

Macro Pulse for April 12

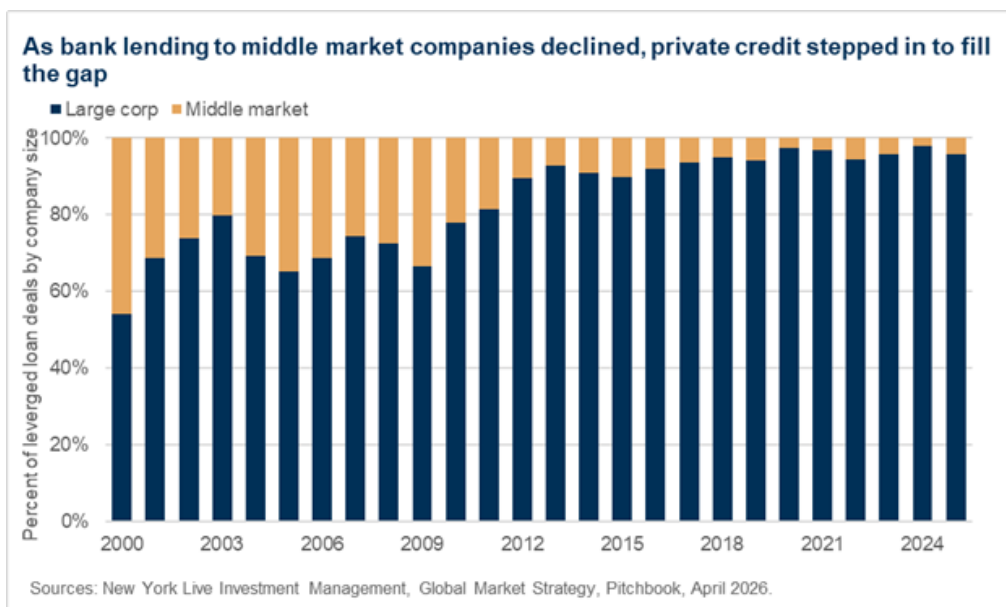
- As the U.S. and Iran enter the second and final week of the ceasefire agreement, markets have moved away from the “flight to safety,” with the dollar down -1.3% and U.S. equities underperforming developed and emerging markets. Yet, the risk-on reaction to the ceasefire announcement has faded. We expect this tension to persist over several months – driven by continued uncertainty around the conflict, the Strait of Hormuz, and potential second-order inflation effects from higher energy prices.
- Meanwhile, the conflict is already filtering into U.S. inflation data. The March CPI index (+0.9% MOM; +3.3% YOY) was the highest in two years, but was almost entirely, and as expected, driven by an over 20% MOM increase in gasoline prices. We believe energy prices are likely to stay elevated for several months even if hostilities ease, weighing on consumer activity and business input costs. On balance, our view is that upside risks to inflation and downside risks to growth may still allow for 1-2 Fed cuts later in 2026.

The Demand for Private Credit Driving the Real Economy – and Our Conviction

Recent headlines have pointed to pockets of stress in private credit. We have shared our view that we do not view these to be signals of systemic stress. Furthermore, focusing only on risks overlooks an important story: **in recent years, private credit has become a core engine of the real economy in the United States.** Private credit’s importance to “Main Street” businesses enhances our conviction that the asset class will continue to play a role in allocations. Here’s why:

Private credit filled an important lending gap post-global financial crisis

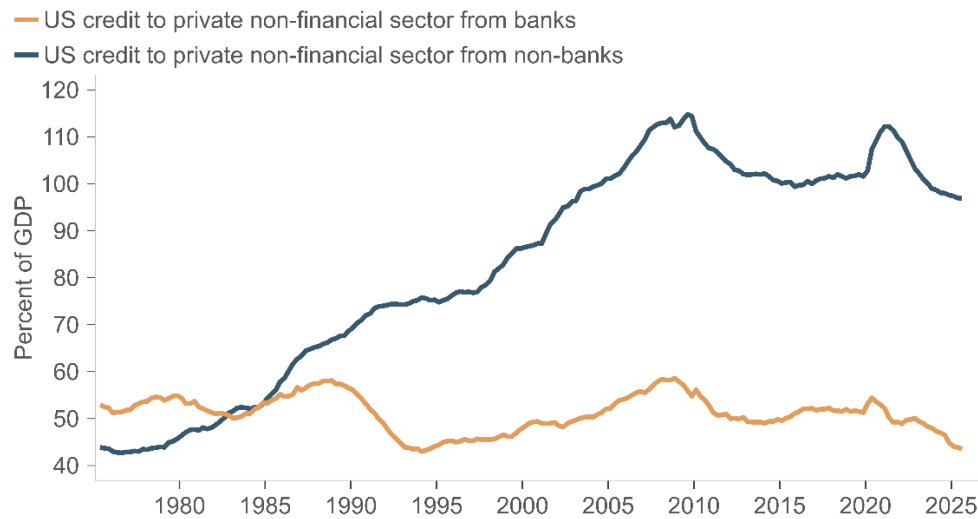
The growth of private credit in U.S. markets is closely tied to changes in the banking system following the global financial crisis (GFC). After 2008, tighter regulation and higher capital requirements led banks to pull back from certain types of lending, particularly to smaller, more leveraged, or more complex borrowers. Direct bank loans to middle market companies declined from 40% of leveraged loans in 2000 to less than 10% in 2025.





