

MOODY'S

Private Credit in Focus Global Market Outlook, Evolution, and Risk Intelligence

David Hamilton

MD, Head of Research & Analytics



Presenters



David Hamilton

Managing Director – Head of
Asset Management Research
Moody's



Vladimirs Zlotnikovs

Associate Director
Solutions Specialist
Moody's

Three key take-aways

1

Private capital markets are growing rapidly globally, and are asking for more transparency on risk.

2

Recent credit events have focused attention on the need for an objective, standardized, 3rd party view of risk

3

Moody's EDF-X credit risk measures show that, across APAC regions, there are similarities but also differences in the evolution of the current credit cycle.

“Without better insight into the performance of underlying credits, ... [investors] could be caught unaware by a dramatic rerating of credit risks...”

– IMF, *The Rise and Risks of Private Credit*

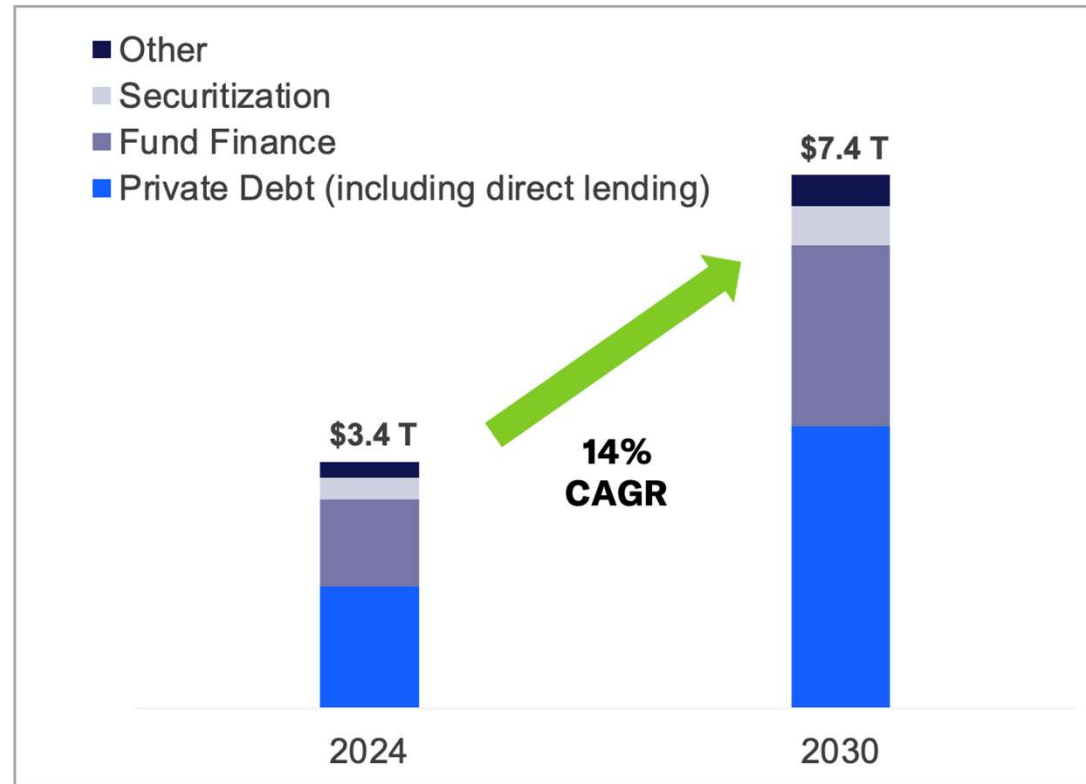


Growth of private credit

The global need for capital means private credit is here to stay

Factors Driving Global Private Credit Growth

- Regulatory shifts that have constrained bank lending to middle-market/riskier borrowers
- Regulatory shifts that may further open private credit investing to retail investors
- Economic environment: search for yield, rising volatility
- Advantages of the asset class: speed and certainty of execution, flexible/bespoke structures, higher risk-adjusted returns,
- Deglobalization and geopolitical uncertainty driving demand for new domestic capital formation
- Many of these same forces are driving strong demand for private credit in APAC, with an “Asia for Asia” dimension

