Currently, fundamentals in the USD credit market are much stronger than they have typically been in the months preceding a recession, but the credit cycle has begun to turn. Historically, default rates have been a lagging indicator during recessionary periods and rise quickly above 6% when the credit cycle (and then economy) turns. In the year ahead, default rates are likely to rise up into the 4-5 % range.

**US speculative grade default rate**

- Cycle turn threshold: 6%
- Long term avg: 4%
- Dec 2023 forecast: ~5%
- Mar 2023: 2.7%

Source: (1) Moody’s. Data as of April 24, 2023. Default rate is trailing 12 months US speculative grade default rate.

"Macro stability isn’t everything, but without it, you have nothing.”