

4Q 2024

Debt Capital Markets Report

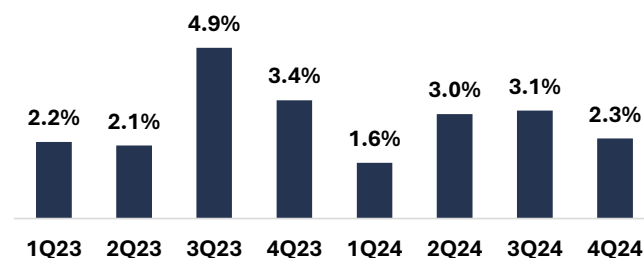
Key Takeaways:

- The Fed cut rates 50bps in 4Q (100bps in total for the year), maintaining a firm outlook as the economic situation remains uncertain
- Debt capital markets activity continued to increase, driven by refinancings and recovering M&A as borrowing costs began to ease
- Borrower performance continued to improve throughout 2024, however pressures remain going into the new year

Economic Conditions

Gross Domestic Product (GDP). “Real GDP increased 2.8 percent in 2024...compared with an increase of 2.9 percent in 2023. The increase in real GDP in 2024 reflected increases in consumer spending, investment, government spending, and exports. Imports increased.” ([BEA 4Q Release](#))

GDP (% change from prior year)



Unemployment. “Total nonfarm payroll employment increased by 256,000 in December, and the unemployment rate changed little at 4.1[%]. Employment trended up in health care, government, and social assistance. Retail trade added jobs in December, following a job loss in November.” ([BLS Dec Release](#))

Sources: U.S. Bureau of Economic Analysis (BEA), U.S. Bureau of Labor Statistics (BLS).

Economic conditions

GDP	Below Avg
Unemployment	Below Avg (Increasing)
CPI	Approaching Target

Debt capital markets conditions

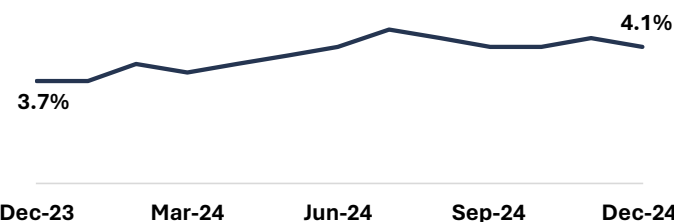
New Issuances (\$Bn)	Higher
Loan Mix (Refi/M&A)	More Balanced
Rate Outlook (2024)	Lower/Flattish

Borrower conditions

Net Rating Bias	Positive (Improving)
Corporate Defaults	Above Avg (Improving)

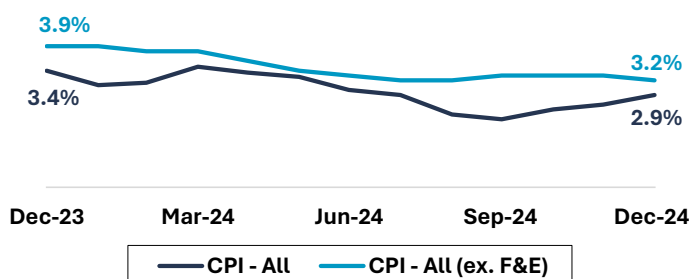
See Page 3 for additional detail.

Unemployment Rate (%)



Inflation. “The all items index rose 2.9[%] for the 12 months ending December, after rising 2.7[%] over the 12 months ending November. The all items less food and energy index rose 3.2[%] over the last 12 months. The energy index decreased 0.5[%] for the 12 months ending December. The food index increased 2.5[%] over the last year.” ([BLS Dec Release](#))

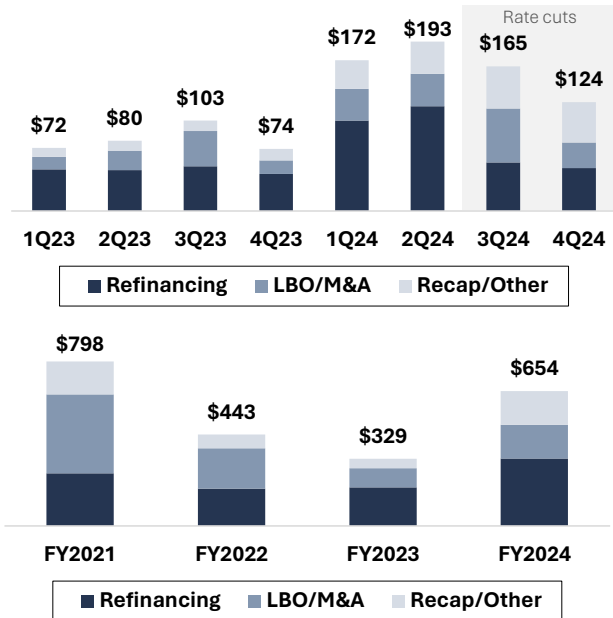
CPI (% 12-month change)



Debt Capital Markets Conditions

Loan Activity. Loan volumes remained higher year-over-year in 4Q24, with activity for the full year approaching levels last seen when SOFR was near-zero.

