



Credit Markets Report

Q2 2026





Dinan is a premier global investment bank, with proficiency in mergers and acquisitions, capital markets, financial restructuring, and financial and valuation advisory.

We are the trusted partner to hundreds of middle market companies.

Dinan & Company was founded with the singular purpose of providing the highest standards of professionalism, sophistication, and execution expertise in merger and acquisition and capital raising transactions for middle market companies comparable to that afforded to the Fortune 500 at full-service Wall Street investment banks.

The Dinan brand, representing both Dinan & Company and its subsidiary, Dinan Capital Advisors, unites deep institutional knowledge and collaborative resources to deliver a tailored, client-focused experience.

Creating \$70B+ in value through 900+ transactions closed since 1988, we would like to say thank you for your trust along the way.

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PRIVATE CAPITAL MARKETS

FEATURED TRANSACTIONS*

ProSmile
a portfolio company of

TRISPAN
raised a credit facility from

BankUnited

image one
a portfolio company of

Innovating CAPITAL
has received financing from

midcap+

CATALUR CAPITAL

An affiliate of **NEXUS CAPITAL**
has raised a credit facility from

CERBERUS
CAPITAL MANAGEMENT, L.P.
to acquire certain assets of

FTD
under §363 of the Bankruptcy Code

ZCG
has acquired

DRF
with debt financing provided by

KAYNE ANDERSON

TRAJUS
a portfolio company of

WHITE OAK
has closed a new asset-based credit facility

AAI APPLIED ACOUSTICS
a portfolio company

ANGELES EQUITY PARTNERS
has acquired