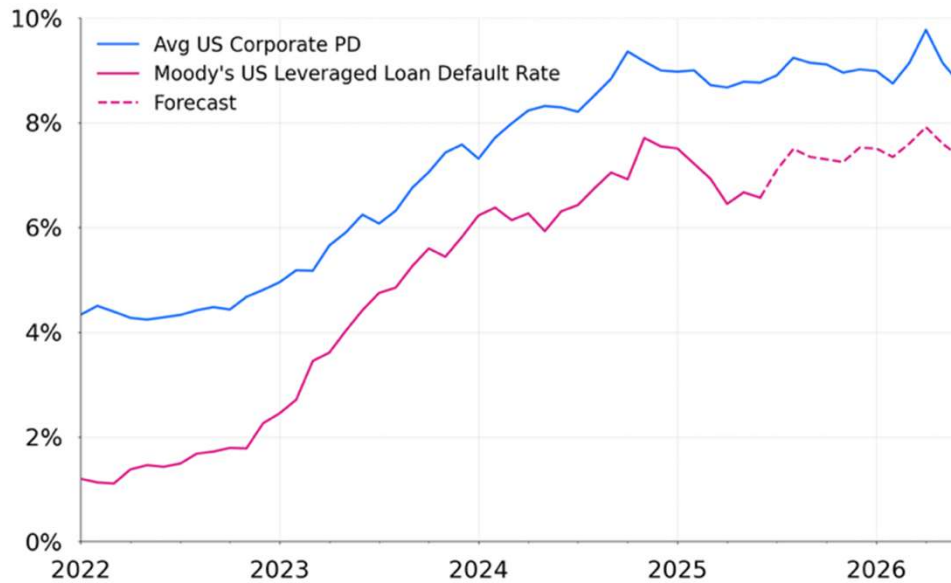


Data source: Moody's Ratings.

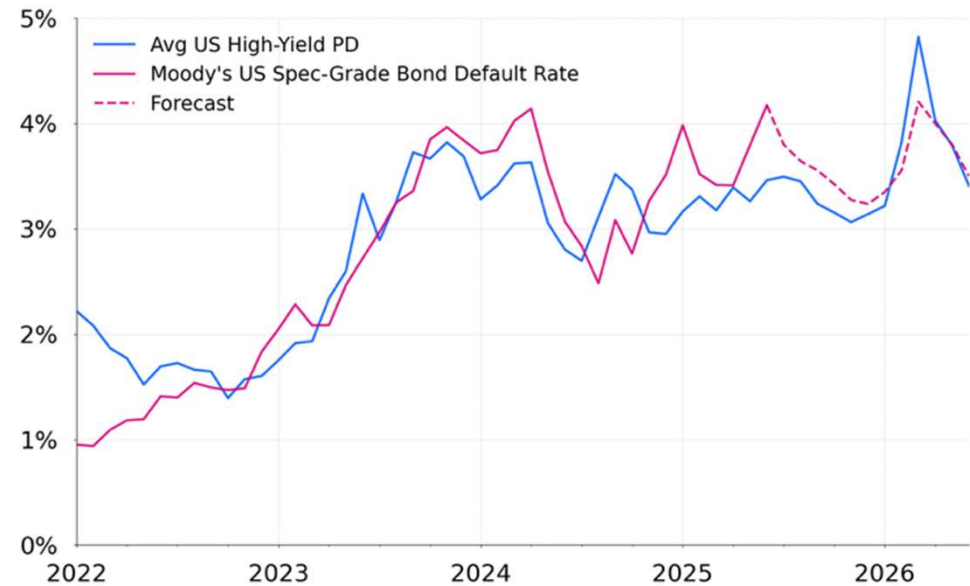
For bonds and loans, the credit risk outlook is range-bound

Default rates likely to finish 2025 lower, but may see another uptick in 2026

Average PD for all US public companies vs. Moody's spec-grade loan default rate, actual and projected



Average PD for high-yield US public companies vs. Moody's spec-grade bond default rate, actual and projected



Note: Average PD time series shifted forward 12 months to align with realized default rates.

