

Briefing

Global Economic & Credit Market

Week 05 Ending – January 31, 2025

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Economic Calendar

- Monday, February 3: ISM Manufacturing PMI
- Wednesday, February 5: ADP Employment
- Friday, February 7: Nonfarm Payrolls

Key Market Metrics

- S&P 500: (0.90%) WoW; +2.80% YTD; +23.23% YoY; 16.1x LTM EBITDA; 14.9x NTM EBITDA
- Dow Jones: +0.27% WoW; +4.70% YTD; +15.64% YoY; 11.6x LTM EBITDA; 13.9x NTM EBITDA
- Nasdaq: (1.64%) WoW; +1.64% YTD; +27.77% YoY
- Ten Year US Treasury Yield: 4.60% (3) bps YTD; +68 bps YoY
- Currency:
 - British Pound per USD: \$1.24; (0.6%) WoW; (0.9%)YTD; (2.7%)YoY
 - Euro per USD: \$1.04; (1.1%) WoW; 0.2% YTD; (4.5%)YoY
 - USD per Yen: ¥155.07; (0.6%)WoW; (1.4%)YTD; 5.9% YoY
 - Swiss franc per EUR: 1.06 CHF; 0.6% WoW; (0.7%)YTD; (1.3%)YoY

U.S. News

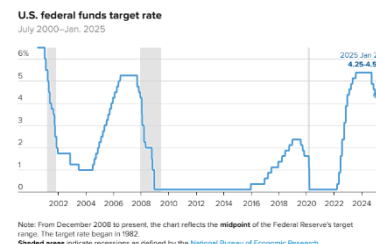
Consumer Confidence

- The Consumer Confidence index fell 5.4 points to 104.1 in January
- Confidence fell primarily among consumers under 55 and high-income households, while lower-income groups saw gains
- Inflation expectations rose to 5.3%, with more consumers anticipating higher interest rates. While buying plans for big-ticket items remained stable, vacation plans declined, and spending on services like dining out and streaming remained strong



FOMC Interest Rate Decision

- The Federal Reserve kept interest rates unchanged at 4.25%-4.5%, marking a pause after three consecutive cuts, citing a strong labor market and persistent inflation concerns
- Chair Jerome Powell emphasized the need for further progress on inflation or labor market weakness before considering future rate adjustments
- Despite solid economic growth and consumer spending, inflation remains above the Fed's 2% target, and markets anticipate rate cuts later in 2025

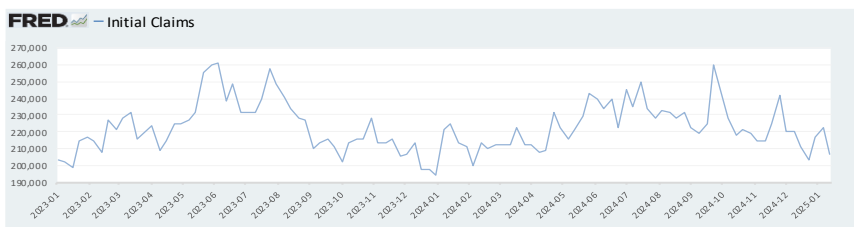


PCE Index

- Inflation remained steady in December, with the PCE index rising 0.3% and core PCE increasing 0.2% month-over-month, both in line with forecasts
- The Federal Reserve kept interest rates unchanged, emphasizing the need for more progress on inflation before adjusting policy
- Personal income grew by 0.4% and consumer spending rose 0.7%, slightly surpassing expectations

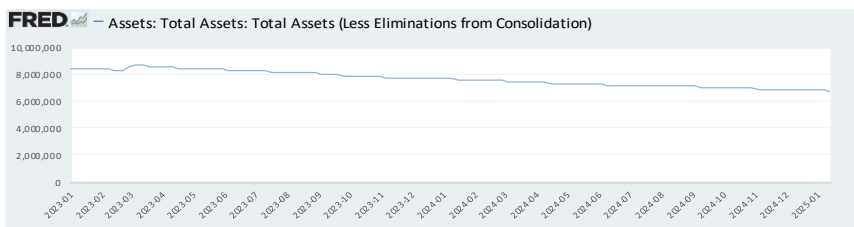
▪ Jobless Claims

- Initial jobless claims, a measure of how many workers were laid off across the U.S., decreased to 207,000 in the week ended January 24, down 16,000 from the prior week
- The four-week moving average was 212,500, down 1,000 from the prior week
- Continuing claims – those filed by workers unemployed for longer than a week – decreased by 42,000 to 1.858 million in the week ended January 17. This figure is reported with a one-week lag



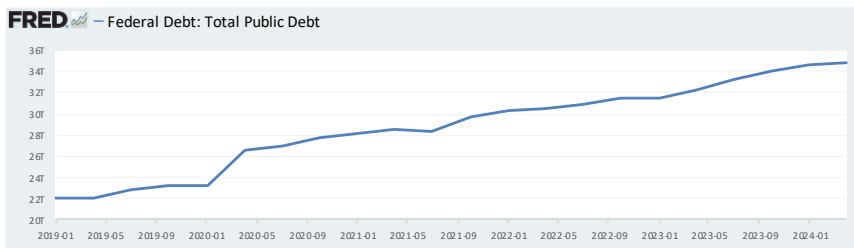
▪ Fed's Balance Sheet

- The Federal Reserve's assets totaled \$6.818 trillion in the week ended January 31, down \$13.6 billion from the prior week
- Treasury holdings totaled \$4.275 trillion, down \$0.0 billion from the prior week
- Holdings of mortgage-backed securities (MBS) were \$2.22 trillion in the week, down \$8.7 billion from the prior week



▪ Total Public Debt

- Total public debt outstanding was \$36.22 trillion as of January 31, an increase of 6.0% from the previous year
- Debt held by the public was \$28.85 trillion, and intragovernmental holdings were \$7.38 trillion

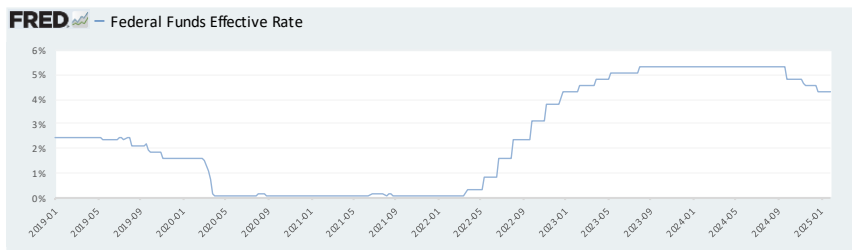


■ Inflation Factors

- CPI:
 - The consumer-price index rose 2.9% in December year over year
 - On a monthly basis, the CPI increased 0.4% in December on a seasonally adjusted basis, after increasing 0.3% in November
 - The index for all items less food and energy (core CPI) rose 0.2% in December, after rising 0.3% in November
 - Core CPI increased 3.2% for the 12 months ending December
- Food & Beverages:
 - The food at home index increased 1.8% in December from the same month a year earlier, and increased 0.3% in December month over month
 - The food away from home index increased 3.6% in December from the same month a year earlier, and increased 0.3% in December month over month
- Commodities:
 - The energy commodities index increased 4.3% in December after increasing 0.5%
 - The energy commodities index fell (3.8%) over the last 12 months
 - The energy services index 0.8% in December after decreasing (0.5%) in
 - The energy services index rose 3.3% over the last 12 months
 - The gasoline index fell (3.4%) over the last 12 months
 - The fuel oil index fell (13.1%) over the last 12 months
 - The index for electricity rose 2.8% over the last 12 months
 - The index for natural gas rose 4.9% over the last 12 months
- Supply Chain:
 - Drewry's composite World Container Index decreased to \$3,364.17 per 40ft
 - Drewry's composite World Container Index has decreased by (12.0%) over the last 12 months
- Housing Market:
 - The shelter index increased 0.3% in December after increasing 0.3% in November
 - The rent index increased 0.3% in December after increasing 0.3% in November
 - The index for lodging away from home decreased (2.1%) in December after decreasing (1.0%) in November

■ Federal Funds Rate

- The effective Federal Funds Rate is at 4.33%, flat 0.00% year to date



World News

▪ Middle East

- Hamas announced the release of three hostages under the Gaza cease-fire deal, including Israeli-American Keith Siegel, amid a phased exchange prioritizing women, elderly, and wounded hostages
- The truce remains fragile as Israel and Hamas navigate disputes, while upcoming negotiations aim for a permanent end to the war despite political tensions in Israel
- Syrian rebel leader Ahmed al-Sharaa declared himself president, dissolved the national army and all opposition groups, and began forming a transitional government after ending 54 years of Assad family rule.
- His administration faces major challenges in maintaining order, rebuilding the economy, and drafting a new constitution while seeking to lift international sanctions