Vista Tech
with debt financing provided by

USbank

*Includes transactions completed by senior professionals while at prior firms

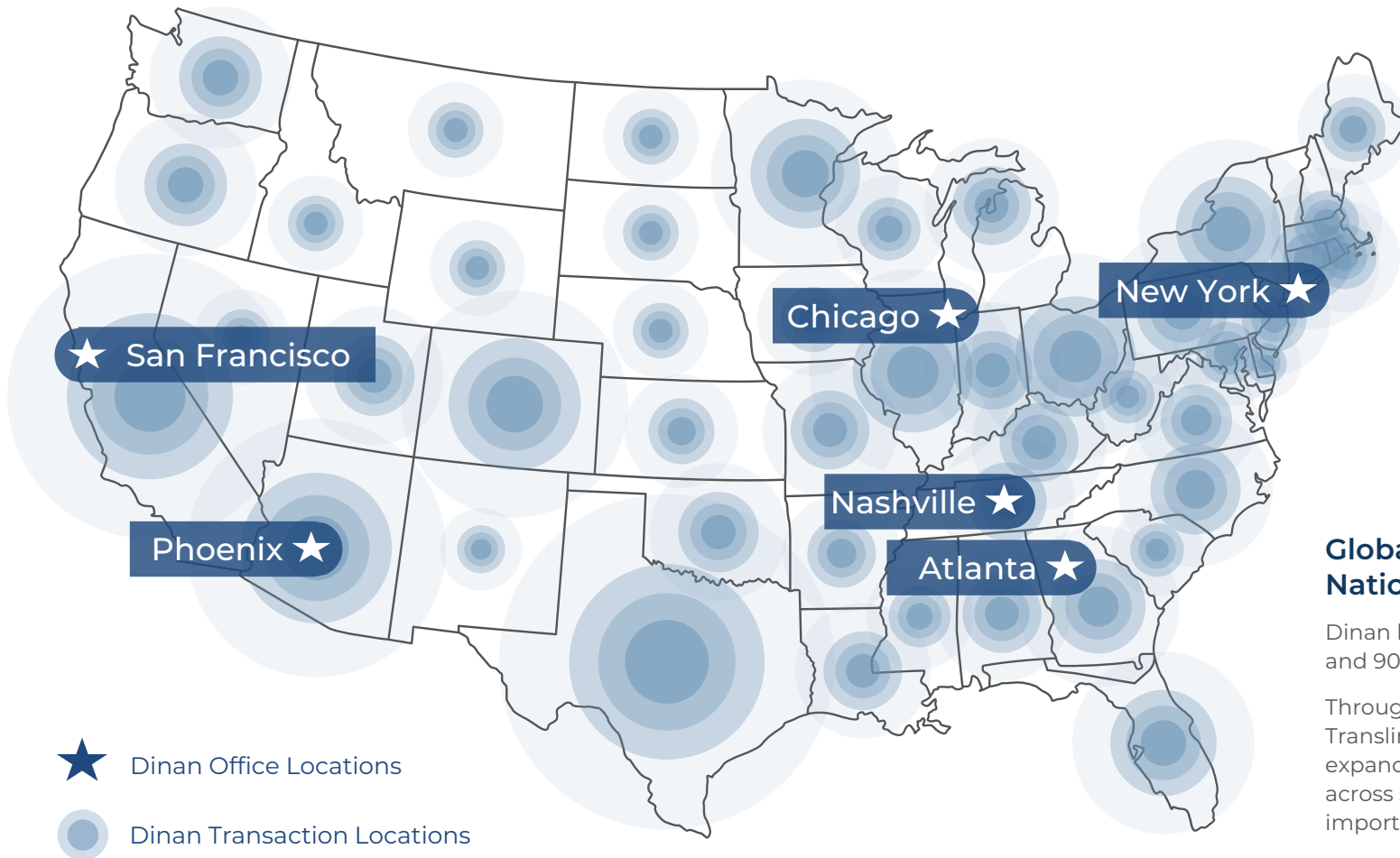
Contact Us

Please reach out to us to schedule a call to discuss this quarter's market update or to explore how we can serve your business needs.



Our Nationwide Footprint

Transactions Across the U.S.



Global Reach, Nationwide Expertise

Dinan has over 35 years of experience and 900+ completed transactions.

Through our international partner, Translink Corporate Finance, we have expanded our reach to over 35 countries across some of the world's most important economic regions.



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MARKET COMMENTARY

Markets started the quarter in April reeling from an unprecedented energy shock with the extended closure of the Strait of Hormuz, which had far-reaching implications across energy, transportation, and downstream consumer products sectors. Conflicting and often confusing reports over the cease-fire with Iran and timeline to reopening the strait have only exacerbated market volatility.

Amid this volatility, M&A dealmaking remained cautious and muted, particularly among middle and lower middle market sponsors. Meanwhile, a rising default rate among U.S. corporate borrowers of private credit has dampened credit market optimism as well.² The result was a slowdown in new issuances of private debt and pullback in investor appetite for imperfectly structured credits or weak issuer fundamentals.

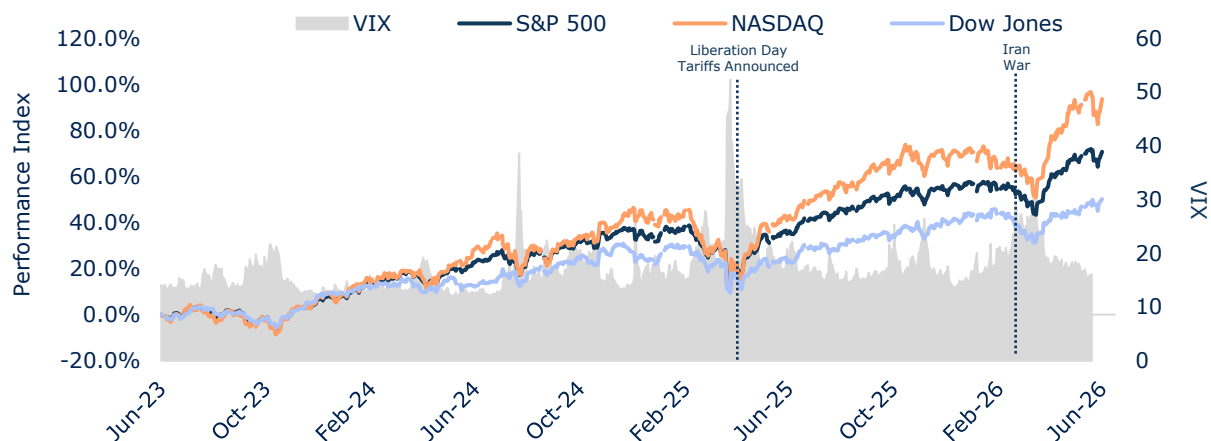
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Major Indices Performance