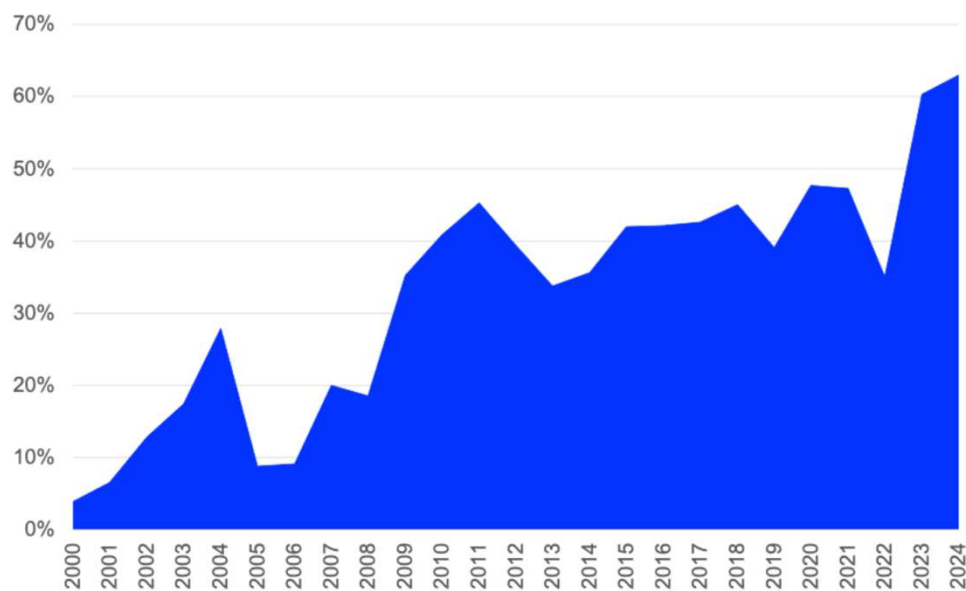
Data sources: Moody's EDF-X.

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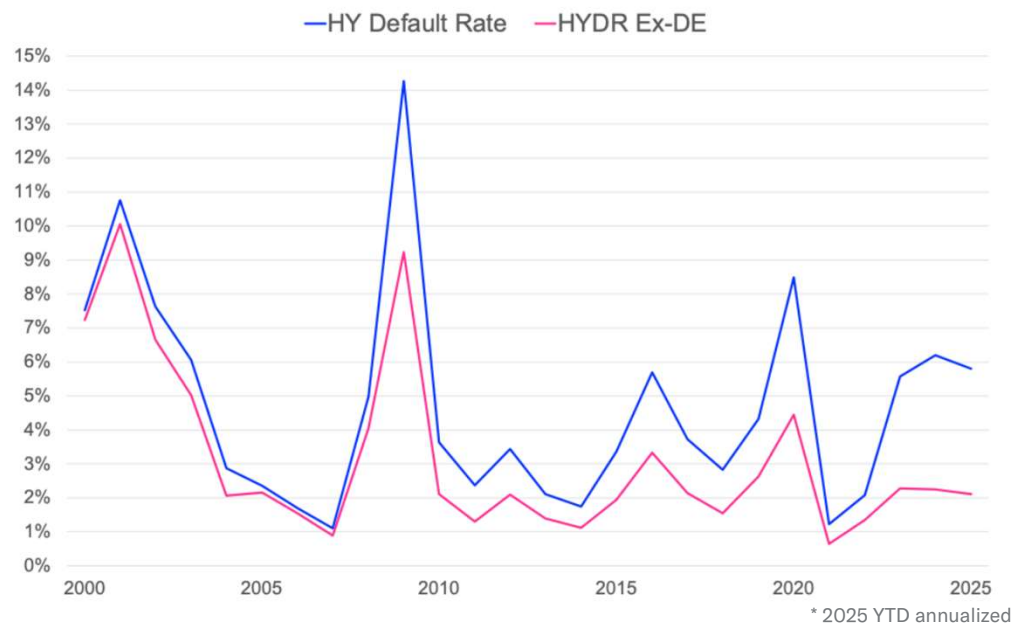
What's the Risk In Private Credit?

There's no accurate measure of market default risk in private credit, but we can infer trends

Distressed exchanges as a share of all credit events have materially increased over the past 25 years.



