINF	SEMPRA INFRASTR	Energy	400	162	BBB3		-1	-3
CVNA	CARVANA CO	Autos	3,929	722	B1		2		VSTJET	VISTAJET GROUP	Travel	2,000	292	B3		-1	-3
BIGBRS	BIG RIVER STEEL	Metals	720	140	BB1	1		3	BC	BRUNSWICK	Travel	1,700	138	BBB3		-1	-3
CRC	CALIFORNIA RESO	Energy	900	331	BB3	1		3	CNDT	CONDUENT BUS SE	Technology	520	376	B2		-1	-2
LYV	LIVE NATION ENT	Travel	2,950	113	BB3	1		3	OVCN	QVC INC	Retail	1,305	2,103	CCC1		-1	-2
WFRD	WEATHERFORD INT	Energy	2,736	288	BB2	1		2	INEGRP	INEOS FINANCE P	Chemicals	1,150	657	BB3		-1	-2
VIKCRU	VIKING CRUISES	Travel	3,070	124	BB3	1		2	REZI	RESIDEO FUNDING	Cap Goods	900	177	BB3		-1	-2
ATI	ATI MATERIALS	Metals	1,450	101	BB3	1		0	TCPC	BLACKROCK TCP C	Financials	650	274	BB1		-1	-1
Total for all recent upgrades			26,030					Total for all recent downgrades			19,177						

Source: BofA Global Research, ICE Data Indices, LLC. Disclaimer: The screen above is intended to be an indicative metric only and may not be used for reference purposes or as a measure of performance for any financial instrument or contract, or otherwise relied upon by third parties for any other purpose, without the prior written consent of BofA Global Research. This screen was not created to act as a benchmark. Note: This screen is not a recommended list either individually or as a group of stocks. Investors should consider the fundamentals of the companies and their own individual circumstances/objectives before making any investment decisions.

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Exhibit 38: Rating upgrades & downgrades candidates

Projected notches to be upgraded/downgraded from current level. This is a representative list. For the full list, please reach out directly.

Upgrade candidates (top 15)								Downgrade candidates (top 15)									
Ticker	Name	Sector	Face	OAS	Rtg	1wk	3m	Est	Ticker	Name	Sector	Face	OAS	Rtg	1wk	3m	Est
SPR	SPIRIT AEROSYST	Cap Goods	3,100	188	B3			3	RWLVA	RESORTS WORLD	Gaming	1,750	451	BB1			-3
COMM	COMMSCOPE	Telecoms	4,210	283	CCC3			3	PANIRP	PANAMA INFRASTR	Financials	1,428	364	BB1			-3
CHBANI	CHOBANI HOLDCO	Food	1,602	193	CCC1			3	HUN	HUNTSMAN INTERN	Chemicals	1,500	294	BB1			-3
ALIAN	ALIAN HOLD /	Financials	6,939	219	CCC2			3	JWN	NORDSTROM	Retail	2,541	259	BB1			-3
ACRISU	ACRISURE LLC /	Financials	4,275	215	CCC2			3	KSS	KOHL'S STORES	Retail	1,287	511	B1			-3
CETERA	ARETEC BROKERS	Financials	1,100	223	CCC1			3	OMI	OWENS & MINOR	Healthcare	1,031	874	B1			-3
SHEARE	FIESTA PURCHASE	Food	950	273	CCC2			3	MAGN	GLATFELTER	Packaging	1,300	571	B1			-3
SOLEIN	OLYMPUS WTR US	Chemicals	4,815	215	CCC2			3	HILCRP	HILCORP ENERGY	Energy	4,900	358	BB2			-3
CPS	COOPER-STANDARD	Autos	1,009	281	CCC3			3	OPTICS	OPTICS BIDCO SP	Telecoms	2,000	309	BB1			-3
ARDGRP	ARDONAGH GROUP	Financials	2,820	306	CCC2			3	CE	CELANESE US HOL	Chemicals	8,450	248	BB1			-3
TKCHOL	TKC HOLDINGS	Food	1,100	293	CCC2			3	PRAA	PRA GROUP INC	Financials	1,297	413	BB2			-3
CALCOL	WAND NEWCO 3 IN	Autos	1,250	193	B3			3	OGN	ORGANON &	Healthcare	4,858	368	B1			-3
EGBLFN	EG GLOBAL FINAN	Energy	1,100	181	B2			3	MIDCAP	MIDCAP FINANCA	Financials	1,400	392	BB3			-3
RGCARE	LIFEPOINT HEALT	Healthcare	3,900	270	CCC1			3	CMZB	DRESDNER FNDG T	Financials	1,400	185	BB1			-3
SURCEN	SURGERY CENTER	Healthcare	800	248	CCC1			3	CC	CHEMOURS	Chemicals	2,498	377	B1			-3
Total for top 15 candidates			38,970					Total for top 15 candidates			37,639						

Source: BofA Global Research, ICE Data Indices, LLC. Disclaimer: The screen above is intended to be an indicative metric only and may not be used for reference purposes or as a measure of performance for any financial instrument or contract, or otherwise relied upon by third parties for any other purpose, without the prior written consent of BofA Global Research. This screen was not created to act as a benchmark. Note: This screen is not a recommended list either individually or as a group of stocks. Investors should consider the fundamentals of the companies and their own individual circumstances/objectives before making any investment decisions.

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Fallen Angels & Rising Stars

Rising stars continue to be the theme this month, with four names (\$2bn total) entering IG and no fallen angels since Aug-end.



Exhibit 39: Rising star & Fallen angel actual/realized transitions

Rising Star: Δ OAS = difference between issuer OAS and the BBB index; Fallen Angel: Δ OAS = difference between issuer OAS and the BB index

Rising Star actual/realized transitions							Fallen Angel actual/realized transitions								
Date	Ticker	Name	Sector	Face	OAS	BBBs	Δ OAS	Date	Ticker	Name	Sector	Face	OAS	BBBs	Δ OAS
01/25	CASAVI	CASTLELAKE AVIATIO	Cap Goods	420		102		01/25	APTV	APTIV PLC / GLO	Autos	500	92	166	-74
01/25	NWSA	NEWSCORP DOWJON	Media	1,500	127	102	25	02/25	CE	CELANESE US	Chemicals	7,150	156	182	-26
02/25	COTY	COTY	Retail	1,600	148	109	39	02/25	NSANY	NISSAN MOTOR AC	Autos	9,452	137	182	-45
02/25	WAL	WESTERN ALLIANC	Financials	600	229	109	120	05/25	WHR	WHIRLPOOL	Retail	3,150	171	197	-26
03/25	GFLCN	GFL ENVIRONMENT	Services	1,750	182	120	62	06/25	JHXAU	JAMES HARDIE IN	Real Estate	400	89	171	-82
03/25	UAL	UNITED AIRLINES	Travel	3,932	219	120	99	07/25	HUN	HUNTSMAN INTERN	Chemicals	1,500	219	174	45
04/25	ISPIM	INTESA SANPAOLO	Financials	1,500	155	137	18	07/25	WBD	WARNERMEDIA HOL	Media	14,351	203	174	29
04/25	UCGIM	UNICREDIT SPA	Financials	3,750	128	137	-9	08/25	BRKHEC	BERKSHIRE HATHA	Utilities	850	45	179	-134
05/25	CTREV	CARETRUST	Healthcare	400	153	116	37	08/25	TCPC	BLACKROCK TCP C	Financials	325	239	179	60
05/25	DTMINC	DT MIDSTREAM	Energy	2,100	139	116	23								
05/25	OHNAT	CONSTELLATION INS	Financials	675	262	116	146								
05/25	RCL	ROYAL CARIBBEAN	Travel	9,700	146	116	30								
06/25	HASI	HA SUSTAINABLE	Energy	997	203	108	95								
07/25	VNOM	VIPER ENERGY PA	Energy	380	101	99	2								
08/25	VRT	VERTIV GROUP CO	Cap Goods	850	114	102	12								
09/25	CTECLN	180 MEDICAL	Healthcare	500	128	97	31								
09/25	LPX	LOUISIANA-PACIF	Real Estate	350	123	97	26								
10/25	ARIS	ARIS WATER HOLDINGS LLC	Energy	500	113	102	11								
10/25	BRKHEC	BERKSHIRE HATHAWAY ENERG	Utilities	476	43	102	-59								
10/25	GNL	GLOBAL NET LEASE	Financials	500	168	102	66								
10/25	RTL	AMERICAN FIN TR	Financials	500	168	102	66								
Weighted average/total ytd				32,980	154	117	39	Weighted average/total ytd				37,678	170	179	-10

Source: BofA Global Research, ICE Data Indices, LLC. Disclaimer: The screen above is intended to be an indicative metric only and may not be used for reference purposes or as a measure of performance for any financial instrument or contract, or otherwise relied upon by third parties for any other purpose, without the prior written consent of BofA Global Research. This screen was not created to act as a benchmark. Note: This screen is not a recommended list either individually or as a group of stocks. Investors should consider the fundamentals of the companies and their own individual circumstances/objectives before making any investment decisions.