▪ Europe

- Germany's inflation rate declined to 2.3% in January, down from 2.6% in December, but still remains above the ECB's 2% target
- The ECB, which reduced its deposit rate to 2.75% due to a weak economy, continues to monitor services inflation, which remains relatively high despite easing in other sectors
- The eurozone economy stagnated in the final months of 2024, with flat GDP growth in the fourth quarter and weak performance in major economies like France and Germany, undermining hopes for a recovery
- This economic slowdown, compounded by cautious consumer spending and a potential rise in U.S. tariffs, has led to a less optimistic outlook for 2025

▪ China

- China's housing crisis continues as private developers, like China Vanke, face severe financial struggles, leading to increased state control of the sector
- With Vanke projecting a \$6.3 billion loss for 2024, state-backed companies are taking over more of the market, while Beijing focuses on completing homes for buyers rather than rescuing struggling developers, leaving the overall market outlook unclear
- China's manufacturing sector contracted in January, with the PMI dropping to 49.1 from 50.1 in December, as factories slowed down for the Lunar New Year holiday
- Both production and demand weakened, with new export orders falling to their lowest point since March, while industrial profits declined by 3.3% in 2024

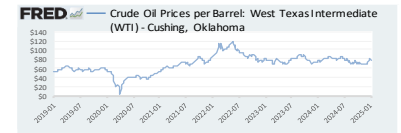
Geopolitical Hotspots

- **North Korea**
 - North Korean troops have been absent from the frontlines in Russia's Kursk region for weeks following heavy casualties, with around 4,000 of the 12,000 soldiers deployed being killed or injured
- **Japan**
 - The Bank of Japan raised interest rates to 0.5%, the highest since 2008, signaling confidence that rising wages will maintain inflation around its 2% target, while remaining cautious about external economic risks
- **Ireland**
 - Storm Éowyn caused widespread devastation in Ireland, leaving over 300,000 properties without power as of Sunday, down from 768,000 on Friday. The storm brought record-breaking winds of 114 mph, toppled infrastructure like telephone poles and a giant wind turbine, and prompted Ireland to call for assistance from England and France
- **Africa**
 - The Rwandan-backed M23 rebel group has caused the displacement of an estimated 300,000 people as it advances toward Goma, with reports of widespread civilian harm and the use of advanced weaponry by Rwandan troops
- **South Korea**
 - South Korean President Yoon Suk Yeol has been indicted for leading an insurrection following his brief imposition of martial law on December 3, 2024, a move that banned political activity and media, leading to his impeachment and subsequent detention
- **Canada**
 - Canadian Prime Minister Justin Trudeau warned that President Donald Trump's proposed 25% tariffs on Canadian products, set to potentially take effect February 1, 2025, would raise prices for American consumers on essential goods like oil, lumber, and autos, while Canada prepares retaliatory tariffs
- **Afghanistan**
 - The ICC chief prosecutor has requested arrest warrants for Taliban leaders Haibatullah Akhundzada and Abdul Hakim Haqqani, accusing them of crimes against humanity for the systemic persecution of women and girls in Afghanistan, marking the first case focused on gender-based persecution as a central crime
- **Sudan**
 - The U.S. has sanctioned Sudan's de facto president, Lieutenant General Abdel Fattah al-Burhan, as punishment for his handling of the country's devastating civil war. The decision comes one week after the Biden administration accused Burhan's rival, Mohamed Hamdan Dagalo, of committing genocide by targeting Black Sudanese in the Darfur region

Commodities

Oil Prices

- WTI: \$73.02 per barrel
 - (2.20%) WoW; +1.81% YTD; (3.73%) YoY
- Brent: \$76.76 per barrel
 - (2.22%) WoW; +2.84% YTD; (6.06%) YoY



US Production

- U.S. oil production amounted to 13.2 million bpd for the week ended January 24, down 0.2 million bpd from the prior week

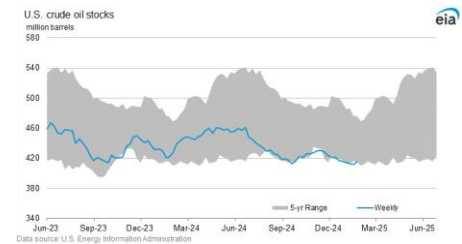
Rig Count

- The total number of oil rigs amounted to 582, up 6 from last week

Inventories

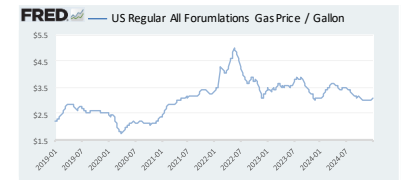
Crude Oil

- Total U.S. crude oil inventories now amount to 415.1 million barrels, down (1.6%) YoY
- Refiners operated at a capacity utilization rate of 83.5% for the week, down from 85.9% in the prior week
- U.S. crude oil imports now amount to 6.745 million barrels per day, down 15.0% YoY



Gasoline

- Retail average regular gasoline prices amounted to \$3.11 per gallon in the week of January 31, down (1.4%) YoY
 - Gasoline prices on the East Coast amounted to \$3.19, down (0.2%) YoY
 - Gasoline prices in the Midwest amounted to \$3.03, up 2.7% YoY
 - Gasoline prices on the Gulf Coast amounted to \$2.79, down (1.8%) YoY
 - Gasoline prices in the Rocky Mountain region amounted to \$3.04, up 6.8% YoY
 - Gasoline prices on the West Coast amounted to \$4.02, down (1.3%)
- Motor gasoline inventories were up by 3.0 million barrels from the prior week
- Motor gasoline inventories amounted to 248.9 million barrels, down (2.1%)
- Production of motor gasoline averaged 9.19 million bpd, down (0.9%) YoY
- Demand for motor gasoline amounted to 8.302 million bpd, up 1.9% YoY

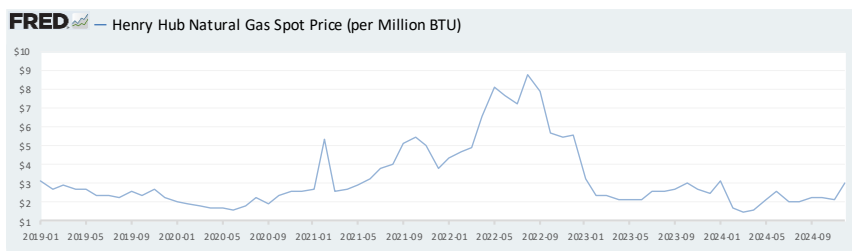


Distillates

- Distillate inventories decreased by -5.0 million in the week of January 31
- Total distillate inventories amounted to 124.0 million barrels, down (5.2%)
- Distillate production averaged 4.738 million bpd, up 8.1% YoY
- Demand for distillates averaged 4.506 million bpd in the week, up 19.9% YoY

○ **Natural Gas**

- Natural gas inventories decreased by 321 billion cubic feet last week
- Total natural gas inventories now amount to 2,571 billion cubic feet, down (3.3%) YoY



Credit News

High yield bond yields decreased 6bps to 7.15% and spreads increased 5bps to 287bps. Leveraged loan yields decreased 7bps to 8.74% and spreads increased 2bps to 474bps. WTD high yield bond returns were positive 30bps. WTD Leveraged loan returns were positive 10bps. 10-year Treasury yield decreased 13bps to 4.51%. HY asset class continues to benefit from resumption of inflows and positive macro signals emanating from a benign start to earnings season. Leveraged loan prices rose modestly amid accelerating inflows and heavy repricing activity.