U.S. equity indices entered Q2 battered by the ongoing energy shock stemming from the Strait of Hormuz closure, with conflicting ceasefire reports and an uncertain timeline for reopening the strait. Investor sentiment remained cautious, with benchmarks sitting well below January highs.¹

As Q1 earnings season got underway, investors chose to look through the geopolitical noise and refocus on corporate fundamentals, which broadly exceeded expectations. Technology and AI-linked names led the charge, pulling the Nasdaq higher and bringing the S&P and Dow along with it, ultimately driving all three indices to all-time highs by mid-quarter. In mid-June, the announcement of a breakthrough in diplomatic negotiations between US and Iran further lifted market sentiment.

Yet, headline performance of the indices belies stress in some segments of the market. This rally was largely driven by mega-cap technology names, while broader market participation was uneven. Higher energy costs began filtering through to consumer prices, and with it the prospect of near-term rate relief faded.² The result is a tale of two cities—record highs at the index level set against a more cautious reality for the rest of the market working through a challenging macro environment.³



	Index Change (1/1/26 - 3/31/26)	Index Change (3/31/26 - 6/15/26)	P/E Ratio (3/31/26)	P/E Ratio (6/15/26)
VIX	+10.74	-8.34	-	-
S&P 500	-7.45	+22.12	20.27x	21.63x
NASDAQ	-11.93	+35.13	23.62x	28.64x
Dow Jones	-5.93	+14.84	19.52x	20.57x

¹JPMorgan Asset Management, ²Yahoo Finance, ³Blackrock
Graph Sources: S&P Global, data extracted as of 6/15/26



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POLICY CATALYSTS

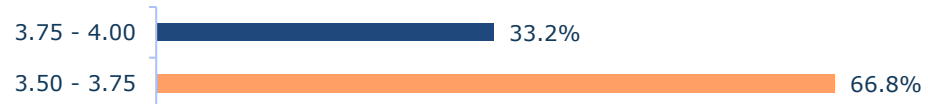
The Fed held its benchmark rate steady at 3.50% to 3.75% at its June 2026 meeting by unanimous vote. The Fed acknowledged expanding economic activity despite elevated uncertainty from the conflict in the Middle East, hailing positive indicators such as strong productivity growth and capital investment, as well as a resilient labor market.¹

New Fed Chair Kevin Warsh, who was initially expected to adopt a more dovish policy stance, now inherits an inflation problem that is looking increasingly difficult to characterize as transient despite the reported imminent winding down of hostilities in the Middle East. Meanwhile the labor market has shown surprising resiliency in recent months,² further diminishing any argument for the Fed to loosen monetary policy.

¹ FOMC Statement, ² CNBC, ³ Bureau of Labor Statistics
 Fed Rate Sources: CME, data extracted as of 6/17/26

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July 29, 2026 Meeting Fed Rate Probabilities



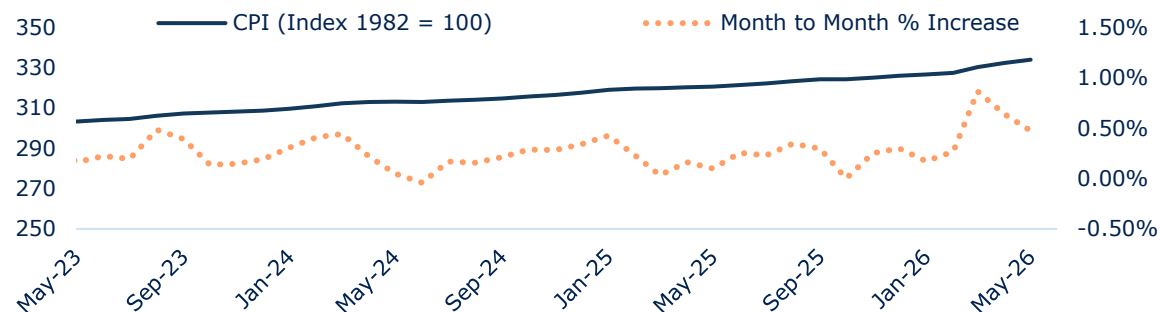
Target Rate	Effective Rate Change	July Meeting Probabilities %		September Meeting Probabilities %	
		Current Probabilities	Previous Week	Current Probabilities	Previous Week
3.25 - 3.50	-25 bps	0.0%	2.8%	0.0%	2.0%
3.50 - 3.75	0 bps	66.8%	84.3%	35.8%	60.7%
3.75 - 4.00	+25 bps	33.2%	12.8%	48.8%	33.6%

The Fed held its benchmark rate steady at 3.50% to 3.75% at its June 2026 meeting in a unanimous vote, in line with market expectations. In the Summary of Economic Projections "dot plot", nine of 18 members of the Federal Open Markets Committee projected that they see a rate hike this year.