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Exhibit 40: Rising Star & Fallen angel watchlist

Rising Star candidates: BB-rated issuers with lowest issuer-level CSI; Fallen Angel candidates: BBB-rated issuers with highest issuer-level CSI. This is a representative list. For the full list, please reach out directly.

Rising Star candidates						Fallen Angel candidates					
Ticker	Issuer	Sector	Rtg	Face	OAS	Ticker	Issuer	Sector	Rtg	Face	OAS
USFOOD	US FOODS	Food	BB2	2,900	114	SECBEN	SBL HOLDINGS IN	Insurance	BBB3	6,704	244
HLT	HILTON WORLDWID	Travel & Experiences	BB2	8,500	111	FMC	FMC	Commodity Chemicals	BBB3	3,250	192
URI	UNITED RENTALS	Industrial Machinery	BB2	8,869	96	CHTR	CHARTER COMMS	Cable	BBB3	53,700	176
AM	ANTERO MIDSTREA	Midstream	BB2	2,650	152	CNC	CENTENE	HMO	BBB3	15,677	163
IOV	IOVIA INC	Healthcare Technology	BB1	6,650	113	PARA	PARAMOUNT GLOBA	Media & Content	BBB3	14,656	197
WCC	WESCO DISTRIBUT	Industrial Machinery	BB2	3,875	122	FSK	FS KKR CAPITAL	Asset Managers	BBB3	4,750	229
HESM	HESS MIDSTREAM	Midstream	BB1	3,100	121	APODS	APOLLO DEBT SOL	Asset Managers	BBB3	2,893	191
STX	SEAGATE DATA ST	Technology Hardware	BB2	2,852	154	ANTHOL	ANTARES HOLDING	Asset Managers	BBB3	2,900	181
VST	VISTRA OPERATIO	Electric Utilities	BB1	12,151	102	OCINCC	BLUE OWL CREDIT	Asset Managers	BBB3	4,948	186
GGAMFI	GGAM FINANCE LT	Aerospace & Defense	BB2	2,499	151	ARESSI	ARES STRATEGIC	Asset Managers	BBB3	5,398	181
PPC	PILGRIM'S PRIDE	Food	BB1	3,106	122	HLEND	HPS CORPORATE L	Asset Managers	BBB3	4,194	173
ACI	ALBERTSONS COS	Staples/Food Retail	BB2	6,550	117	VTRS	VIATRIS	Pharma	BBB3	10,371	155
SEE	SEALED AIR	Packaging	BB2	3,501	122	SOBOCN	SOUTH BOW USA I	Midstream	BBB3	4,746	158
CCL	CARNIVAL CORP	Travel & Experiences	BB2	11,906	114	CITADL	CITADEL FINANCE	Asset Managers	BBB3	3,100	150
BALL	BALL	Packaging	BB1	4,906	108	F	FORD MOTOR CRED	Auto Manufacturing	BBB3	53,328	155
Total			84,014	119		Total			190,616	173	

Source: BofA Global Research, ICE Data Indices, LLC. Disclaimer: The screen above is intended to be an indicative metric only and may not be used for reference purposes or as a measure of performance for any financial instrument or contract, or otherwise relied upon by third parties for any other purpose, without the prior written consent of BofA Global Research. This screen was not created to act as a benchmark. Note: This screen is not a recommended list either individually or as a group of stocks. Investors should consider the fundamentals of the companies and their own individual circumstances/objectives before making any investment decisions.

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Defaults Tracker

Loan defaults from HY issuers were around \$45bn YTD, and HY defaults were around \$20bn, with average recovery at 59pts and 56pts respectively. HY has seen no defaults since September.

Exhibit 41: Recent defaults across bonds and loans

RR = recovery rates, average 30day prior to default; All = all seniorities; FLD = 1st Lien Debt; SRU = Sr Unsecured.

Ticker highlights proportional to frequency of appearance on our candidates watchlist 90 days prior to default. Note that our watchlist targets HY issuers, not loans.

YTD HY has defaulted \$20bn while BSL has defaulted \$45bn.

Date	Ticker	Name	Sector	Event	HY				BSL	
					Face	RR All	RR FLD	RR SRU	Face	RR All
07/25	RADIAT	RADIATE HOLDCO	Cable	Distressed exchange	1,900	74		64	3,309	87
07/25	LFSNGL	LIFESCAN GLOBAL CORPORAT	Healthcare	Bankruptcy					780	51
07/25	DELMFD	DEL MONTE FOODS INC.	Food Producers	Bankruptcy					571	56
08/25	SAGLEN	SAKS GLOBAL ENTERPRISES	Retail	Distressed exchange	2,149	24				
08/25	CUB	ATLAS CC ACQUISITION COR	Technology	Distressed exchange					1,704	72
08/25	SAVE	SPIRIT LOYALTY KY LTD	Travel	Bankruptcy	852	51	51			
08/25	ANABEV	ANASTASIA PARENT LLC	Retail	Payment Default					606	86
08/25	BROWHI	BW HOLDING INC.	Packaging/Paper	Distressed exchange					588	73
08/25	MODV	MODIVCARE INC	Healthcare	Bankruptcy					522	59
09/25	TRICGR	FIRST BRANDS GROUP	Autos	Bankruptcy					4,402	37
10/25	ASTACO	ASTRA ACQUISITION CORP.	Financials	Bankruptcy					1,021	9
10/25	FLORFO	FLORIDA FOOD PRODUCTS LL	Food Producers	Distressed exchange					702	61
YTD total					20,205	62	67	56	45,203	59
2024 FY					20,689	55	59	52	56,125	60
2023 FY					33,838	41	51	45	41,290	46

Source: BofA Global Research

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Exhibit 42: Default candidates representative names

HY issuers with highest issuer-level CSI; FLTD: face likely to default - assumed amount written off in a restructuring (uses sliding scale based on the CSI value (100th = 1:1 full scale; 90th = 0:1 none)

Ticker	Issuer	Sector	Rating	Face	Price	CSI ▼	FLTD
ARDFIN	ARD PACKAGING	Packaging/Paper	C	961	1	1.000	961
WSTC	WEST TECHNOLOGY GRP	Telecoms	CCC3	446	11	0.999	446
LINTA	LIBERTY MEDIA	Media	CCC3	792	11	0.999	792
CISN	CASTLE US HOLDING CORP	Media	CC	272	14	0.998	272
ARGID	ARDAGH PACKAGING	Packaging/Paper	CC	1,801	23	0.996	1801
NFE	NFE FINANCING LLC	Energy	CCC3	2,730	30	0.995	2730
TSE	TRINSEO LUX/TRINSEO NA	Chemicals	CCC3	385	33	0.994	382
BRIEAS	BRIGHTLINE EAST LLC	Transportation	CCC1	1,119	36	0.993	1104
ALNMED	ALLEN MEDIA	Media	CCC3	630	43	0.993	618
AFFGAM	AFFINITY GAMING	Gaming	CCC2	545	51	0.992	531
CUMINT	CUMULUS MEDIA NEW HLDGS	Media	CCC2	306	26	0.992	297
SPRIND	SWF ESCROW ISSUER	Retail	CC	436	36	0.991	410
NINE	NINE ENERGY SERVICE	Energy	CCC2	300	47	0.990	274
UONE	URBAN ONE	Media	CCC2	488	51	0.988	429
PRIMIN	PMHC II	Chemicals	CCC3	756	52	0.988	652
RAX	RACKSPACE FINANCE LLC	Technology	CCC1	319	39	0.987	266
ACPROD	ACPRODUCTS CABINETS	Real Estate	CC	498	60	0.986	396
LABL	MULTICOLOR LABELS	Packaging/Paper	CCC3	2,900	66	0.985	2181
LOGM	GOTO GROUP INC	Technology	CCC2	780	54	0.985	586
QVCN	QVC INC	Retail	CCC1	1,305	47	0.985	980
GPSSHOH	GPS HOSPITALITY HOLDING	Travel	CCC2	400	54	0.985	297
TRUK	REAL HERO MERGER SUB 2	Autos	CCC2	600	60	0.985	438
TELSAT	TELESAT CANADA	Telecoms	CC	387	79	0.982	238

Source: BofA Global Research, ICE Data Indices, LLC. Disclaimer: The screen above is intended to be an indicative metric only and may not be used for reference purposes or as a measure of performance for any financial instrument or contract, or otherwise relied upon by third parties for any other purpose, without the prior written consent of BofA Global Research. This screen was not created to act as a benchmark. Note: This screen is not a recommended list either individually or as a group of stocks. Investors should consider the fundamentals of the companies and their own individual circumstances/objectives before making any investment decisions.