High-yield:

Week ended 01/31/2025

Yields & Spreads¹

Current Week		Prior Week		Δ (bps)	
Yield	Spread	Yield	Spread	Yield	Spread
7.15%	287	7.21%	282	(6)	5

Pricing & Returns¹

Pricing			Returns			
Current Week	Prior Week	Δ (bps)	WTD	MTD	YTD	2024
\$96.48	\$96.31	17	0.30%	0.89%	1.34%	8.6%

Fund Flows²

Total Flows (\$)
\$196mm

New Issue²

Week		YTD		
# New Deals	Total (\$)	Total (\$)	Prior Year YTD	CY vs PY
8	\$7.4bn	\$16.7bn	\$31.8bn	-47%

Distressed Level (trading in excess of 1,000 bps)²

12/31/24	11/30/24	10/31/24
4.49%	4.04%	4.55%

Total HY Defaults

12/31/24	11/30/24	10/31/24
0.36%	0.34%	0.55%

¹ Source: Credit Suisse High Yield and Leveraged Loan Index

² Source: JP Morgan

Leveraged loans:

Week ended 01/31/2025

▪ **Yields & Spreads¹**

Current Week		Prior Week		Δ (bps)	
Yield	Spread	Yield	Spread	Yield	Spread
8.74%	474	8.81%	472	(7)	2

▪ **Leveraged Loan Index¹**

Pricing			Returns			
Current Week	Prior Week	Δ (bps)	WTD	MTD	YTD	2024
\$96.55	\$96.60	-5	0.10%	1.13%	0.71%	9.3%

▪ **Fund Flows²**

Total Flows (\$)
\$1,500mm

▪ **New Issue²**

Week		YTD		
# New Deals	Total (\$)	Total (\$)	Prior Year YTD	CY vs PY
56	\$65.0bn	\$165.4bn	\$141.4bn	+17%

▪ **Distressed Level (loan price below \$80)¹**

12/31/24	11/30/24	10/31/24
4.88%	5.28%	4.79%

▪ **Total Loan Defaults**

12/31/24	11/30/24	10/31/24
1.52%	1.54%	1.30%

Default activity:

- Most recent defaults include: The Container Store (\$163mn, 12/22/2024), Party City (\$264mn, 12/21/2024), Hearthside Food Solutions (\$2.6bn, 11/22/24), Spirit Airlines (\$1.1bn, 11/18/24), Franchise Group Inc (\$1.1bn, 11/3/24), Exactech (\$254mn, 10/29/24), American Tire Distributors (\$975mn, 10/23/24), and Accuride (\$291mn, 10/11/2024).

CLOs:

Week ended 01/31/2025

▪ **New U.S. CLO Issuance²**

# Priced	Total (\$)	New Issue	Refis/Resets
27	\$12.6bn	\$3.2bn	\$9.4bn

▪ **New U.S. CLO YTD Issuance²**

Total U.S. CLOs	Total (\$)	New Issue	Refis/Resets	Prior Year YTD	CY vs. PY
68	\$30.8bn	\$6.1bn	\$24.7bn	\$12.2bn	+152%

Note: High-yield and leveraged loan yields and spreads are swap-adjusted¹ Source: Credit Suisse High Yield and Leveraged Loan Index² Source: JP Morgan

Ratings activity:

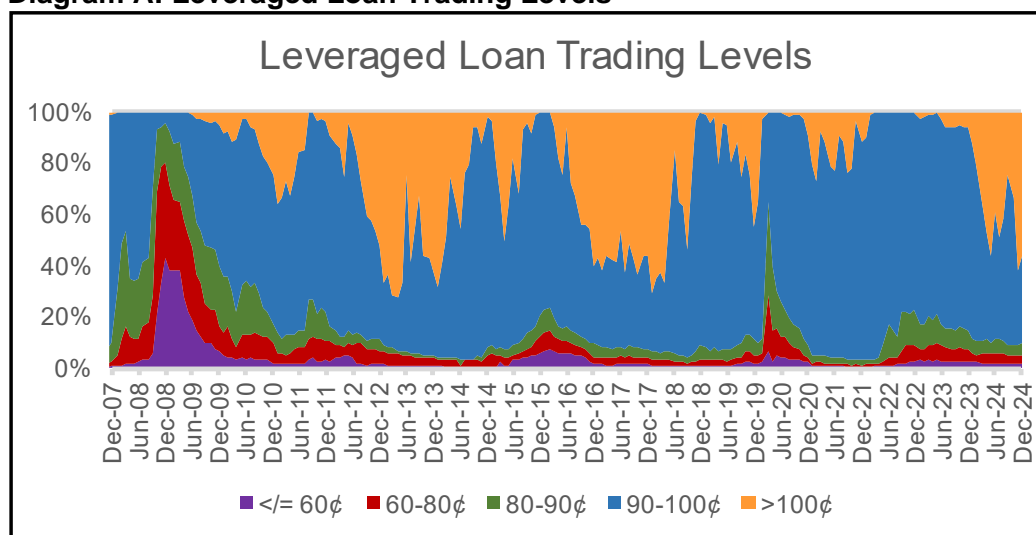
- S&P and Moody's High Yield Ratings

	S&P			Moody's		
	Downgrades	Upgrades	Ratio	Downgrades	Upgrades	Ratio
Full Year 2024	439	320	1.4x	493	371	1.3x
Week Ending 01/03/25	0	0	n/a	0	0	n/a
Week Ending 01/10/25	2	1	2.0x	4	3	1.3x
Week Ending 01/17/25	18	4	4.5x	7	11	0.6x
Week Ending 01/24/25	6	4	1.5x	9	5	1.8x
Week Ending 01/31/25	5	10	0.5x	13	8	1.6x
YTD 2025	31	19	1.6x	33	27	1.2x

Source: Bloomberg

Appendix:

Diagram A: Leveraged Loan Trading Levels



Source: Credit Suisse Leveraged Loan Index; JP Morgan

Diagram B: High Yield and Leveraged Loan LTM Price

High Yield and Leveraged Loan Data [1]				
	LTM Price			
	Avg. Price	High [2]	Low [3]	LTM High vs. Low Δ
High Yield	94.7	96.9	91.9	5.0
Leveraged Loans	96.0	96.6	95.1	1.5

[1] Data is from Credit Suisse High Yield Market Index and Credit Suisse Leveraged Loan Index

[2] HY high price as of 9/19/24. LL high price as of 1/8/25

[3] HY low price as of 4/18/24. LL low price as of 8/5/24

Diagram C: Leveraged Loan and High Yield Returns

Leveraged Loan and High Yield Returns				
	Leveraged Loan Indices		High Yield Indices	
	Credit Suisse [1]	S&P/LSTA [2]	Credit Suisse [1]	S&P [2]
Weekly Return	0.10%	0.07%	0.30%	0.42%
MTD Return	1.13%	0.68%	0.89%	1.07%
YTD Return	0.71%	0.69%	1.34%	1.14%

[1] Credit Suisse Total Return information is calculated weekly. Yield data is as of 01/31/2025

[2] Yield data as of 01/31/2025

Diagram D: Average Bid Price of High Yield Bonds & Loans



Source: CSFB High Yield Index (formerly DLJ High Yield Index) Average Price, expressed as a % of par value. Data is reported daily.

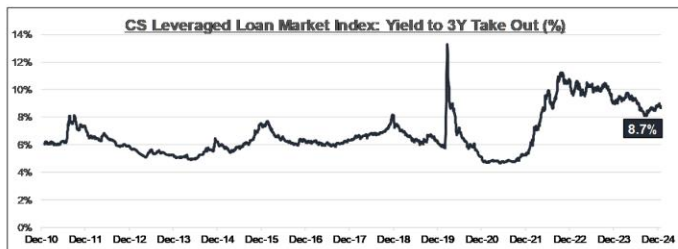


Source: CSFB Leveraged Loan Index Average Price, expressed as a % of par value. Data is reported daily.

Diagram E: Leveraged Loans Spreads & Yields

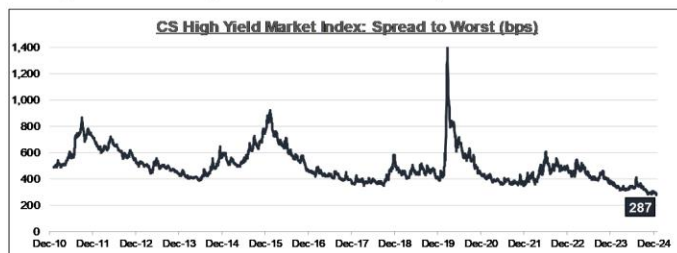


Source: CSFB Leveraged Loan Index Discount Margin to 3Y take-out, expressed in basis points. Data is reported daily.



Source: CSFB Leveraged Loan Index Yield to 3Y take-out, expressed as a percentage. Data is reported daily.

Diagram F: High Yield Bonds Spreads & Yields

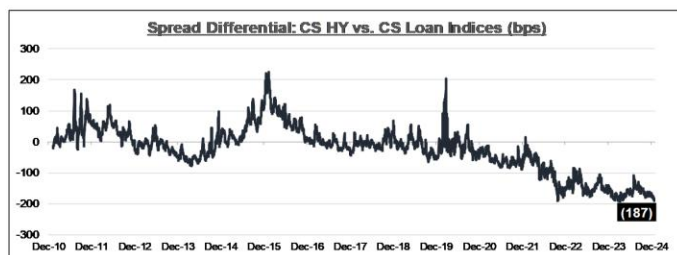


Source: CSFB High Yield Index (formerly DLJ High Yield Index) Spread-to-Worst, expressed in basis points. Data is reported daily.