Futures markets, on the heels of Chairman Warsh's first meeting, now imply up to two 25 bps rate hikes by year-end.

Consumer Price Index Trends³

The May CPI report showed inflation rising 4.2% year-over-year, in line with expectations and marking a further step away from the Federal Reserve's 2% target. Core inflation (which excludes food and energy) came in significantly lower at 2.9%, which was a rare silver lining for the battered consumer who has grappled with rising prices from tariffs and energy shocks in the past year.



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MACRO HEADWINDS

In Q2 2026, the Treasury yield curve reversed much of its steepening bias. The front end remained the primary driver of the curve, with short term yields backing up after the central bank signaled likely rate hikes to fend off inflation fears in the latter half of 2026 while long term yields edged higher as well.

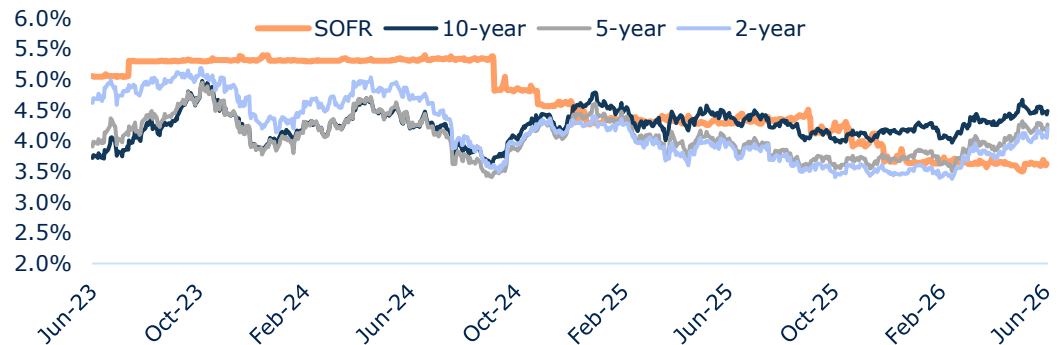
The extended closure of the Strait of Hormuz has kept oil prices at historic highs with no relief in sight. More importantly, even a reopening of the strait at this point will take many months to ease supply shortages. In the near to medium term, apart from rising gas prices at the pump which has already led to some demand destruction, Americans will have to endure elevated inflation in everyday goods, significantly reducing consumer discretionary income.

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SOFR and Treasury Yields

Rate dynamics in Q2 resulted in a flattening of the yield curve toward the end of the quarter. Front-end rates rose sharply while long-end yields edged higher as well on the heels of the June Fed meeting which signaled upcoming rate hikes in 2026.

Market-based policy rate expectations indicate a high probability of hikes in 2026. This outlook continued to favor floating-rate private credit, as borrowers position to lock in lower front-end costs while retaining flexibility amid an uncertain central bank and policy outlook.



Yield Curve Differential



	6/17/23	6/17/24	6/17/25	6/17/26
2-year vs 10-year	-0.93%	-0.47%	+0.45%	+0.29%

¹ Reuters
 Note: Secured Overnight Financing Rate ("SOFR")
 Graph Sources: S&P Global, data extracted as of 6/17/26



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A SELECTIVE MARKET

Q2 2026 saw a flight to safety in the credit market. Lender focus shifted decisively toward non-cyclical businesses with strong fundamentals and steady cash flows, alongside a pullback in appetite for imperfectly structured credits.