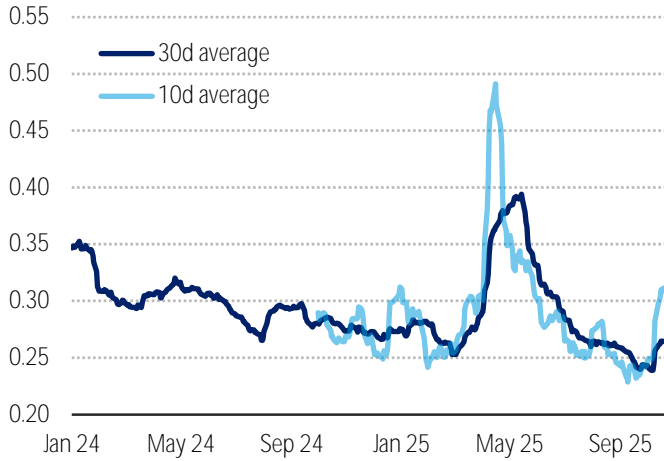
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Liquidity Tracker

Autos (Goodyear Tire & Rubber, American Axle & Manufacturing, Nissan), Metals (Cleveland-Cliffs), and Services (Iron Mountain, Xerox) were the most actively traded sectors relative to their recent averages. Bid-ask spreads averaged at 0.31pt this week, widening from 0.28pt last week.

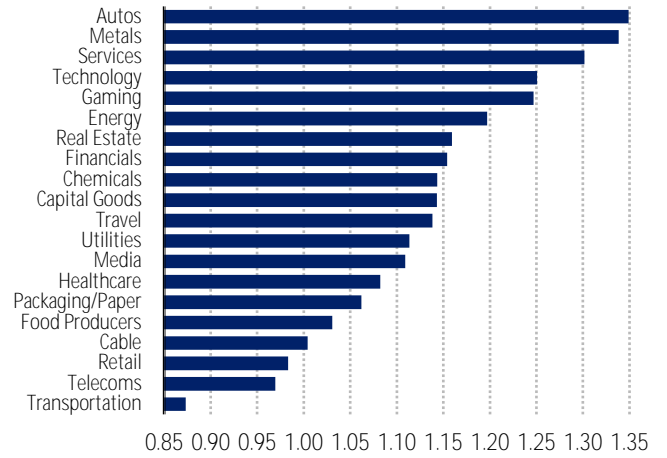
Exhibit 43: HY effective bid-ask spreads, pts
 Effective bid-asks are measured on actual round-trip trades. It averaged at 0.31pt this week, widened from 0.28pt last week.



Source: BofA Global Research, FINRA TRACE

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Exhibit 44: Sector-level daily avg trading volume
 L1wk daily avg trading volume divided by L3mo. Autos was the most actively traded sector, with L1wk volume at 1.3x of L3mo.



Source: BofA Global Research, FINRA TRACE

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Market Recap: USD Loans

Return Summary

Loan index total return is currently 0.15% WTD, driven by price appreciation and carry as avg bid prices rallied by +7pts. WTD performance has been even across ratings. On a YTD basis, BBs and Bs lead with +4.79% & +4.62% TR, compared to overall index (4.52%) while CCCs are lagging with 3.03%.

Exhibit 45: Loan total return, bps

Loans have returned 4.52% YTD

	YTD	MTD	WTD	10/17	10/10
All Loans	452	-10	15	7	-31
BB	479	7	13	11	-18
B	462	-9	16	8	-30
CCC	303	-42	15	-23	-31

Source: BofA Global Research, LCD

Exhibit 46: Loan index prices (pts)

Loan index is currently at 96.5pts

	Level	WTD	10/17	10/10	10/3
All Loans	96.5 pts	+0.07	-0.07	-0.45	-0.08
BB	99.2 pts	+0.05	-0.02	-0.30	-0.11
B	97.7 pts	+0.06	-0.08	-0.44	+0.18
CCC	79.4 pts	+0.22	+0.42	-0.32	+0.20

Source: BofA Global Research, LCD

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Supply and Demand

The week so far has seen \$1.52bn in Demand, driven by \$1.62bn in Coupons followed by offset by -\$97mn in retail outflows. On the supply side, we've seen new issuance of \$4.5bn offset by \$723mn in repayments, leaving us with \$2.29bn in demand net supply WTD. YTD demand net supply is now \$60.6bn, down 50% compared to its \$122bn YTD level at this time last year.

Exhibit 47: USD Loan supply and demand components (\$mn)

YTD demand net of supply stands at \$60.6bn

	YTD	WTD	10/17	10/10	10/3
Retail flows (a)	-8,943	-97	-550	-985	421
CLO creation (b)	124,629	0	4,169	1,723	2,483
Coupons (c)	92,102	1,625	1,658	1,311	3,214
Demand (a+b+c)	207,788	1,528	5,277	2,049	6,118
Issuance ex-repricings (e)	390,210	4,548	3,650	11,900	12,757
Repayments (f)	243,114	723	8,849	8,141	4,313
Net Supply (e-f)	147,096	3,825	-5,199	3,759	8,444
Demand net of Supply	60,692	-2,297	10,476	-1,710	-2,326

Source: BofA Global Research, LCD, LevFin Insights, EPFR

Note: Retail flows include only Open-End funds and ETFs which primarily hold Broadly Syndicated Loans and does not include CLO ETFs. YTD Retail flows include additional funds which publicly report on a monthly (rather than daily) basis, whereas WTD & weekly flows include only funds which publicly report daily.

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WTD flows have been negative with -\$100mn outflows from BSL Open-Ends offset by +\$3mn inflows from BSL ETFs. Separately, CLO ETFs have seen -\$89mn outflows WTD. YTD flows are negative across Loan Open-Ends (-\$5.1bn) & ETFs (-\$3.8bn), and positive for CLO ETFs (+\$13.7bn).

Exhibit 48: USD Loan fund flows (\$mn)

Flows into Loan Open-Ends, ETFs, and CLO ETFs

Asset	YTD	MTD	WTD	10/17	10/10	10/3
Open-End	-5,128	+151	-100	+60	-189	+295
Loan ETF	-3,816	-1,359	+3	-609	-796	+126
CLO ETF	+13,734	-247	-89	-531	+179	+361

Source: BofA Global Research, Bloomberg, EPFR

Note: Open-End and Loan ETF flows include only funds which primarily hold Broadly Syndicated Loans. YTD Retail flows include additional funds which publicly report on a monthly (rather than daily) basis, whereas WTD, weekly, & MTD flows include only funds which report daily.

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Over the past seven days, we've observed \$7.2bn in USD Loan new issuance. 51% by notional was for refinancing and 39% was for acquisition. YTD global and US issuance totals \$478.3bn and \$390.2bn, with a total of 719 and 528 loans launched, respectively, in the primary market thus far. In comparison, YTD '24 brought in \$507.1bn global issuance across 745 loans and \$441.7bn US issuance across 592 loans. YTD Repricings amount to \$454bn, a -1% increase from \$459bn in YTD 2024.