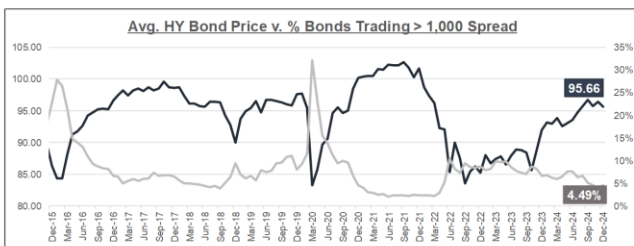
Source: CSFB High Yield Index (formerly DLJ High Yield Index) Yield-to-Worst, expressed as a percentage. Data is reported daily.

Diagram G: Spread between High Yield Bonds and Leveraged Loans

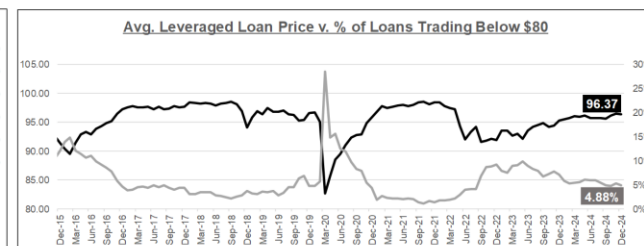


Source: CSFB HY Index and CSFB LL Index. Data is reported daily.

Diagram H: Percentage of Leveraged Loan and High Yield Market Trading at Distressed



Source: CSFB. Data is reported monthly.



Source: JPM. Data is reported monthly.

Diagram I: High Yield Upgrades and Downgrades

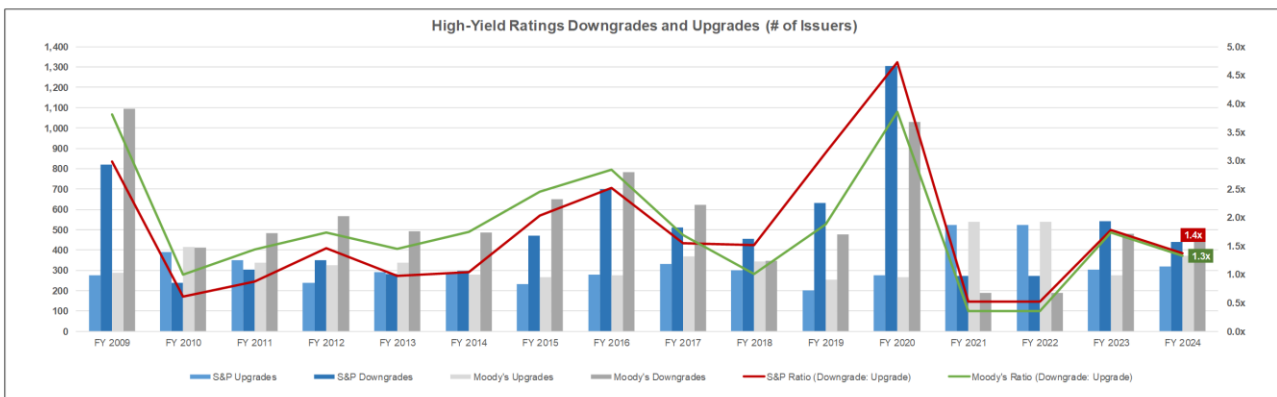
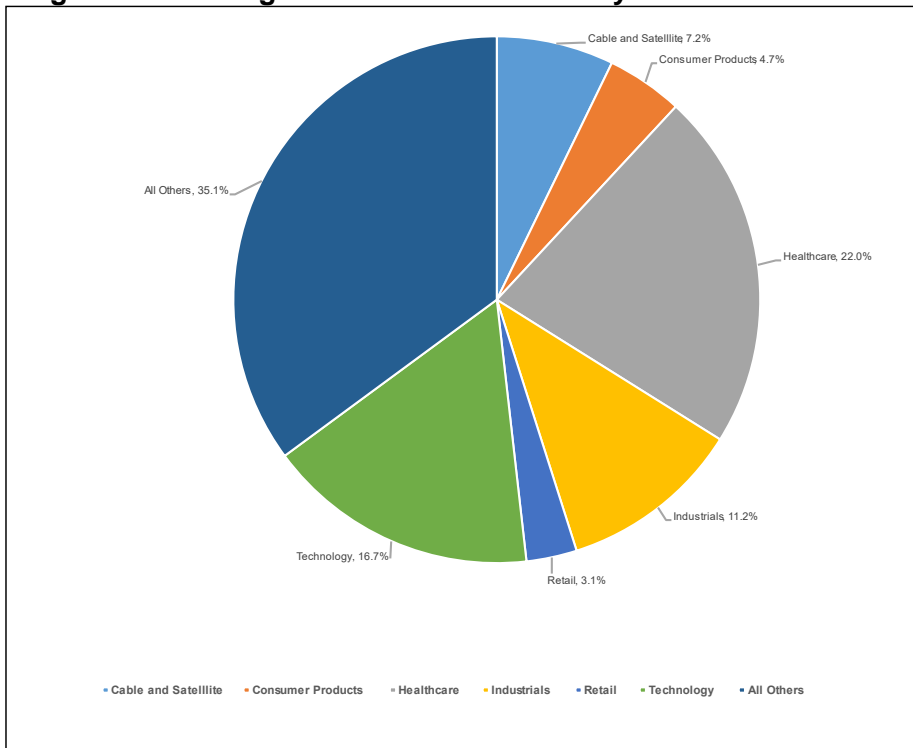


Diagram J: Leveraged Loan + HY Defaults by Sector – LTM



Source: JP Morgan Default Monitor.

Diagram L: CLO Economics

CLO Economics								
AAA Coupons	AAA DMs	WAC Liabilities	DM Liabilities	Leverage	Asset WAS	All In WAS [1]	IRR est.	Cash on Cash est.
L+125-140	L+125-140	L+165-205	L+170-210	9-11x	L+300-360	L+300-360	9-12%	9-13%

*Assumptions: 2% Default / 65% Recovery / 4 year Reinvestment Period

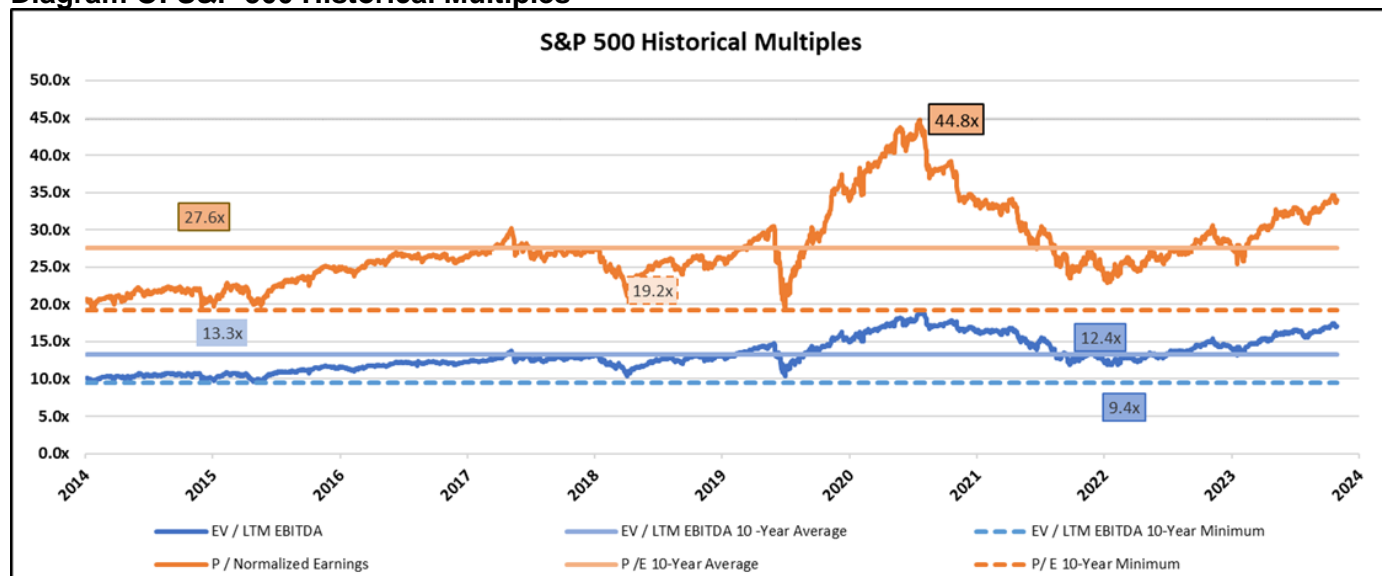
[1] Spread includes OID benefit based on 4 year repayment