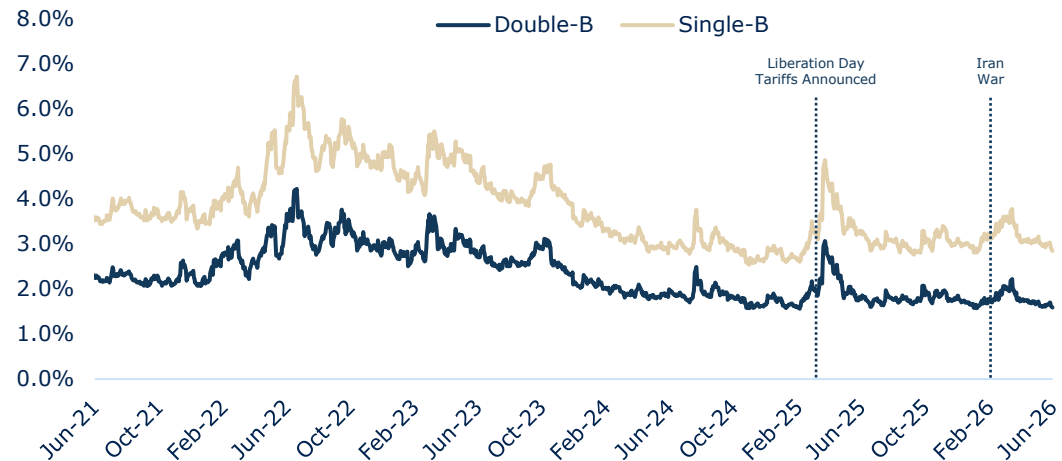
Amid greater lender discipline, issuers that are not perceived to fall within these parameters are either finding it difficult to raise debt capital at all or being penalized with higher spreads. This is reflected in the average yields for new-issue credits drifting higher especially in the high-yield markets despite ample dry powder in the market.

Anecdotally, we have seen a steady increase in “story” credits struggling to raise capital on their own from close lender relationships in the current environment.

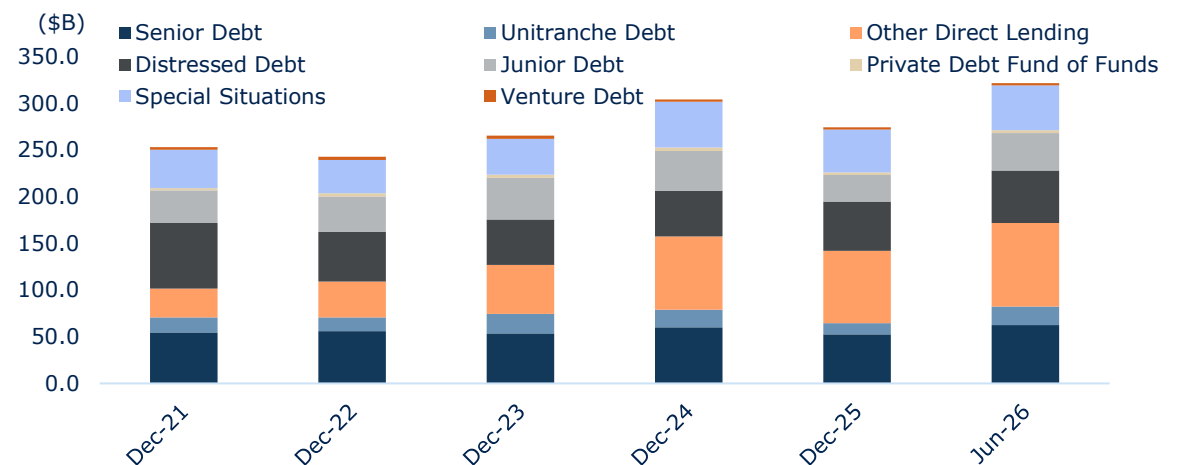
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US High Yield Index Option-Adjusted Spread

Spreads in Q2 were highly volatile and largely driven by headlines on developments in the Middle East conflict, fluctuating along with market perceptions of how likely an imminent reopening of the Strait of Hormuz was at any given time.