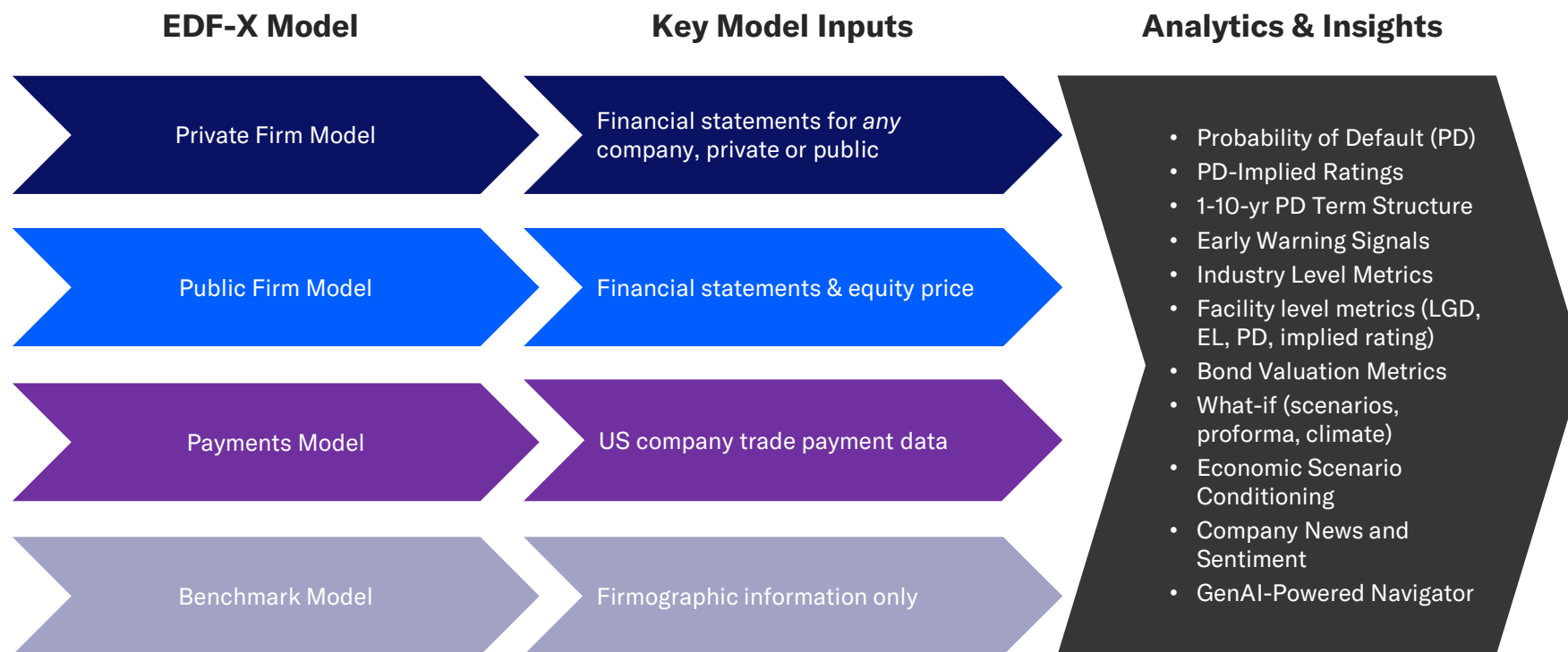
When distressed exchanges are stripped out, the current credit environment looks much more benign.



Data source: Moody's Ratings, author's calculations.

Effective early warning depends on timely signals

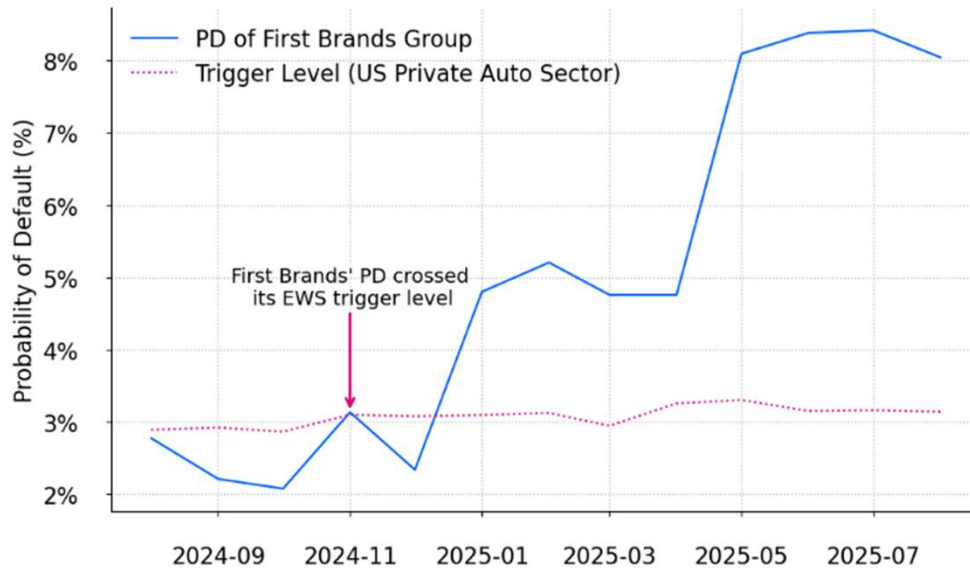
Measure, monitor, and price risks with EDF-X