Diagram N: Developed Country GovBond Yields (%)

By	1/10/25	1/17/25	1/24/25	1/31/25	Change				
					Weekly	Q4 2024	Q3 2024	Q2 2024	Q1 2024
France - 10 year	3.43%	3.31%	3.30%	3.20%	(10 bps)	28 bps	(38 bps)	49 bps	25 bps
Germany - 10 year	2.60%	2.54%	2.57%	2.46%	(11 bps)	24 bps	(38 bps)	20 bps	27 bps
Italy - 10 year	3.77%	3.65%	3.66%	3.55%	(10 bps)	7 bps	(62 bps)	39 bps	(2 bps)
Japan - 10 year	1.20%	1.20%	1.23%	1.25%	1 bps	25 bps	(21 bps)	27 bps	18 bps
UK - 10 year	4.84%	4.66%	4.63%	4.54%	(9 bps)	57 bps	(13 bps)	20 bps	44 bps
US									
US - 2 year	4.38%	4.28%	4.27%	4.21%	(6 bps)	64 bps	(115 bps)	7 bps	37 bps
US - 5 year	4.57%	4.43%	4.43%	4.32%	(11 bps)	87 bps	(92 bps)	8 bps	43 bps
US - 10 year	4.76%	4.63%	4.62%	4.52%	(10 bps)	84 bps	(73 bps)	11 bps	42 bps
US - 30 year	4.95%	4.86%	4.85%	4.77%	(8 bps)	71 bps	(55 bps)	13 bps	42 bps

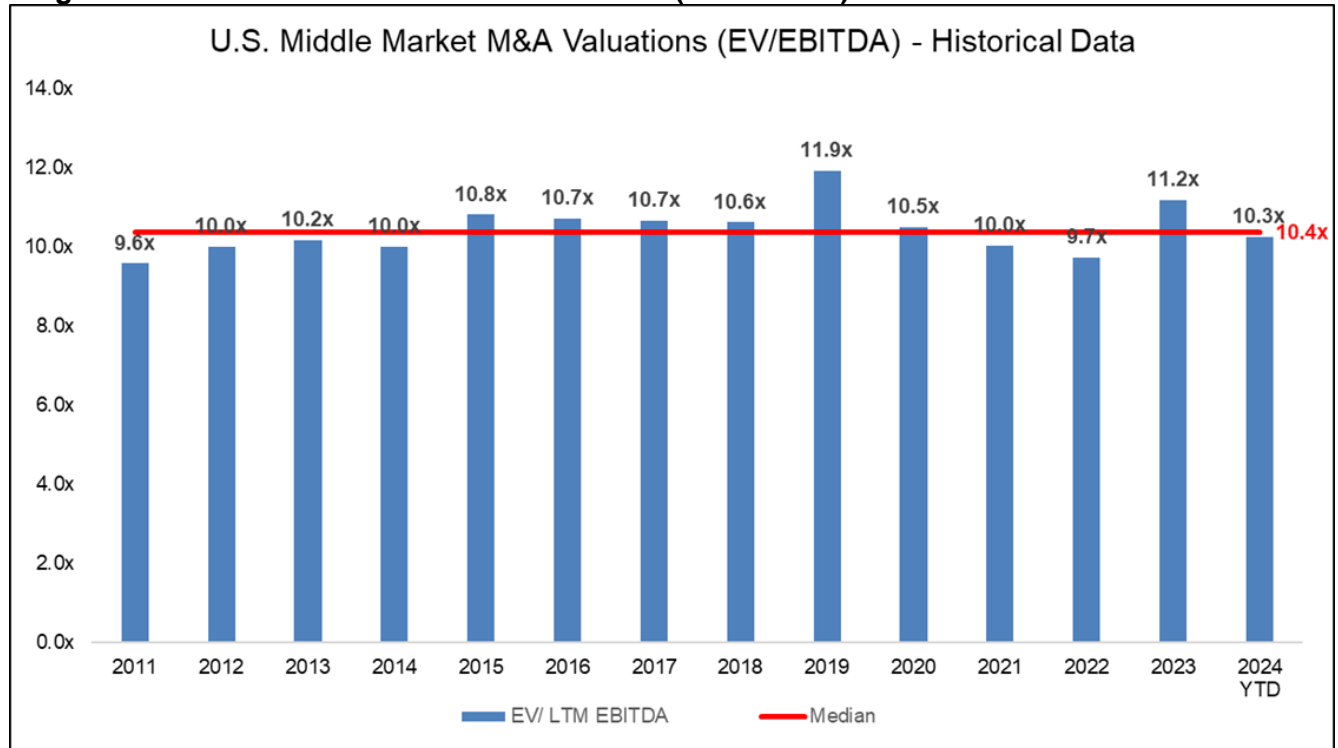
Source: Bloomberg

Diagram O: S&P 500 Historical Multiples



Source: S&P Capital IQ

Diagram P: U.S. Middle-Market M&A Valuations (EV/EBITDA)x



Source: Pitchbook

Diagram Q: U.S. Large Cap M&A Valuations (EV/EBITDA)