US Dry Powder Trends



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A SELECTIVE MARKET

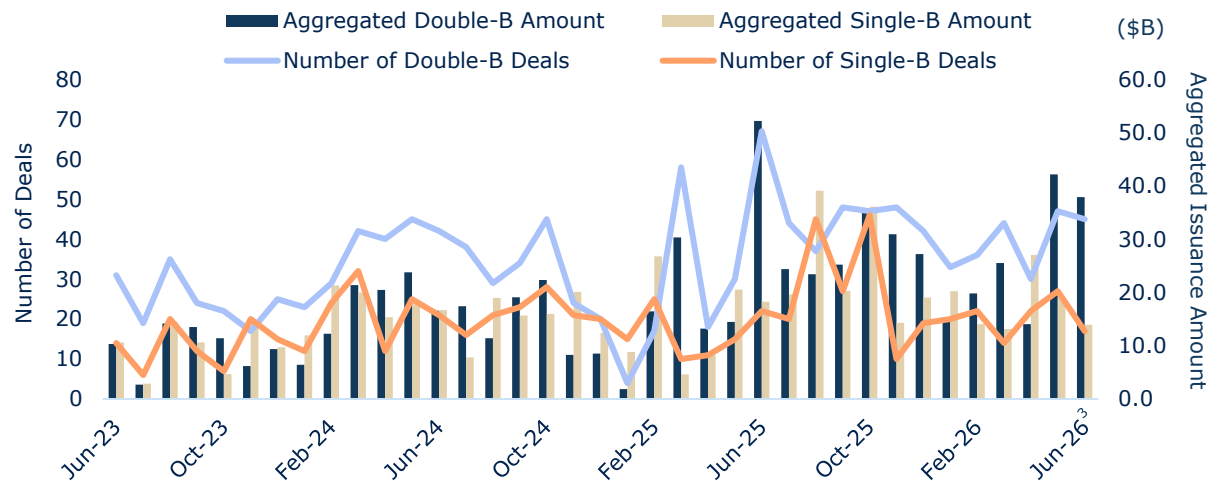
New-issue loan supply remained uneven in Q2 2026 as middle market M&A deal volume continued to lag that of bulge bracket M&A deals.

Meanwhile, strong demand for floating-rate credit continued to keep pricing low for higher-quality borrowers. CLO formation and private credit dry powder remained concentrated in well-positioned issuers, reinforcing favorable financing conditions despite rising default expectations and widening credit dispersion in the broader credit market.

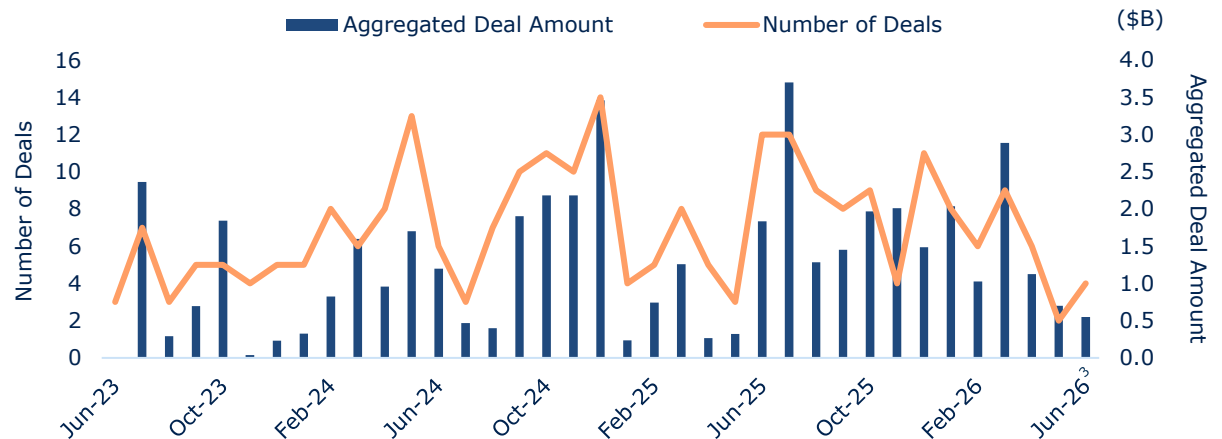
Also noteworthy is the anecdotally-observed widening dispersion of lender views on creditworthiness, with opinions often reflecting core asset class expertise at each institution. This environment invariably favors running a capital raise process through an agent, to benefit from broader coverage.