Exhibit 49: USD Loan new money issuance

List of USD Loan deals over last seven days

Launch Date	Issuer	New Institutional Money	Rating	Purpose	Sector	Country
10/22/2025	Convergent Technologies LLC	200	B	Refinancing	Services & Leasing	United States
10/21/2025	Air Control Concepts	150	B	Acquisition	Building Materials	United States
10/21/2025	SupplyOne Inc	105	B	Acquisition	Forest Product	United States
10/20/2025	Nomad Foods Ltd	747	B	Refinancing	Food & Beverage	United Kingdom
10/20/2025	Middletown Energy Center	325		Acquisition	Utilities	United States
10/20/2025	Xplor Technologies LLC	1,350	B	Acquisition	Computers & Electronics	United States
10/20/2025	Brooks Automation	150	B	Refinancing	Manufacturing & Machinery	United States
10/20/2025	OMNIA Partners	141	B	Dividend	Services & Leasing	United States
10/20/2025	Karman Holdings LLC	130	B	Acquisition	Aerospace & Defense	United States
10/20/2025	Raising Cane's Restaurants LLC	1,250	B	Refinancing	Restaurants	United States
10/17/2025	Versant Media Group, Inc.	750	BB	Acquisition	Services & Leasing	United States
10/16/2025	Shermco Industries	550		LBO	Services & Leasing	United States
10/16/2025	Chobani LLC	1,350	B	Refinancing	Food & Beverage	United States

Source: BofA Global Research, LCD

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Defaults and Downgrades

This week saw two loan defaults (556mn) from Florida Food Products following a distressed debt exchange. Over the past four weeks, we've observed seven Loans default across three distinct issuers, totaling \$5.97bn in nominal default volume. LTM default rate is now 4.0% by par and 4.1% by issuer.

Exhibit 50: USD Defaults over last four weeks

List of USD Loan default events over last four weeks

Default Date	Issuer	Ticker	Sector	Face	Maturity
10/17/2025	Florida Food Products LLC	FLORFO	Food Producers	430	10/18/2028
10/17/2025	Florida Food Products LLC	FLORFO	Food Producers	126	10/18/2029
10/01/2025	Astra Acquisition Corp.	ASTACQ	Financials	406	2/25/2028
10/01/2025	Astra Acquisition Corp.	ASTACQ	Financials	615	10/25/2028
09/29/2025	First Brands Group LLC	TRICGR	Autos	1,999	3/30/2027
09/29/2025	First Brands Group LLC	TRICGR	Autos	540	3/30/2028
09/29/2025	First Brands Group LLC	TRICGR	Autos	1,863	3/30/2027

Source: BofA Global Research, LCD

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Over the past month, we have seen rating actions across 18 distinct issuers. A total of 11 issuers were downgraded by -14 notches (\$9.3bn notional), and 7 issuers were upgraded by 8 notches (\$5.3bn notional). In terms of sectors, Services represented 38% of total downgrades by notional, followed by Travel (20%) and Technology (14%). Of the upgrades, 39% by notional value was in Healthcare, followed by Real estate (19%) and Services (13%). Over the past month, downgrades have outweighed upgrades by \$4bn.

Exhibit 51: USD Loan rating migrations

List of USD Loan upgrades and downgrades over last four weeks

RatingDate	Issuer	Ticker	Sector	Face	Maturity	Rating Action	Current Rating	Notches
10/21/2025	Novaria Group	NOVHLD	Capital Goods	406	6/6/2031	Upgrade	B	1
10/20/2025	United Natural Foods	UNFI	Food Producers	383	5/1/2031	Downgrade	B	(1)
10/20/2025	Raising Cane's Restaurants LLC	RZNCAN	Travel	495	9/18/2031	Downgrade	BB-	(1)
10/16/2025	Mannington Mills	MANNIN	Real Estate	222	3/25/2032	Upgrade	B+	1
10/16/2025	Orion Advisor Solutions	NORTST	Financials	1,025	9/24/2030	Downgrade	B-	(1)
10/16/2025	Xerox Corp	XRRCRP	Services	421	11/17/2029	Downgrade	B+	(1)
10/9/2025	Churchill Downs Inc	CHDN	Gaming	287	3/17/2028	Downgrade	BB+	(1)
10/9/2025	Dye & Durham Corp	DNDCN	Technology	341	4/11/2031	Downgrade	B-	(1)



Exhibit 51: USD Loan rating migrations

List of USD Loan upgrades and downgrades over last four weeks

RatingDate	Issuer	Ticker	Sector	Face	Maturity	Rating Action	Current Rating	Notches
10/9/2025	Elanco Animal Health	ELAN	Healthcare	2,102	8/1/2027	Upgrade	BB+	1
10/9/2025	Garrett Motion	GTX	Autos	688	1/30/2032	Upgrade	BBB-	1
10/9/2025	Legence Holdings	THERMA	Real Estate	798	12/16/2028	Upgrade	BB-	3
10/2/2025	ANGUS Chemical Company	ARUINV	Chemicals	526	11/24/2027	Downgrade	CCC+	(1)
10/2/2025	ANGUS Chemical Company	ARUINV	Chemicals	122	11/24/2027	Downgrade	CCC+	(1)
10/2/2025	Dave & Busters Inc	PLAY	Travel	695	11/1/2031	Downgrade	B-	(1)
10/2/2025	Dave & Busters Inc	PLAY	Travel	691	6/29/2029	Downgrade	B-	(1)
10/2/2025	Mirion Technologies Inc	MION	Technology	450	5/28/2032	Upgrade	BB	1
10/2/2025	Perficient Inc	PRFT	Technology	935	10/2/2031	Downgrade	B	(1)
10/2/2025	Prime Security Services Borrower/ADT	PRSESE	Services	1,969	10/13/2030	Downgrade	BB	(1)
10/2/2025	Prime Security Services Borrower/ADT	PRSESE	Services	1,146	3/7/2032	Downgrade	BB	(1)
10/2/2025	Torrid LLC	CURV	Retail	280	6/14/2028	Downgrade	B-	(1)
10/2/2025	VM Consolidated Inc	AMETRA	Services	689	3/24/2028	Upgrade	BB+	1

Source: BofA Global Research, LCD

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Performance Breakdown

Exhibit 52 shows a detailed breakdown of performance drivers within the USD loan space. We look at market subsets by broad and narrow ratings, as well as by sectors. For each subset we list metrics encompassing market structure, returns, spreads, prices and yields, both with and without the forward curve. We also have a section on constant constituents, which eliminates any impact from a change of constituents to generate the organic performance of each subset of the market.

Entries in the table are formatted along a green-red color-axis, with color scales grouped and formatted separately for each combination of time period (WTD, MTD, YTD) and metric (TR, 3yrDM, Price). Color scales are also formatted separately for each of the market subsets: Broad Rating, Narrow Rating, and Sectors. Values for All Loans are color-formatted along the same color-axis as Broad Rating.

Exhibit 52: USD Loan valuations and performance by Rating and Sector

Breakdown of WTD, MTD, and YTD changes in price, spread, and total return across ratings and sectors

October 22, 2025	Characteristics		Total Return			3yr DM				Price				YTM spot	3yr Yield	Constant Constituent		
			WTD (bps)	MTD (bps)	YTD (bps)	Current (bps)	WTD (bps)	MTD (bps)	YTD (bps)	Current (pts)	WTD (pts)	MTD (pts)	YTD (pts)	w/o curve (%)	w/ curve (%)	Total Return WTD (bps)	3yr DM WTD (bps)	Price WTD (pts)
All Loans	1,296	100%	15	-4	456	435	-2	16	11	97.0	0.1	-0.4	-0.8	8.2	7.5	18	-2	0.0
BBB Loans	75	6%	14	26	502	186	-3	3	-1	100.0	0.1	-0.1	-0.2	6.0	5.0	14	-2	0.1
BB Loans	319	24%	13	7	479	274	-2	11	20	99.2	0.0	-0.3	-0.9	6.8	5.9	13	-1	0.0
B Loans	778	62%	16	-9	490	431	-2	21	4	97.7	0.1	-0.6	-0.9	8.2	7.5	16	-2	0.1
All Cs	124	6%	15	-40	162	1,495	-14	-59	106	79.0	0.2	1.1	-1.4	19.3	18.1	18	0	0.0
BBB-	73	6%	14	26	502	187	-3	3	0	100.0	0.1	-0.1	-0.2	6.0	5.0	14	-2	0.1
BB+	62	4%	15	29	510	211	0	4	0	99.8	0.1	-0.1	-0.2	6.2	5.3	14	-2	0.1
BB	99	7%	12	27	466	236	-1	3	-22	99.6	0.0	-0.2	-0.5	6.4	5.5	12	-1	0.0
BB-	158	12%	14	-13	481	320	-2	18	52	98.7	0.1	-0.5	-1.4	7.2	6.4	14	-1	0.0
B+	160	12%	15	13	504	326	0	12	-30	99.2	0.0	-0.3	0.0	7.3	6.4	15	-2	0.0
B	325	28%	17	-2	525	390	-2	17	-6	98.6	0.1	-0.5	-0.6	7.9	7.1	17	-2	0.1
B-	293	22%	16	-31	439	542	-4	33	45	95.6	0.1	-0.8	-1.7	9.3	8.6	17	-2	0.1
All Cs	124	6%	15	-40	162	1,495	-14	-59	106	79.0	0.2	1.1	-1.4	19.3	18.1	18	0	0.0
Autos	47	4%	11	-56	402	458	-4	37	-44	96.5	0.1	-1.0	-0.1	8.5	7.8	11	0	0.0
Cable	28	2%	11	7	612	431	-1	51	6	97.4	0.0	-0.2	0.8	8.3	7.5	9	0	0.0
Capital Goods	83	7%	17	28	486	408	-3	8	16	97.3	0.1	-0.2	-1.2	8.0	7.3	15	-2	0.0
Chemicals	59	3%	15	-195	-54	662	2	102	251	91.8	0.0	-2.4	-6.7	10.2	9.8	15	-1	0.0
Energy	50	3%	10	31	447	361	-1	1	20	97.9	0.0	-0.1	-2.1	7.5	6.8	11	0	0.0
Financials	114	12%	19	22	551	323	-2	-13	1	99.2	0.1	0.3	-0.5	7.3	6.4	18	-3	0.1
Food Producers	44	3%	12	18	350	369	2	10	-121	98.6	0.0	-0.3	2.3	7.7	6.9	12	-1	0.0
Gaming	25	2%	9	-18	479	327	0	22	39	98.6	0.0	-0.6	-1.2	7.3	6.5	9	0	0.0
Healthcare	119	10%	17	12	555	421	0	12	-16	97.7	0.0	-0.3	-0.2	8.2	7.4	17	-3	0.1