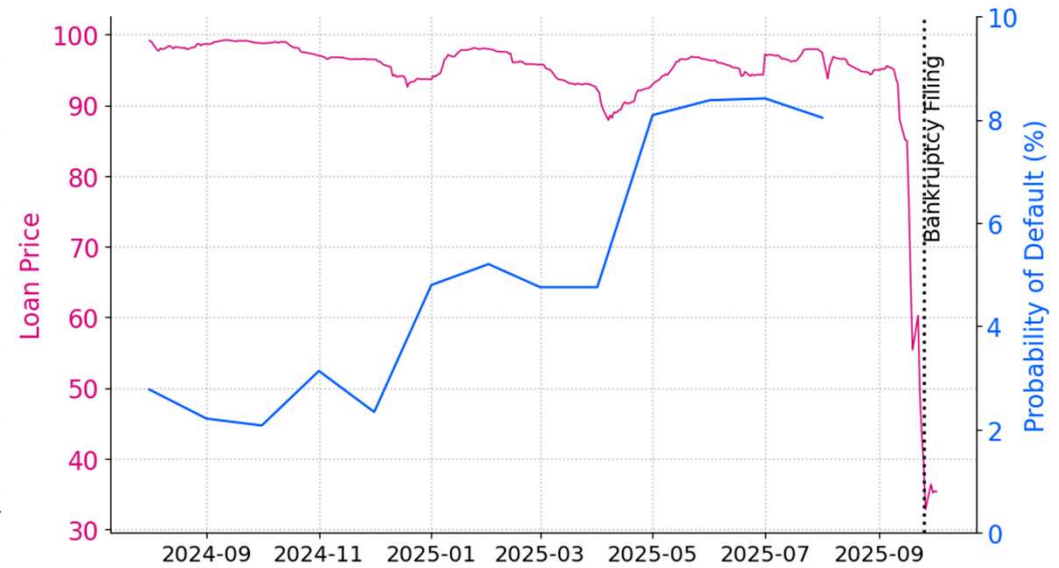
Wake up call: First Brands bankruptcy

While the market was pricing First Brands a performing credit, Moody's EWS was signaling distress

First Brands breached its early warning trigger level in November 2024



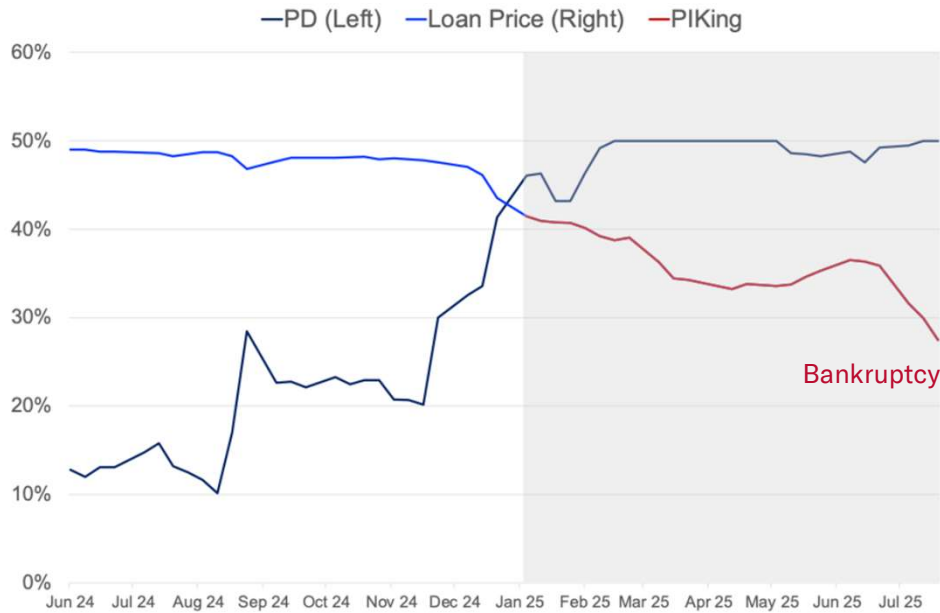
Moody's EDF-X payments PD doubled twice before material price declines