But while banks pulled back, demand for credit continued to grow. Private credit increasingly stepped in to meet this need: nearly all new credit growth in recent years has come from non-bank lenders. Private credit has played an important role, expanding from roughly \$200 billion in 2008 to \$1.5 trillion today. Beyond private credit, public credit markets and other financing channels have also expanded, a trend that accelerated following the Savings and Loan crisis in the late 1980s and early 1990s.

Increasingly, credit growth to the real economy has come from non-bank sources



Private credit finances the real economy...

Private credit is a critical engine of the real economy, providing capital to middle market businesses that fall between traditional small business lending and public debt markets. 200,000 such companies, often too small for broadly syndicated loans or investment-grade issuance, account for a third of private sector GDP.

Private credit has become the lender of choice for these firms – the typical borrower could be a mid-sized manufacturer or a business services company – often offering flexible solutions that evolve with business needs. For example, in periods of stress, strong borrower-lender relationships can support covenant resets, enabling amended terms or liquidity support.

... and provides beneficial access to “Main Street” for investors

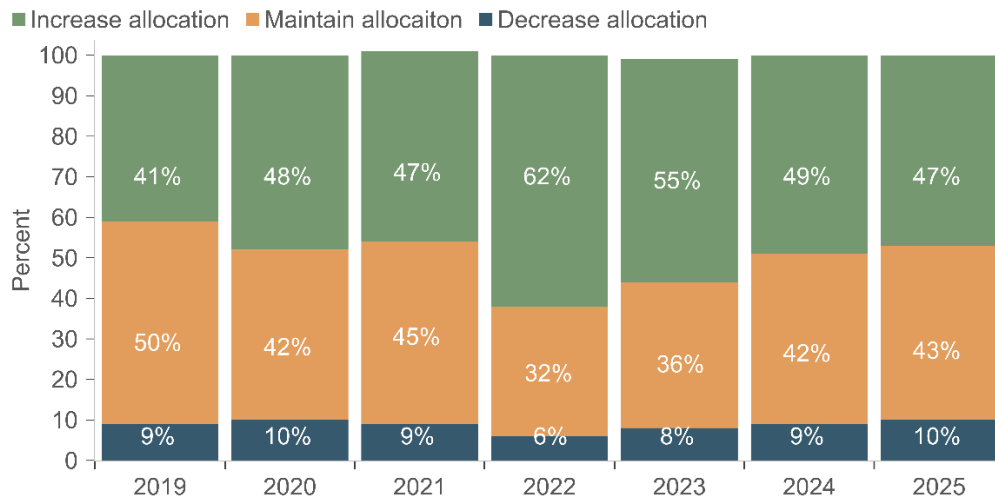
Private credit does more than just support businesses; it creates a distinct opportunity set for investors. It provides direct access to middle market companies and earlier stages of growth than are typically available in public markets, with the potential for differentiated returns that tend to be less correlated with public markets.

In terms of broad exposure to the private sector, public equities offer less diversification than in the past. The number of publicly listed companies has declined, while market concentration has increased, with a growing share of capital concentrated among a handful of mega-cap names.



Though more volatile retail capital flows have driven recent headlines, institutional capital is the primary investor base for private credit – and there, demand remains robust. Surveys indicate that most allocators plan to maintain or increase their exposure to private credit. That said, capital is likely to become more selective, with flows increasingly favoring managers who have demonstrated consistent performance and disciplined underwriting.

Investor surveys show that institutional investors expect to maintain or increase allocations to private credit



Sources: New York Life Investment Management, Global Market Strategy, Preqin Investor Survey, Private Debt Investor, Macrobond, April 2026.

Private credit has become a critical component of credit creation. Its role in financing middle market businesses and providing differentiated access for investors underpins our continued conviction in the asset class.



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