Exhibit 52: USD Loan valuations and performance by Rating and Sector
 Breakdown of WTD, MTD, and YTD changes in price, spread, and total return across ratings and sectors

October 22, 2025	Characteristics		Total Return			3yr DM				Price				YTM spot	3yr Yield	Constant Constituent		
			WTD (bps)	MTD (bps)	YTD (bps)	Current (bps)	WTD (bps)	MTD (bps)	YTD (bps)	Current (pts)	WTD (pts)	MTD (pts)	YTD (pts)	w/o curve (%)	w/ curve (%)	Total Return (bps)	3yr DM (bps)	Price (pts)
	Count	% by par																
Media	61	4%	1	-79	503	622	0	47	132	94.9	0.0	-1.1	-2.1	10.1	9.4	0	5	-0.1
Metals	17	1%	15	40	459	387	-2	10	48	98.0	0.0	-0.2	-1.7	7.8	7.0	15	-2	0.0
Packaging/Paper	31	2%	12	-8	413	466	-1	15	64	97.0	0.0	-0.4	-1.8	8.6	7.8	13	-1	0.0
Real Estate	100	7%	12	4	567	375	0	15	13	98.2	0.0	-0.4	-0.7	7.7	6.9	13	-1	0.0
Retail	83	6%	27	15	406	492	-11	8	5	95.8	0.2	-0.3	-1.0	8.7	8.1	28	-6	0.2
Services	116	8%	22	5	492	445	-8	14	7	96.8	0.2	-0.4	-1.0	8.3	7.6	23	-4	0.1
Technology	162	14%	13	-29	380	563	-2	29	23	94.3	0.0	-0.7	-1.0	9.3	8.8	13	-1	0.0
Telecoms	25	2%	11	21	847	579	-5	29	-93	94.6	0.1	-0.7	1.5	9.6	9.0	12	0	0.0
Transportation	26	1%	19	-9	492	373	-3	17	31	97.9	0.1	-0.5	-1.2	7.7	6.9	19	-3	0.1
Travel	72	6%	13	22	520	299	-1	5	-7	99.2	0.0	-0.2	-0.4	7.0	6.2	13	-1	0.0
Utilities	33	2%	14	33	553	261	-2	2	-34	99.9	0.1	-0.1	-0.4	6.7	5.8	14	-2	0.0

Source: BofA Global Research, LCD

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Real estate issuer Empire Today led the decliners with its loan declining by -10pts. This was followed by Financial issuer Astra Acquisition that declined by -7.2pts. Prices have been in downward trend since the start of this month after S&P downgraded the issuer to 'D' following its Chapter 11 bankruptcy filing. Media issuer RLG declined by -5.8pts. On the upside, Chemicals issuer Consolidated Energy led gainers (+3.8pts) followed by Packaging/Paper issuer MAR Bidco Sarl (+3.8pts) and Retail issuer Leslie's Poolmart (+3.4pts).

Exhibit 53: Top Loan Movers
 Largest price movements over last 7 days

CUSIP	Issuer	Industry	Amt Out (\$mn)	Margin (bps)	Maturity	Loan Rtg (MDY/S&P)	Price (pts)	Price Chg (pts)
Largest price declines for the week ended 10/22								
	Empire Today	Real Estate	347	S+ 500	2029-08-03	-/CCC	5.0	-10.0
04629UAN	Astra Acquisition	Financials	406	S+ 675	2028-02-25	WR/D	17.3	-7.2
74970AAB	RLG	Media	478	S+ 425	2028-07-07	B3/B-	74.0	-5.8
14835JAO	Cast & Crew	Technology	1,393	S+ 375	2028-12-29	B3/B-	80.5	-5.6
26881KAD	EP Purchaser	Technology	374	S+ 450	2028-11-06	B2/B+	86.8	-5.1
	Thoughtworks	Technology	283	S+ 250	2028-03-24	-/B+	93.0	-4.6
26881KAC	EP Purchaser	Technology	820	S+ 350	2028-11-06	B2/B+	85.5	-4.5
04317JAG	Advancion	Chemicals	122	S+ 475	2027-11-24	B3/CCC+	91.5	-4.5
G3577PAD	Flexsys Cayman	Chemicals	392	S+ 525	2029-08-01	-/CCC	27.0	-4.3
89705DAQ	Tronox Finance	Chemicals	737	S+ 225	2029-04-04	B1/BB-	81.4	-4.1
Largest price increases for the week ended 10/22								
L1957LAE	Consolidated Energy	Chemicals	734	S+ 450	2030-11-15	B2/B	83.9	+3.8
	MAR Bidco Sarl	Packaging/Paper	291	S+ 420	2028-07-07	-/-	91.8	+3.8
52706YAJ	Leslie's Poolmart	Retail	757	S+ 275	2028-03-09	Ca/CCC+	31.6	+3.4
84850XAK	Spin Holdco	Services	1,910	S+ 400	2028-03-04	Caa1/CCC	81.4	+2.7
	AG Group	Services	463	S+ 425	2028-12-29	-/B	89.3	+2.0
	Discovery Purchaser	Chemicals	296	S+ 700	2030-10-04	-/CCC	99.0	+2.0
45168RAT	Flash Charm	Technology	1,586	S+ 350	2028-03-02	B2/B-	89.4	+1.8
57906HAF	McAfee	Technology	5,221	S+ 300	2029-03-01	B1/B-	94.8	+1.8
05875CAB	Bally's	Gaming	1,477	S+ 325	2028-10-02	Ba3 *-/B	91.9	+1.7
	CoreLogic	Services	750	S+ 650	2029-06-04	-/CCC	98.3	+1.5

Source: BofA Global Research, LCD

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Capital Structure Relative Value

Below Exhibit 54 includes 1L Loans and Secured bonds from an issuer. For issuers with more than one loan/bond, a representative loan/bond is selected based on the highest face value. Pairs are filtered for minimum 0.5% YTM Diff between loans and bonds in either direction, and the following linear relationship b/w YTM diff and Price diff: for any YTM diff, Price diff can be at most (YTM Diff)/2. For example, if the YTM diff is 1%, the Price diff should be < 0.5pts for the pair to make the list. Pairs are sorted in ascending order of YTM diff.