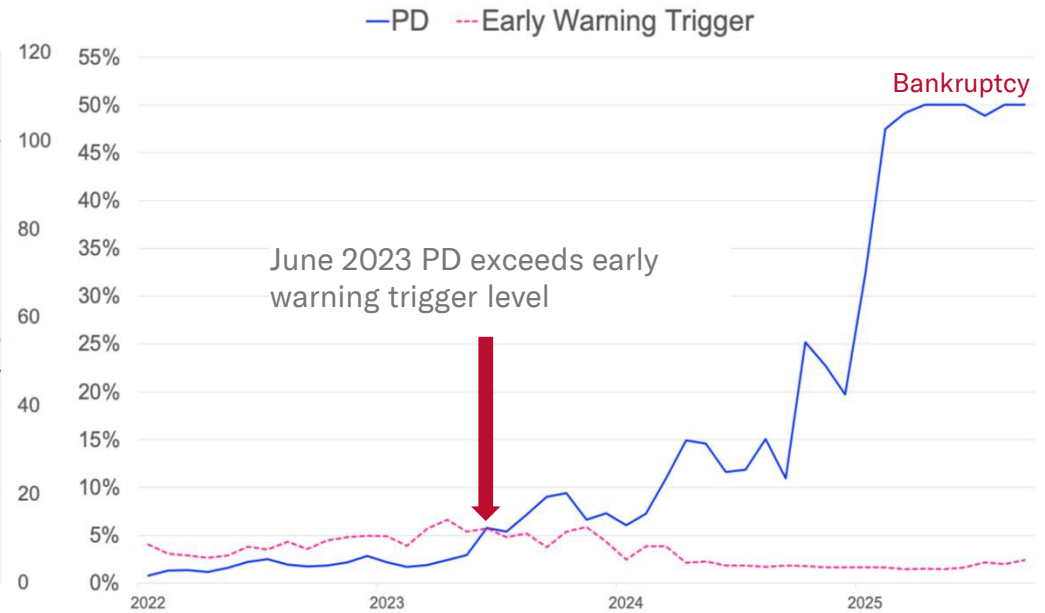
When is a default not a default? Take your PIK

PIKing by Modivcare presaged its eventual bankruptcy

Modivcare's PD quadrupled before it began to PIK. Following PIK, the value of its loan fell from 83 to 55



Signs of emerging distress started as early as June 2023, more than two years before its bankruptcy filing



Data sources: Moody's. The average PDs represents the expected probability of default 12 months from now.

Independent Insights on Risk in Private Credit

MSCI and Moody's have launched a first-of-its-kind solution to provide independent risk assessments for private credit investments at scale.

As part of this joint offering, Moody's is extending its flagship [EDF-X](#) solution into MSCI's [Private i](#)® credit platform.