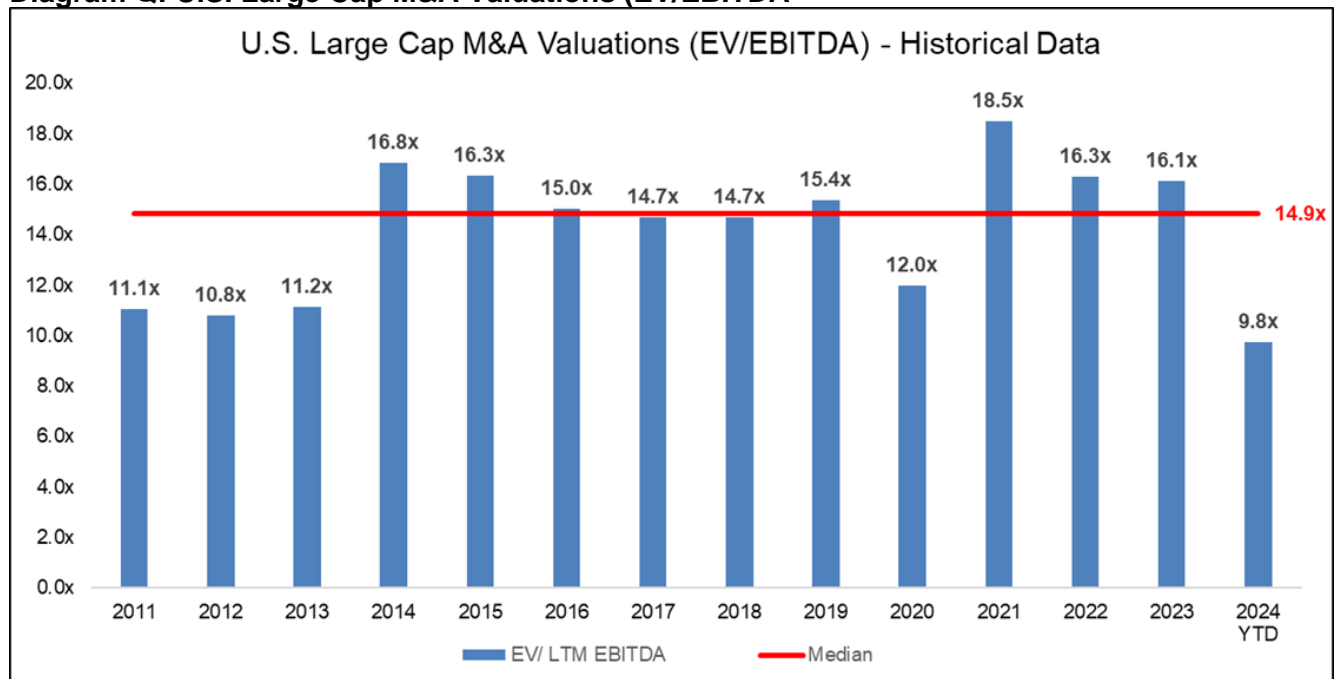
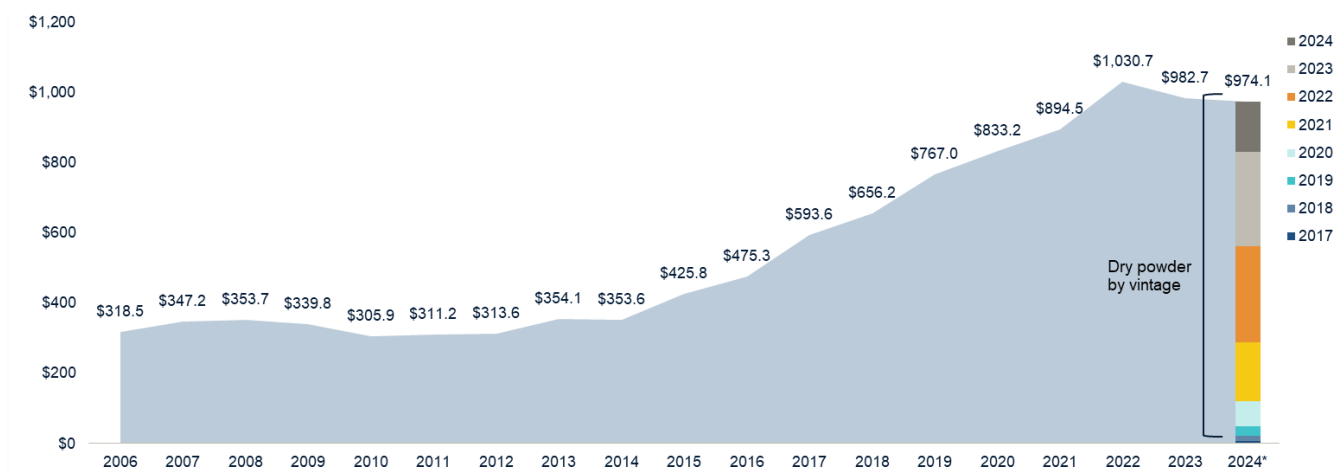
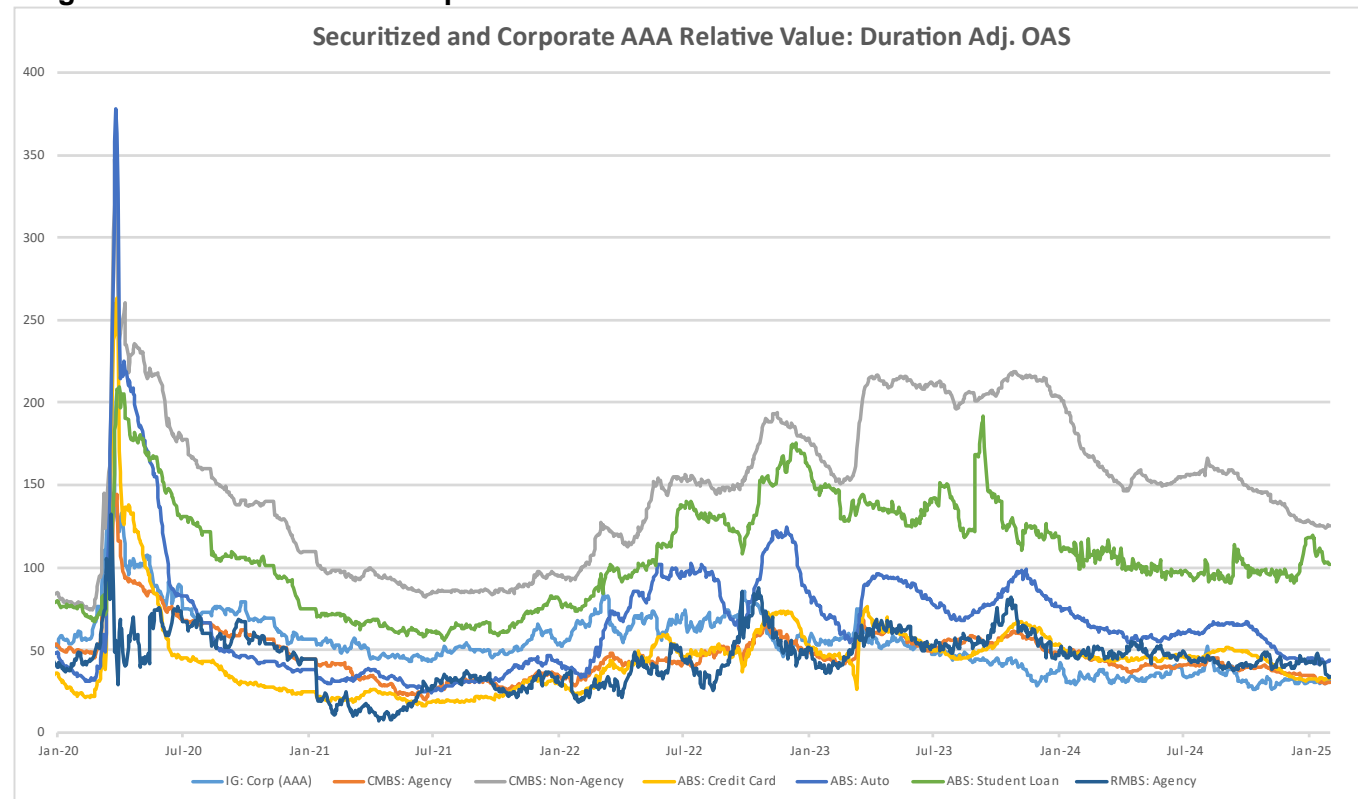


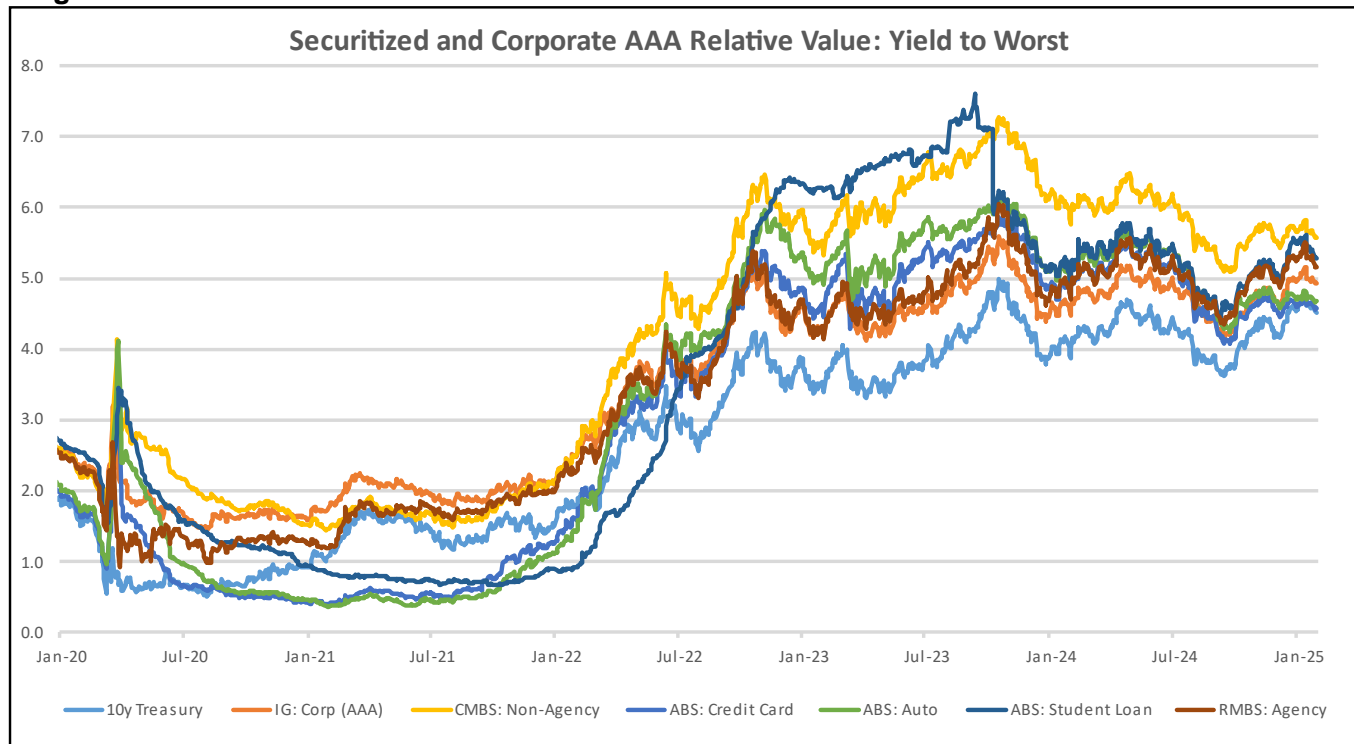
Diagram R: Dry Powder for All Private Equity Buyouts