Exhibit 54: Capital structure relative value, Loans vs Secured Bonds
List of 20 most dislocated unsecured bond-loan pairs from the same issuer

Ticker	Issuer	Sector	Loan			Bond			Bond minus Loan		
			Face Value	Rating	Maturity	Face Value	Rating	Maturity	Spread Diff	Price Diff	YTM Diff
ADVSAL	Advantage Sales and Marketing	Media	1,096	B	10/28/2027	595	B-	11/15/2028	(99)	(1.61)	(4.61)
HTZ	Hertz	Autos	1,245	B	6/30/2028	1,250	B+	7/15/2029	(170)	16.15	(3.73)
SBGI	Sinclair Broadcast Group	Media	728	B-	12/31/2030	1,430	B	2/15/2033	(485)	12.46	(3.67)
IHRT	iheartMedia	Media	2,130	CCC+	5/1/2029	718	CCC+	5/1/2029	(261)	4.00	(3.11)
VSAT	ViaSat	Telecoms	677	B+	3/2/2029	600	BB-	4/15/2027	(277)	0.61	(3.09)
TROX	Tronox Worldwide LLC	Chemicals	737	BB-	4/4/2029	400	BB-	9/30/2030	(229)	9.29	(2.78)
PDCO	Patterson Companies Inc	Healthcare	1,425	B	4/16/2032	500	B	4/17/2032	(478)	8.78	(2.76)
SBPLLC	US Lumber Group Inc	Real Estate	985	B	10/15/2028	510	B-	10/15/2029	(201)	6.06	(2.64)
INEGRP	Ineos Group Ltd	Chemicals	2,355	BB-	2/18/2030	725	BB-	4/15/2029	(299)	7.06	(2.48)
TKCHOL	TKC Holdings	Food Producers	491	B	5/15/2028	425	B	5/15/2028	(305)	0.23	(2.31)
JANEST	Jane Street Group	Financials	5,507	BB	12/11/2031	1,650	BB+	11/1/2032	-76	2.68	-0.53
FOCS	Focus Financial Partners LLC	Financials	4,385	B	9/15/2031	1,000	B	8/15/2031	-43	2.02	-0.53
ICECR	Froneri	Food Producers	2,761	BB-	9/17/2031	580	B+	8/1/2032	-49	1.88	-0.50
DTV	DirecTV	Cable	1,222	B+	8/2/2029	2,074	BB-	2/15/2031	89	0.07	0.61
AHLMUN	Munksjo	Packaging/Paper	1,181	B-	2/4/2028	305	B	2/4/2028	-78	-3.38	0.68
BGS	B&G Foods Inc	Food Producers	450	B+	10/10/2029	799	B	9/15/2028	120	-0.30	0.78
DOTMER	Dotdash Meredith Inc	Media	700	BB-	6/17/2032	400	B+	6/15/2032	113	-4.75	0.94
ZIGGO	Ziggo BV	Cable	2,613	B+	1/31/2029	1,525	BB-	1/15/2032	-53	-7.87	1.09
DNDCN	Dye & Durham Corp	Technology	341	B-	4/11/2031	555	B	4/15/2029	155	-2.70	1.76
AMC	AMC Entertainment Inc	Media	1,999	B	1/4/2029	360	CCC	2/15/2029	236	-14.15	1.76

Source: BofA Global Research, LCD, ICE, Bloomberg

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Exhibit 55 shows dislocated 1L Loans and Senior Unsecured bonds from an issuer. For issuers with more than one loan/bond, a representative loan/bond is selected based on the highest face value. Pairs are filtered for Spread difference <-50bps OR >+200bps. Pairs are sorted in ascending order of YTM diff.

Exhibit 55: Capital structure relative value, Loans vs Unsecured Bonds
List of 20 most dislocated unsecured bond-loan pairs from the same issuer

Ticker	Issuer	Sector	Loan			Bond			Bond minus Loan		
			Face Value	Rating	Maturity	Face Value	Rating	Maturity	Spread Diff	Price Diff	YTM Diff
HTZ	Hertz	Autos	1,245	B	6/30/2028	500	CCC	12/1/2026	(647)	13.10	(8.57)
BGS	B&G Foods Inc	Food Producers	450	B+	10/10/2029	509	CCC	9/15/2027	(190)	1.70	(2.32)
CSWHOL	C&S Wholesale Grocers Inc	Food Producers	400	B	8/6/2030	400	CCC+	12/15/2028	(184)	(4.76)	(2.23)
PRIMBP	PrimeSource Building Products Inc	Real Estate	1,020	B-	9/25/2031	346	CCC	2/1/2029	(179)	(2.23)	(2.21)
JELD	JELD-WEN Inc	Real Estate	377	B+	7/28/2028	400	CCC+	12/15/2027	(98)	2.07	(1.98)
GFLCN	GFL Environmental Services	Services	2,150	B	2/4/2032	750	BB-	8/1/2028	(134)	(1.94)	(1.85)
HLF	Herbalife International Inc	Food Producers	375	BB-	4/12/2029	600	B	6/1/2029	(110)	(12.75)	(1.72)
FYBR	Frontier Communications Corp	Telecoms	1,017	B	7/1/2031	300	BB+	2/1/2028	(106)	4.07	(1.67)
BHCCN	Bausch Health Companies Inc	Healthcare	2,993	B	9/25/2030	643	CCC-	1/31/2027	(134)	0.56	(1.65)
SBGI	Sinclair Broadcast Group	Media	728	B-	12/31/2030	485	CCC-	3/1/2030	(220)	(4.50)	(1.62)
HBI	HanesBrands Inc	Retail	1,095	BB-	3/7/2032	600	B	2/15/2031	(145)	5.34	0.89
SCGALO	Scientific Games Lottery	Gaming	2,048	B	4/4/2029	800	B-	3/1/2030	203	-7.23	1.45
CABO	Cable One Inc	Cable	742	BB-	5/3/2028	613	B	11/15/2030	235	(16.64)	1.63
PSLOGI	PS Logistics	Transportation	459	B	9/29/2028	300	CCC+	10/15/2029	258	(5.71)	1.97
HILCRP	Hilcorp Energy I LP	Energy	995	BBB-	2/6/2030	1,000	BB	2/15/2035	216	(5.55)	2.00
MIK	Michaels Stores Inc	Retail	1,867	B-	4/15/2028	968	CCC	5/1/2029	336	(9.38)	2.07
DEXAXL	Dexter Axle Company	Autos	1,023	B-	10/4/2028	652	CCC	10/15/2029	356	(13.45)	2.86
OMI	Owens & Minor Inc	Healthcare	511	BB-	3/29/2029	552	B+	4/1/2030	506	(19.22)	4.49
CLH	Clean Harbors Inc	Services	1,260	BBB-	9/24/2032	545	BB	7/15/2027	506	(0.12)	4.80
GTN	Gray Television Inc	Media	739	B+	12/1/2028	1,219	CCC	11/15/2031	580	(29.46)	5.32

Source: BofA Global Research, LCD, ICE, Bloomberg

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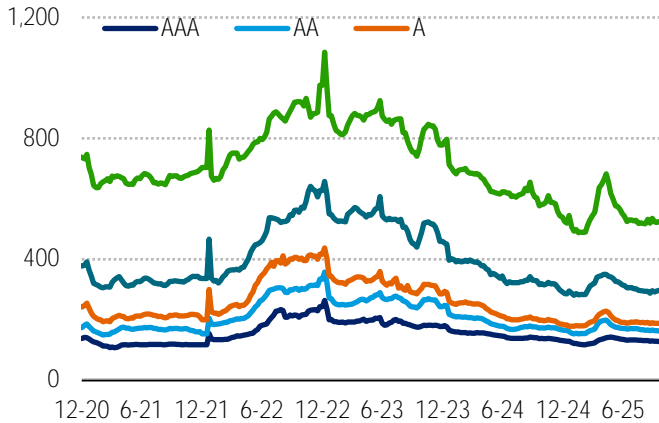
CLO Spreads and Arbitrage

As of 10/17, AAA CLO primary spreads are at 128bps, down from May peak levels above 140bps (Exhibit 56). Arbitrage as of 10/17 is 186bps, down from its April peak of 233bps (Exhibit 57).



Exhibit 56 shows CLO spread levels by tranches. CLO arbitrage is a widely followed statistic in the loan market and represents the theoretical spread that managers can capture by issuing CLOs. Exhibit 57 compares CLO asset (Loan) spreads to the weighted average spreads of CLO liabilities. The difference between these two values is the theoretical arbitrage and represents the current attractiveness of creating new CLOs. Our asset pricing is based on both primary (higher weight) and secondary loans, and liability pricing is based on the most current CLO primary pipeline from LevFin Insights.