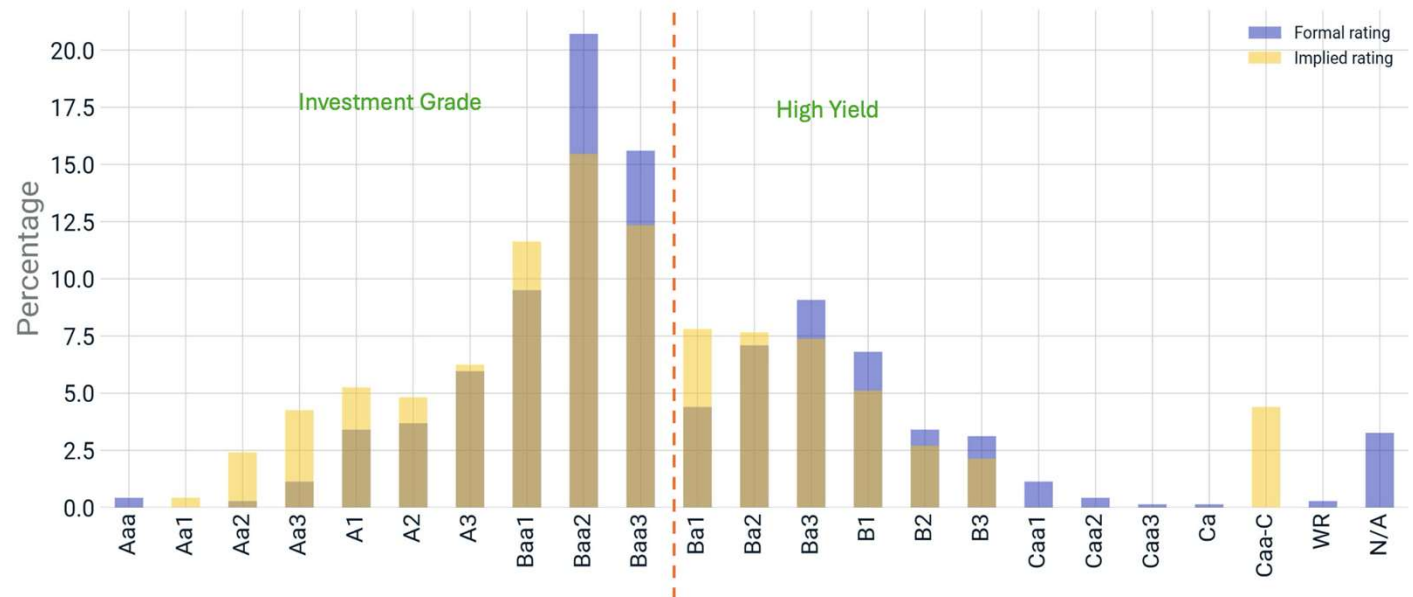
The combination of Moody's EDF-X credit risk assessment solution with MSCI's universe of private credit investment data will produce proprietary third-party risk assessments for private credit investments available at the underlying company and facility level using transparent metrics.



Private credit market is demanding more transparency

PD-implied ratings bring a standardized, objective view using the language of credit risk

- PD-implied ratings map a borrower's EDF-X PD to Moody's Ratings' scale using a calibrated mapping table.
- EDF-X risk measures were assessed in a proof-of-concept for an institution's actual portfolio exposures using their private data.
- The histograms show the distributions of EDF-X PD-implied ratings compared to internal rating assessments for 657 private credit borrowers.



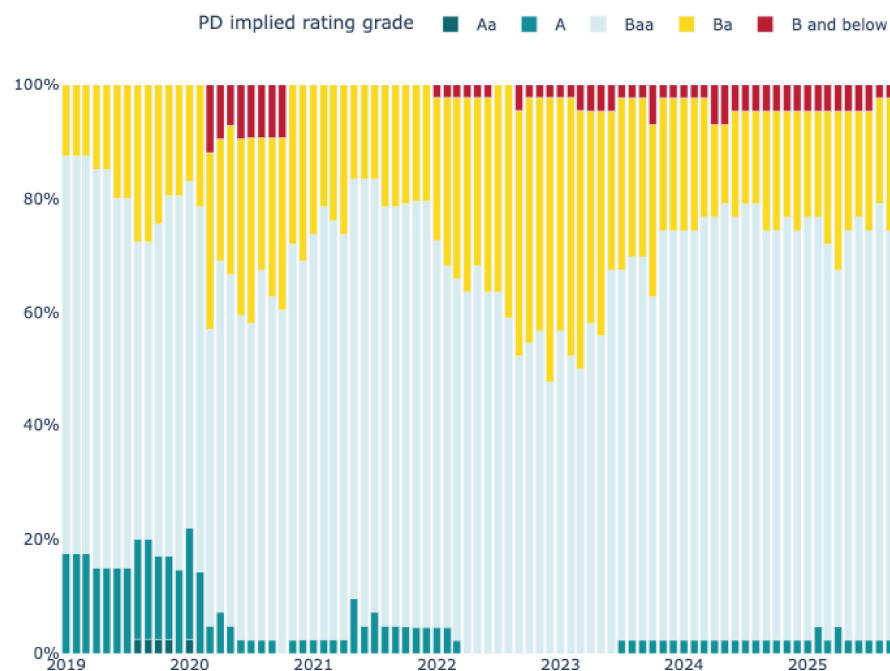
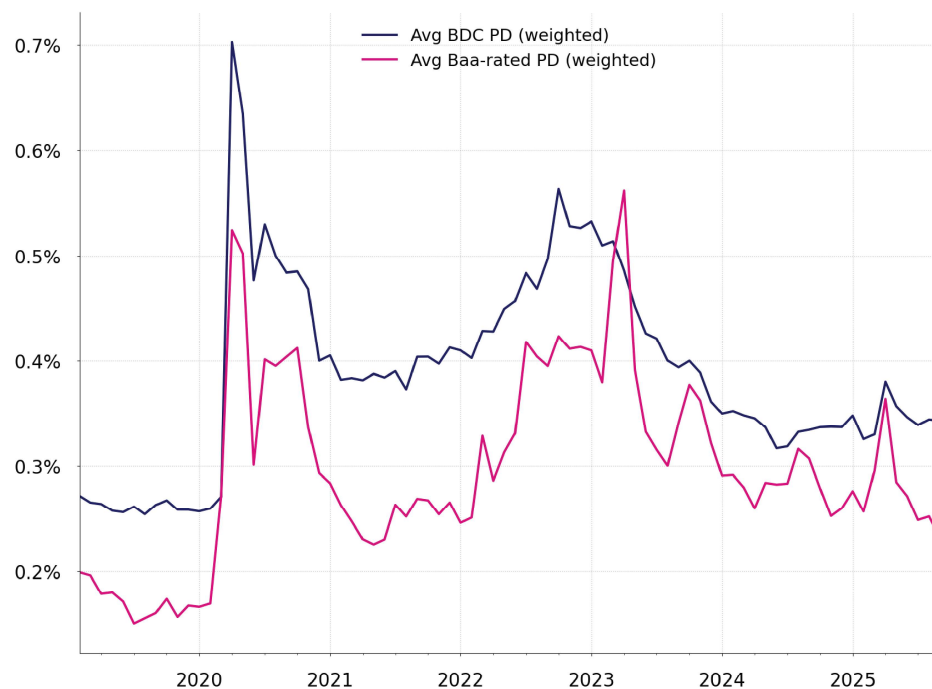
Data sources: Moody's.