Source: Pitchbook

Diagram S: Structured Credit Spreads

Source: Bloomberg

Diagram T: Structured Credit Yield



Source: Bloomberg

Diagram U: SOFR Curve

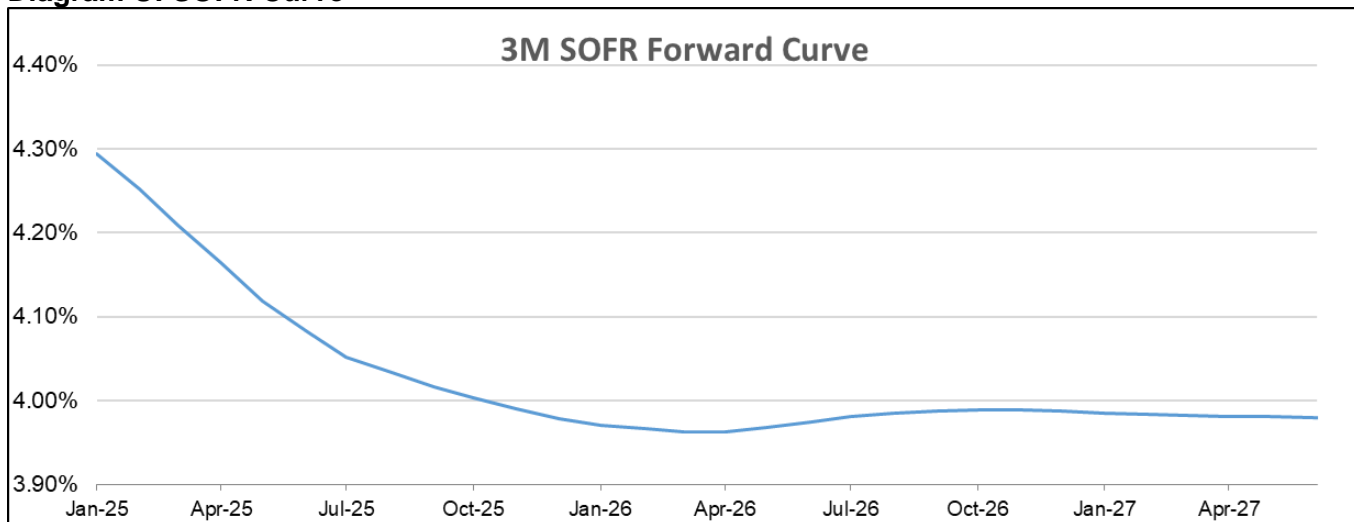
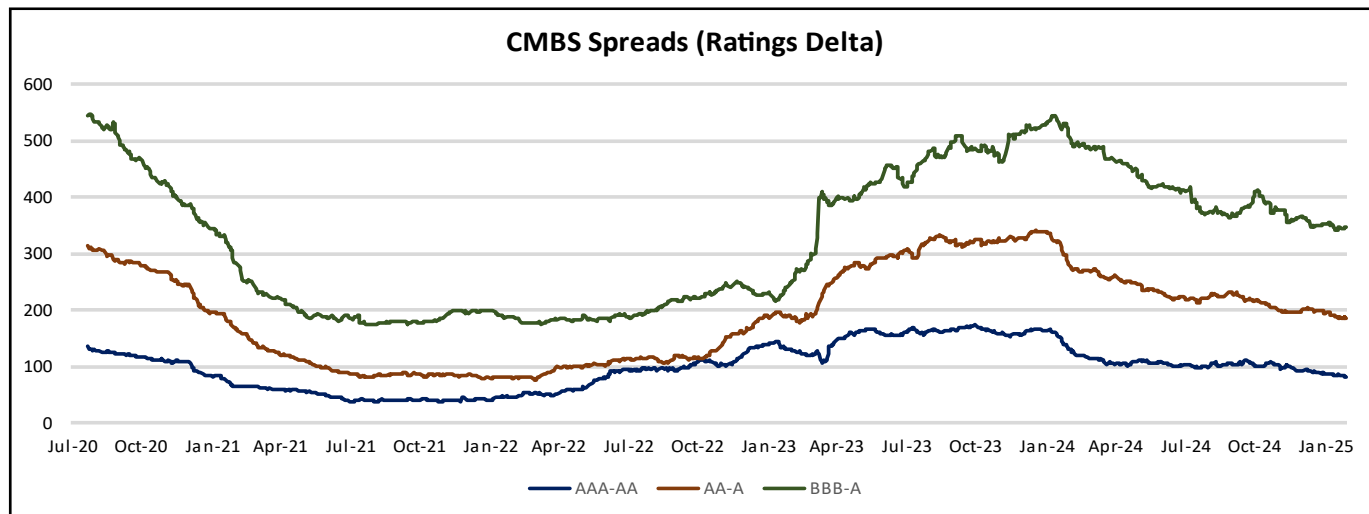
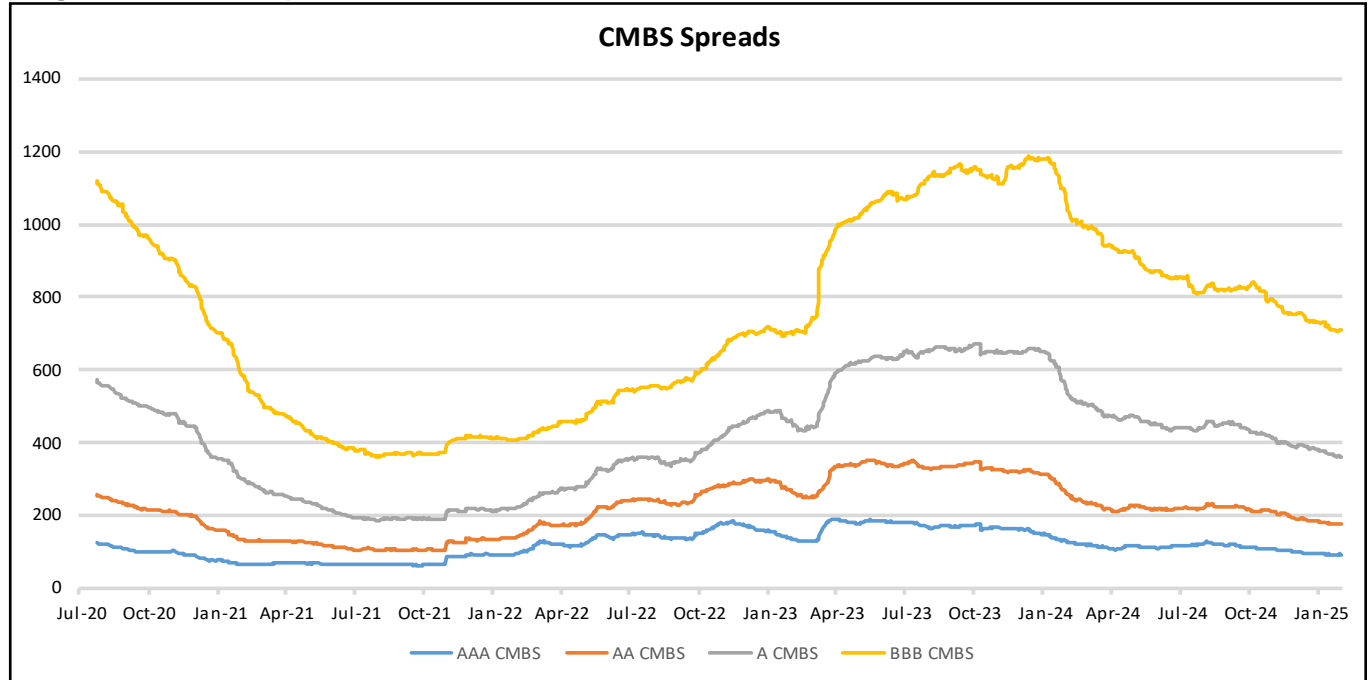
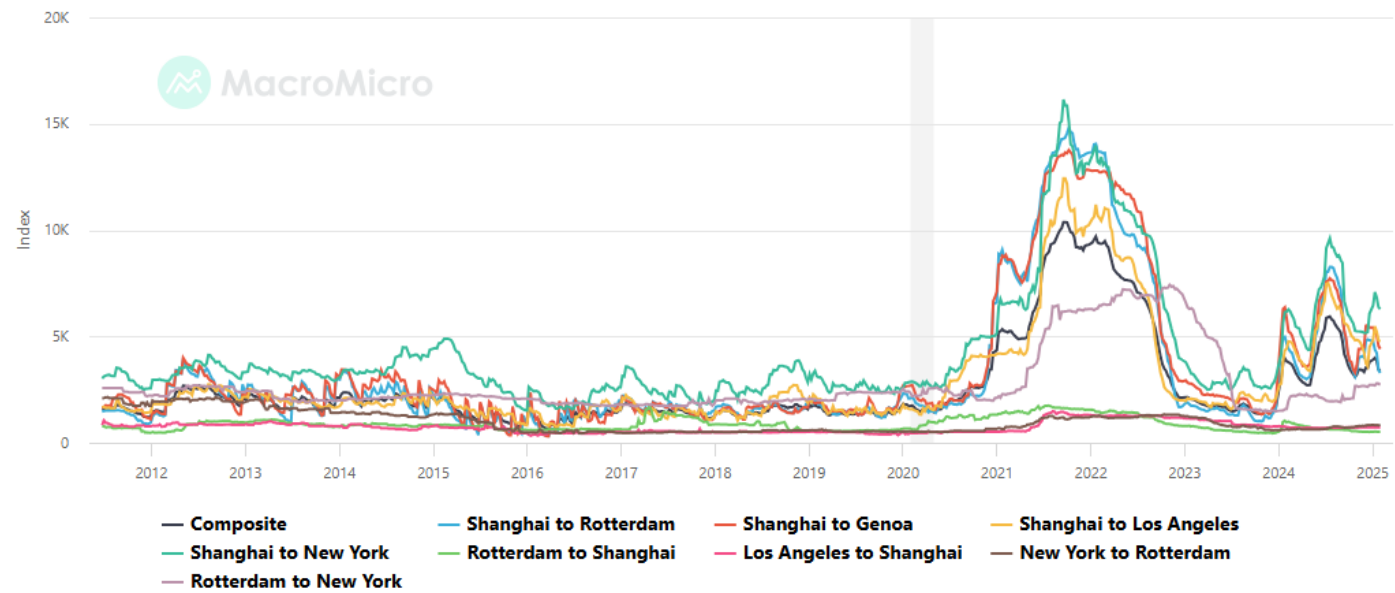