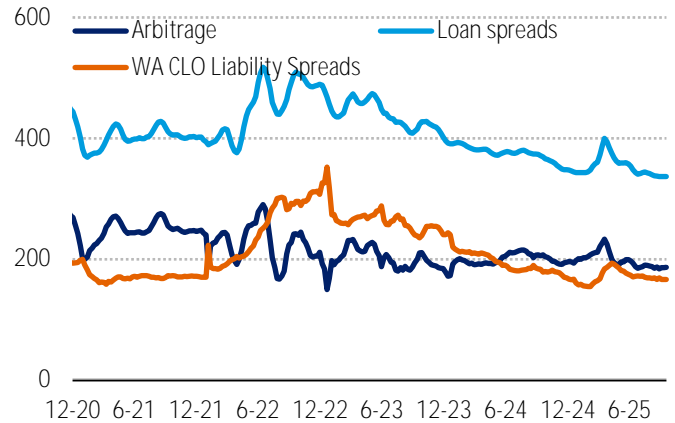
Exhibit 56: US CLO 2.0/3.0 primary spread level (bps)
Primary CLO spreads have declined materially from '22 peak



Source: BofA Global Research, LevFin Insights

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Exhibit 57: CLO Arbitrage (bps)
CLO arbitrage has increased since YE '24



Source: BofA Global Research, LevFin Insights

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Market Recap: EUR Loans

WTD the EUR Loan index has returned +0.24% with both BBs & Bs returning +0.25%. YTD the EUR Loan index has returned 2.78%, underperforming the 4.52% return of the USD Loan index. WTD new issuance has totaled €2.1bn across three deals. YTD EUR new issuance totals €87bn, up 40% vs €62bn at this time last year. The past week we have observed one new downgrade from travel issuer B&B Hotels with a €1.9bn notional, and there have been no upgrades. In terms of WTD TR, Metals (+0.62%) & Capital goods (+0.53%) have outperformed the most while Utilities (-0.25%) and Real estate (-0.10%) have lagged. Market data below is through Wed 10/22.

Returns Summary

WTD EUR Loan index has returned +0.24%. BBs & Bs both have returned +0.25%. WTD EUR Loan index price has increased +0.19pts. YTD EUR Loan index return is at 2.78%, underperforming USD Loan index at 4.52%.

Exhibit 58: EUR Loan total return
YTD EUR Loan index return is at 2.78%

	YTD	MTD	WTD	10/17	10/10
All Loans	278	-45	24	-3	-58
BB	262	-63	25	12	-90
B	298	-36	25	-3	-53

Source: BofA Global Research, LCD

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Exhibit 59: EUR Loan index prices (pts)
EUR Loan index price is currently at 96.6pts

	Level	WTD	10/17	10/10	10/3
All Loans	96.6 pts	+0.19	-0.13	-0.68	-0.16
BB	98.2 pts	+0.18	+0.04	-1.00	-0.19
B	97.8 pts	+0.18	-0.15	-0.64	+0.06

Source: BofA Global Research, LCD

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New EUR Loan Issuance

This week has seen €2.1bn in new EUR Loan issuance across three deals with the largest deal of €1.1bn coming from Verisure AB. All new issuance this week is for refinancing.



Exhibit 60: EUR Loan new money issuance

This week has seen €2.1bn in new EUR Loan issuance across 3 deals

Launch Date	Issuer	New Institutional Money	Rating	Purpose	Sector	Country
10/21/2025	Verisure AB	1,071	BB	Refinancing	Services & Leasing	Sweden
10/20/2025	Nomad Foods Ltd	640	B	Refinancing	Food & Beverage	United Kingdom
10/20/2025	WSH Investments	400		Refinancing	Restaurants	United Kingdom

Source: BofA Global Research, LCD

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EUR Upgrades/Downgrades

Over the past seven days, we have observed one new downgrade from travel issuer B&B Hotels totaling €1.9bn. Over the past four weeks we have observed two downgrades totaling \$2.3bn and no upgrades.

Exhibit 61: EUR Loan rating migrations

Over the past four weeks we have observed 2 downgrades and no upgrade

RatingDate	Issuer	Ticker	Sector	Face (USD)	Maturity	Rating Action	Current Rating	Notches
10/16/2025	B&B Hotels	BBHOTL	Travel	1,916	3/21/2031	Downgrade	B-	(1)
10/2/2025	ANGUS Chemical Company	ARUINV	Chemicals	388	11/24/2027	Downgrade	CCC+	(1)

Source: BofA Global Research, LCD

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Performance Breakdown

Exhibit 62 shows a detailed breakdown of performance drivers within the EUR loan space, adopting the same methodology as used for USD loans in Exhibit 52.

Exhibit 62: EUR Loan valuations and performance by Rating and Sector

Breakdown of WTD, MTD, and YTD changes in price, spread, and total return across ratings and sectors

Oct 22, 2025	Characteristics		Total Return			3yr DM				Price				YTM spot	USD eqv	3yr Yield	Constant Constituent		
			WTD	MTD	YTD	Current	WTD	MTD	YTD	Current	WTD	MTD	YTD	w/o curve	w/o curve	w/ curve	Total Return	3yr DM	Price
			(bps)	(bps)	(bps)	(bps)	(bps)	(bps)	(bps)	(pts)	(pts)	(pts)	(pts)	(%)	(%)	(%)	WTD (bps)	(bps)	WTD (pts)
All Loans	386	100%	24	-43	273	494	-6	28	23	96.8	0.2	-0.7	-1.3	6.7	8.7	8.1	24	-6	0.1
BBB Loans	2	0%	20	17	411	246	-5	-25	-40	100.4	0.1	0.4	0.2	4.6	6.6	5.6	20	-5	0.1
BB Loans	49	12%	25	-63	261	365	-7	30	37	98.2	0.2	-0.9	-1.9	5.5	7.5	6.8	25	-7	0.2
B Loans	311	78%	25	-37	332	461	-8	25	2	97.8	0.2	-0.7	-0.8	6.5	8.5	7.8	25	-6	0.2
All Cs	24	5%	15	-184	-54	1,689	-109	-39	409	75.6	2.0	1.0	-7.0	18.7	20.8	20.1	11	1	0.0
BBB-	2	0%	20	17	411	246	-5	-25	-40	100.4	0.1	0.4	0.2	4.6	6.6	5.6	20	-5	0.1
BB+	6	3%	27	12	375	272	-7	-8	-64	99.9	0.2	-0.2	-0.4	4.8	6.8	5.9	27	-7	0.2
BB	12	2%	21	37	325	266	-5	-3	-67	100.0	0.1	0.1	-0.1	4.7	6.8	5.9	21	-5	0.1
BB-	31	8%	26	-117	231	428	-7	55	106	97.1	0.2	-1.5	-2.9	6.0	8.0	7.5	26	-7	0.2
B+	53	15%	21	3	414	368	-5	14	-44	99.4	0.1	-0.3	0.6	5.7	7.7	6.9	21	-5	0.1
B	169	44%	24	-21	394	403	-8	19	-9	99.1	0.2	-0.6	-0.6	6.0	8.0	7.2	24	-6	0.2
B-	89	19%	29	-109	118	681	-6	58	113	93.4	0.1	-1.4	-3.0	8.5	10.5	10.0	29	-8	0.2
All Cs	24	5%	15	-184	-54	1,689	-109	-39	409	75.6	2.0	1.0	-7.0	18.7	20.8	20.1	11	1	0.0
Autos	11	3%	16	-2	468	379	-3	17	-78	98.6	0.1	-0.3	0.1	5.7	7.7	7.0	16	-3	0.1
Cable	7	2%	8	-106	370	546	0	55	72	94.8	0.0	-1.4	-1.6	7.4	9.4	8.6	8	0	0.0
Capital Goods	26	6%	53	4	432	399	-17	8	-21	99.2	0.4	-0.3	-0.3	6.0	8.0	7.2	53	-17	0.4
Chemicals	24	5%	24	-300	-232	660	-6	107	243	92.9	0.1	-2.6	-6.2	8.3	10.3	9.8	24	-6	0.1
Energy	4	2%	21	20	611	402	-4	8	-45	100.2	0.1	-0.2	0.0	6.1	8.1	7.2	21	-4	0.1
Financials	40	10%	31	-61	286	554	-9	25	55	95.6	0.2	-0.7	-2.0	7.1	9.1	8.7	31	-9	0.2
Food Producers	27	6%	26	-2	487	417	-8	11	-25	99.0	0.1	-0.4	0.2	6.2	8.2	7.4	26	-7	0.2
Gaming	6	2%	21	17	470	312	-5	5	-23	100.2	0.1	-0.1	0.1	5.2	7.2	6.3	21	-5	0.1
Healthcare	61	18%	23	-8	192	572	-16	15	83	94.9	0.3	-0.4	-2.7	7.4	9.4	8.9	23	-6	0.1
Media	12	2%	22	-32	486	408	-10	16	-14	99.4	0.2	-0.6	-0.4	6.1	8.1	7.3	22	-5	0.1
Metals	1	0%	62	-175	-582	1,130	-23	101	515	85.9	0.4	-2.0	-11.2	13.4	15.4	14.5	63	-23	0.4
Packaging/Paper	11	2%	37	-174	-223	540	-9	-1	32	96.9	0.2	0.0	-1.0	7.4	9.4	8.6	41	-13	0.3
Real Estate	27	6%	-10	-151	398	622	7	67	44	94.5	-0.2	-1.7	-1.3	7.9	9.9	9.4	-10	7	-0.2
Retail	33	9%	31	-68	295	444	-8	30	-16	97.9	0.2	-1.0	-0.6	6.3	8.3	7.6	30	-8	0.2



