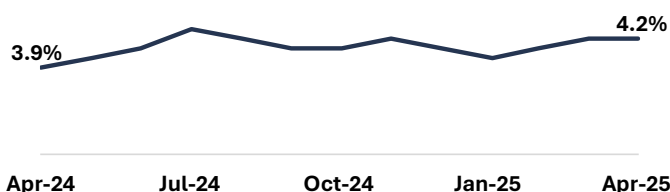


- **Uncertainty continues to brew despite positive economic indicators**
- **Borrower performance remains strong year-to-date, yet signs of softening are rising**

Unemployment. "...the unemployment rate was unchanged at 4.2[%]...Employment continued to trend up in health care, transportation and warehousing, financial activities, and social assistance. Federal government employment declined." ([BLS Apr Release](#))

Unemployment Rate (%)



Private Payrolls. "Unease is the word of the day. Employers are trying to reconcile policy and consumer uncertainty with a run of mostly positive economic data. It can be difficult to make hiring decisions in such an environment." (Nela Richardson, Chief Economist, ADP) ([ADP Release](#))

	Feb-25	Mar-25	Apr-25
Private Employment (MM)	134.2	134.4	134.5
MoM Change (000s)	+84k	+147k	+62k
Top Industry	Hospitality	Biz Serv	Hospitality
Top Chg	+47k	+46k	+27k
Bottom Industry	Transp & Util	Transp & Util	Edu & Health
Bottom Chg	-31k	-4k	-23k

A Borrower Defaulted: Now What?

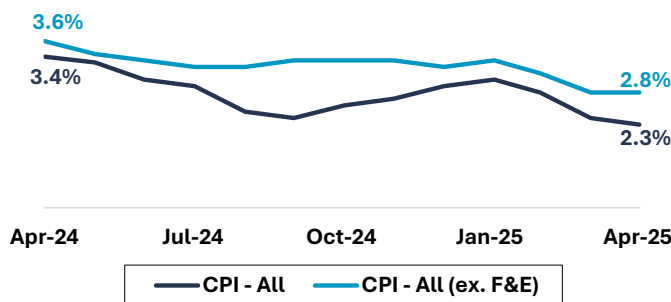
(Shipman & Goodwin – April 29th 2025)

"Strategic Default Response Protocol for Lenders... First, conduct a comprehensive assessment to determine: All applicable events of default specified in your loan documents including the nature and type Whether any cure periods remain available Potential underlying issues with collateral, guarantors, or borrower operations."

[Shipman & Goodwin Article](#)

Inflation. "The all items index rose 2.3[%] for the 12 months ending April...the smallest 12-month increase in the all items index since February 2021. The all items less food and energy index rose 2.8[%] over the last 12 months. The energy index decreased 3.7[%] for the 12 months ending April. The food index increased 2.8[%] over the last year." ([BLS Apr Release](#))

CPI (% 12-month change)



Credit Ratings Activity. "Downgrades outnumbered upgrades for the third consecutive week [in May], despite an uptick in the latter. Credit deterioration remained concentrated in speculative-grade...More than half of the downgrades are in three sectors: health care, media and entertainment, and consumer products." ([S&P Release](#))

S&P Global Ratings Activity

	Feb-25	Mar-25	Apr-25
Global Upgrades (UG)	39	58	48
Global Downgrades (DG)	28	46	34
UG:DG Ratio	1.4x	1.3x	1.4x

Sources: U.S. Bureau of Labor Statistics (BLS), ADP, Standard & Poor's.

U.S. Private Credit Defaults Remain Elevated

(Fitch Ratings – May 6th 2025)

"Fitch's financial forecasts for issuers in the PMR portfolio have started to come down due to the trade war...While the MM is somewhat less exposed to tariffs given a high concentration in services, including software, healthcare and business services, those that are exposed can be more vulnerable due to a weaker position in the supply chain caused by smaller scale and lack of diversification."

[Fitch Article](#)

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