Diagram V: CMBS Spreads

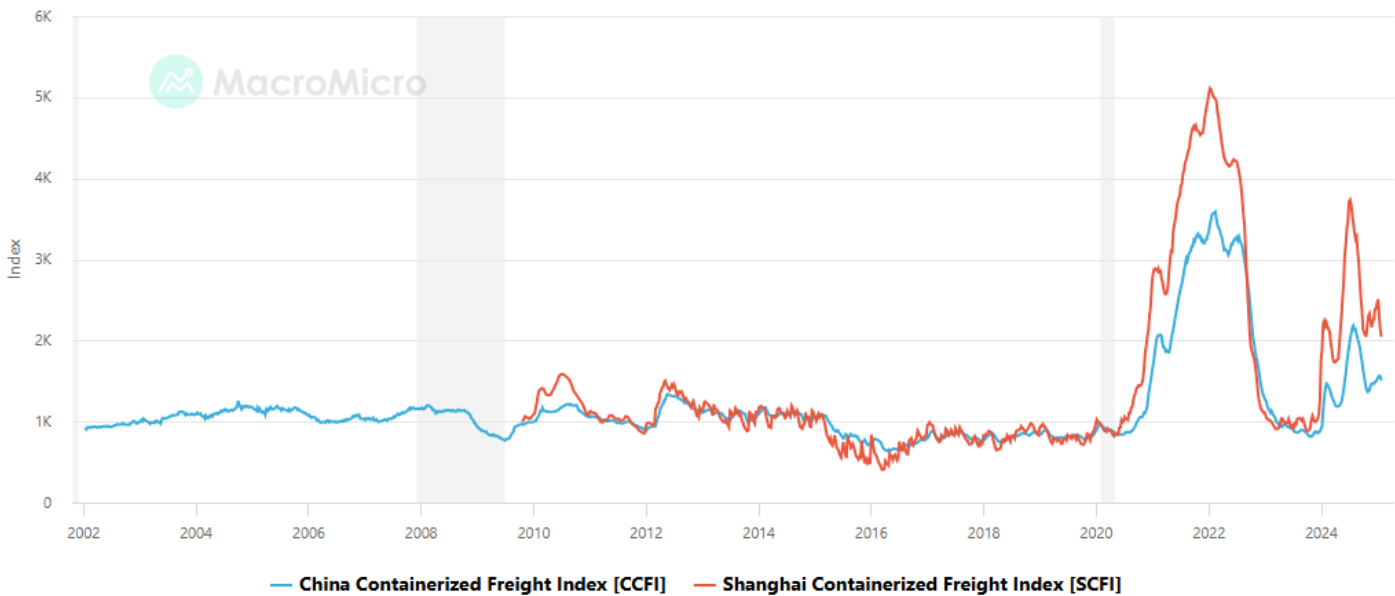


Freight Rates

Drewry World Container Index



China-Global & Shanghai Export Container Freight Index



About ZCG

ZCG is a leading, privately held merchant bank comprised of private markets asset management, business consulting services, and technology development and solutions.

For nearly three decades, ZCG has invested tens of billions of dollars in private equity and credit-related strategies, through multiple economic cycles and across many industries, including consumer products, steel, steel processors, agriculture, consumer food, gaming, hospitality, manufacturing, specialty services and automotive. ZCG has successfully executed buy-and-build opportunities, corporate carve-outs, go-private transactions and growth opportunities, as well as credit investments, including private debt, direct lending, balance sheet solutions, mezzanine, syndicated leveraged loans, opportunistic credit and structured products.

ZCG's investors include prominent global sovereign wealth funds, endowments, pension funds, insurance companies, foundations, family offices, wealth management firms and other financial institutions in North America, Europe, Asia, Africa and the Middle East.

ZCG has a global team comprised of approximately 400 talented professionals. For more information on ZCG, please visit www.zcg.com.

Asset Management

ZCG Private Equity is the private equity fund management platform of ZCG, which pursues a strategy of acquiring companies that are growth platforms, corporate carve-outs, buy & build, go-private transactions, and turnarounds.

ZCG has a specialized, three-pronged approach including its consulting practice, ZCGC, and technology affiliate, to assist in significant value-creation initiatives across portfolio companies.

ZCG Credit is the credit fund management platform of ZCG, which invests across a range of credit investments including leveraged loans, private debt, direct lending, and opportunistic credit. ZCG Credit manages closed and open-ended funds as well as structured vehicles of strategic debt.

ZCG Credit utilizes an approach of fundamental credit analysis, developed over nearly 30 years, through proprietary sourcing, sophisticated structuring and comprehensive risk management utilizing the Olympus™ system.

ZCG's current portfolio companies have aggregate worldwide annual revenues of approximately \$2 billion, sell products in 120 countries, operate 15 manufacturing facilities, and have over 200,000 employees and associates directly and through joint ventures.

Consulting

ZCGC is a team of consultants possessing a diverse skillset with significant industry and subject matter expertise, offering comprehensive support across the full transaction cycle optimizing returns in numerous verticals.

ZCGC partners with management teams to develop strategic plans and oversee tactical execution of specific value creation initiatives.

A trusted resource for private equity firms and their portfolio companies, our ZCGC professionals offer unmatched functional expertise with highly tailored solutions to accelerate growth and scale responsibly.

Our consultants are selected for their leadership experience across investment banking, capital markets, Big 4 consulting, real estate development, talent acquisition, procurement, and the corporate C-suite.

Together with Haptiq, our strategic software development affiliate, ZCGC helps position its clients on the path to success. For more information on ZCGC, please visit www.zcgc.com.

Technology

Haptiq, LLC ("Haptiq") – where insight meets innovation.

Haptiq offers a nuanced understanding of each client's performance and exactly how to leverage technology for sustained growth. Through its suite of software, digital solutions, and industry expertise, Haptiq equips business leaders with a clear path to accelerate growth and profitability. For more information on Haptiq, please visit www.haptiq.com. **Olympus Fintech, LLC ("Olympus")** is a software product and platform which provides private equity, debt, and CLO managers with customizable and simplified workflows, data management, and robust reporting capabilities. For more information on Olympus, please visit www.olyfintech.com.

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