Exhibit 62: EUR Loan valuations and performance by Rating and Sector
Breakdown of WTD, MTD, and YTD changes in price, spread, and total return across ratings and sectors

Oct 22, 2025	Characteristics		Total Return			3yr DM				Price				YTM spot	USD eqv	3yr Yield	Constant Constituent		
			WTD (bps)	MTD (bps)	YTD (bps)	Current (bps)	WTD (bps)	MTD (bps)	YTD (bps)	Current (pts)	WTD (pts)	MTD (pts)	YTD (pts)	w/o curve (%)	w/o curve (%)	w/ curve (%)	Total Return WTD (bps)	3yr DM WTD (bps)	Price WTD (pts)
	Count	% by par																	
Services	30	10%	22	-51	327	432	-5	29	22	98.2	0.1	-0.8	-1.3	6.2	8.2	7.5	21	-5	0.1
Technology	37	9%	14	-12	331	551	0	21	32	95.3	0.0	-0.5	-1.5	7.2	9.2	8.7	8	0	0.0
Telecoms	14	5%	34	23	462	327	23	37	-143	99.9	0.2	-0.1	2.3	5.3	7.3	6.5	33	-10	0.3
Transportation	4	1%	38	18	502	375	-11	6	-30	100.1	0.3	-0.2	-0.1	5.8	7.9	6.9	38	-11	0.3
Travel	10	3%	32	-19	330	481	-7	24	-70	97.7	0.2	-0.7	0.8	6.6	8.6	8.0	27	-7	0.2
Utilities	1	0%	-25	-21	497	499	13	24	30	99.4	-0.3	-0.6	-0.8	7.0	9.0	8.2	-25	13	-0.3

Source: BofA Global Research, LCD

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Healthcare issuer Pharmanovia Bidco led the decliners (-4.4pts) after Moody's downgraded its CFR to Caa1 from B3 citing Pharmanovia's continued weak performance to September 2025 with a 52% drop in company-adjusted EBITDA in the first half of fiscal 2026 and Moody's expectation that performance will remain weak in 2026. This was followed by Packaging/Paper issuer Duran Group Holding declining by (-4.0pts) and Technology issuer Think-Cell Operations declining (-3.4pts). Gainers include Capital Goods issuer Veonet Lense (+4.9pts) & Technology issuer Granite France Bidco (+4.5pts) followed by Financial issuer LSF10 XL Investments that rallied (+4.0pts) after Holcim announced on Monday its plans to acquire the company for €2bn.

Exhibit 63: Top EUR Loan movers
Largest price movements over last 7 days

FigID	Issuer	Industry	Amt Out (\$mn)	Margin (bps)	Maturity	Loan Rtg (MDY/S&P)	Price (pts)	Price Chg (pts)
Largest price declines for the week ended 10/22								
BBG01N22MKZ4	Pharmanovia Bidco	Healthcare	1,138	E+ 425	2030-02-28	Caa1/B-	46.1	-4.4
BBG01G5Y2NH2	Duran Group Holding	Packaging/Paper	167	E+ 525	2026-05-31	-/-	88.0	-4.0
BBG01WDMDKZ8	Think-Cell Operations GmbH	Technology	808	E+ 450	2028-08-31	-/-	93.0	-3.4
BBG01G07FMM8	Winterfell Financing	Real Estate	523	E+ 500	2028-05-04	B3/B-	91.5	-3.1
BBG019M9M8Q5	Kronosnet	Technology	1,097	E+ 575	2029-10-14	B3/-	66.7	-2.6
BBG00Y9RVN5	Winterfell Financing	Real Estate	1,562	E+ 350	2028-05-04	B3/B-	88.4	-2.0
BBG01JIT4DS0	Altice Financing	Cable	913	E+ 500	2027-10-31	Caa2/CCC+	78.1	-1.8
BBG01BQJ4N3	Altice Financing	Cable	510	E+ 500	2027-10-28	Caa2/CCC+	78.1	-1.8
BBG01RYVK2O8	Triley Midco	Financials	737	E+ 375	2029-04-19	B3/B+	97.3	-1.8
BBG01PZV4NX5	Armor Ilimak	Chemicals	523	E+ 450	2029-05-04	-/B-	97.4	-1.5
Largest price increases for the week ended 10/22								
BBG01S7Q1616	Veonet Lense	Capital Goods	1,080	E+ 350	2029-04-13	-/-	90.3	+4.9
BBG019MDFBQ7	Granite France Bidco	Technology	1,043	E+ 500	2028-10-17	B3/B-	87.3	+4.5
BBG01VL4X181	LSF10 XL Investments	Financials	1,691	E+ 475	2031-04-11	B3/-	100.5	+4.0
BBG01SBCGPD1	Veonet Lense	Capital Goods	417	E+ 475	2029-03-14	B3/B	88.1	+3.8
BBG01NY6DWH4	Ammega Group	Capital Goods	290	E+ 475	2028-12-30	B3/-	89.4	+2.8
BBG01H7SL570	Ammega Group	Retail	1,122	E+ 500	2028-12-29	B3/B-	89.3	+1.8
BBG01S0PL1N0	Fortis	Chemicals	435	E+ 375	2032-02-06	B2/B	98.3	+1.7
BBG00Y9ZSGQ4	Inovie	Healthcare	1,808	E+ 375	2028-03-03	B3/B-	85.9	+1.7
BBG018103SS4	Inovie	Healthcare	464	E+ 500	2028-03-03	B3/B-	87.2	+1.7
BBG01R5VHG38	Everest Subbidco	Financials	705	E+ 450	2031-12-08	-/B-	100.1	+1.5

Source: BofA Global Research, LCD

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Glossary

A&E: Amendment and Extension
AHG: Ad Hoc Group
AUM: Assets Under Management
BSL: Broadly Syndicated Loan Market
CCC: HY/Loans CCC Rating
CF: Cash Flow
CLO: Collateralized Loan Obligation
CPI: Consumer Price Index
CSI: Credit Stress Indicator
DE: Distressed Exchange
DL: Direct Lending
DR: Default Rate
FCF: Free Cash Flow
FF: Federal Funds
FL/1L: First Lien
GFC: Global Financial Crisis
FOMO: Fear of Missing Out
IG: Investment Grade
ISM: Institute of Supply Management
HY: High Yield
ISM: Institute for Supply Management
LBO: Leveraged Buyout
LCD: Leveraged Commentary & Data
LevFin: Leveraged Finance
LME: Liability Management Exercise
LTM: Last 12 months
MM: Middle Market
MTD: Month to Date
MTM: Mark-to-market
NTM: Next 12 months
OAS: Option-Adjusted Spread
OCF: Operating Cash Flow
OER: Owners' Equivalent Rent
PD: Private Debt
PDR: Probability Default Rating
PIK: Payment-in-Kind
PMI: Purchasing Managers' Index
PPI: Producer Price Index
QoQ: Quarter over Quarter
RCF: Revolving Credit Facility
Refi: Refinancing
RV: Relative Value
SL/2L: Second Lien
SMA: Separately Managed Accounts
TL: Term Loan
TLA/TLB: Term Loan A/B
TR: Total return
UoP: Use of Proceed
WK: Week
WoW: Week over Week
WTD: Week to Date
YoY: Year over Year
YTD: Year to Date
YTM: Yield to Maturity



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