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US High Yield Bond Issuance Volume



US LBO Deal Volume (<\$1B Transaction Value)



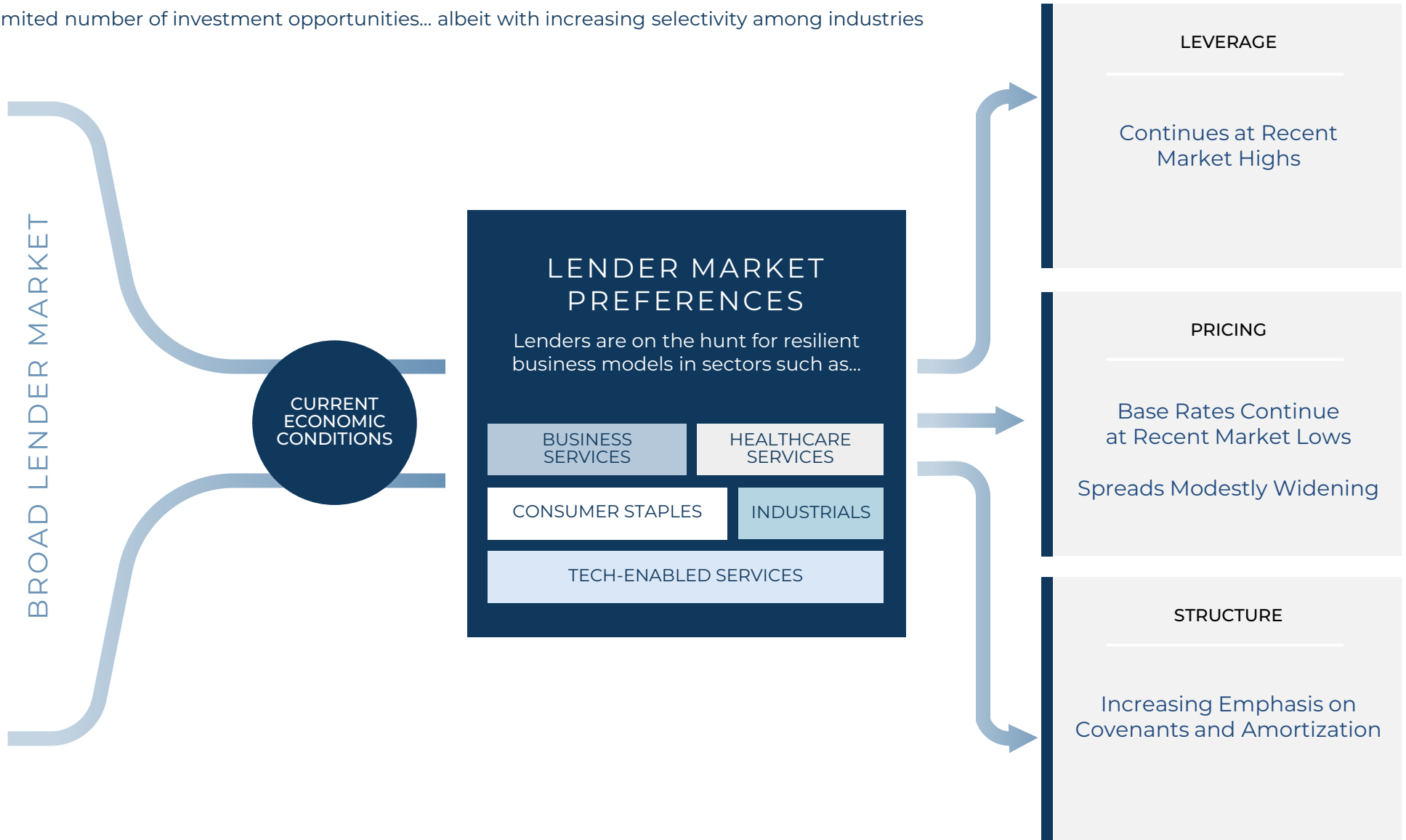
¹ CNBC, ² Reuters, ³ Estimated

Note: Deal volume aggregated by transaction close dates
Graph Sources: S&P Global, data extracted as of 6/15/26



The Bottom Line...

Private debt markets continue to strongly favor issuers as a result of a buildup of dry powder chasing a limited number of investment opportunities... albeit with increasing selectivity among industries





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