U.S. Leveraged Loan Volumes – New Issuance (\$Bn)

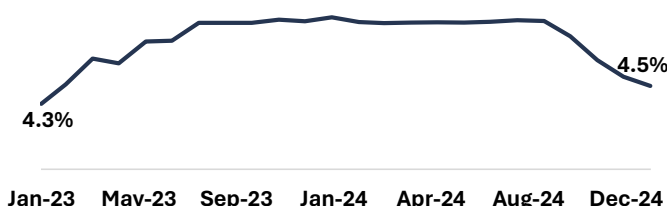


The variance in mix for 2024 versus the near-zero SOFR period, as well as the progression throughout the year, highlights two drivers of the recovering volumes: (i) continued refinancing activity as borrowers facing financing and broader economic pressures re-adjust their credit facilities and (ii) acquisition activity beginning to recover as borrowing costs eased slightly.

While mix approached more balanced levels towards the back half of 2024, refinancing activity is expected to continue given pressures from rates remaining higher for longer than anticipated.

Rate Outlook. Interest costs started to abate as SOFR came off 2024 peak levels.

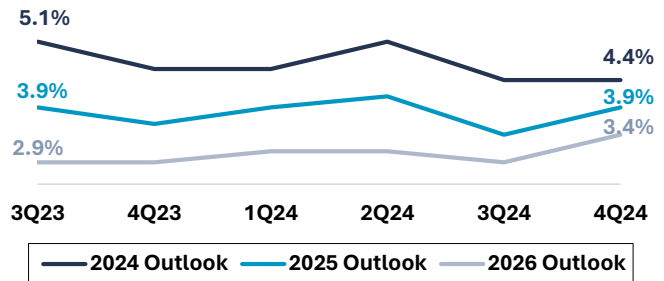
Secured Overnight Funding Rate (SOFR)



Sources: LCD Comps, Federal Reserve, New York Federal Reserve, Standard & Poors.

The Fed cut rates 25bps at both 4Q meetings, reducing their target to 4.25% - 4.5%, and maintained a firm outlook relative to expectations.

FOMC Fed Funds Rate Outlook (Median)



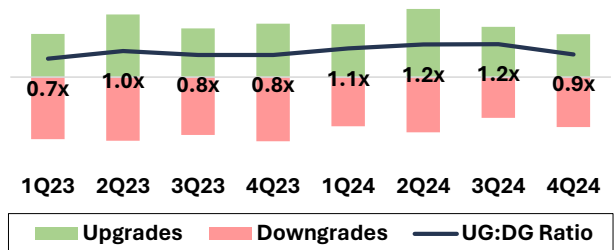
“Recent indicators suggest that economic activity has continued to expand at a solid pace. Since earlier in the year, labor market conditions have generally eased, and the unemployment rate has moved up but remains low. Inflation has made progress toward the Committee’s 2 percent objective but remains somewhat elevated.”

“The Committee judges that the risks to achieving its employment and inflation goals are roughly in balance. The economic outlook is uncertain, and the Committee is attentive to the risks to both sides of its dual mandate.” ([Fed Dec Release](#))

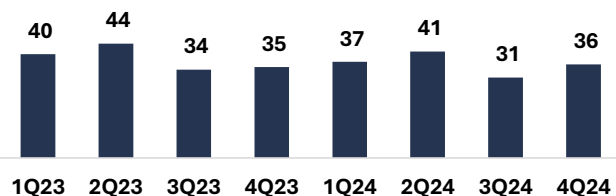
Borrower Conditions

Credit Performance. Rating trends skewed negative in 4Q, ending largely net-positive for the year. Corporate defaults were lower year-over-year yet remained elevated compared to historical levels.

S&P Global Ratings Activity



S&P Global Corporate Defaults



Summary

Debt capital markets registered their most active year following rate hikes as refinancing activity continued and M&A started to return amid lower borrowing costs. The Fed cut rates ~100bps, supporting an increasingly favorable environment, but maintained a firm outlook as the economic situation unfolds. Borrowers can expect the need to remain vigilant and ready to adapt going into the new year.

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Debt capital markets conditions	
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4Q23	4Q24	BM (1)
3.4%	2.3%	3.3%
3.7%	4.1%	5.7%
3.4%	2.9%	2.0%
2023	2024	
\$329	\$654	
57%/43%	50%/50%	
4.6%	4.4%	
2023	2024	BM (2)
(89)	44	
153	145	136

(1) GDP / UE benchmarked vs. reported avg 1950-current; CPI vs. Fed target.

(2) Corp defaults benchmarked vs S&P 5-year avg.

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