Insights for Private Credit: Monitor Trends for Public BDCs

Average PDs and PD-implied ratings for BDCs compare favorably to Baa corporates

Weighted average PD for 47 public BDCs vs. average PD for Baa-rated public companies.

Distribution of PD-implied ratings for 47 public BDCs, monthly

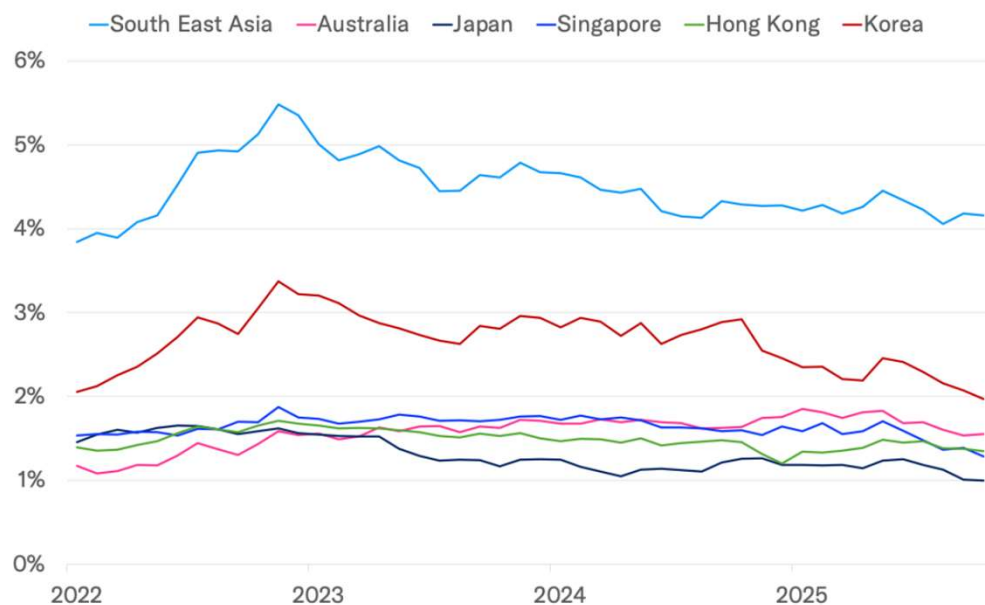


Data source: Moody's EDF-X. The average PDs represent the 12-month ahead expected probability of default.

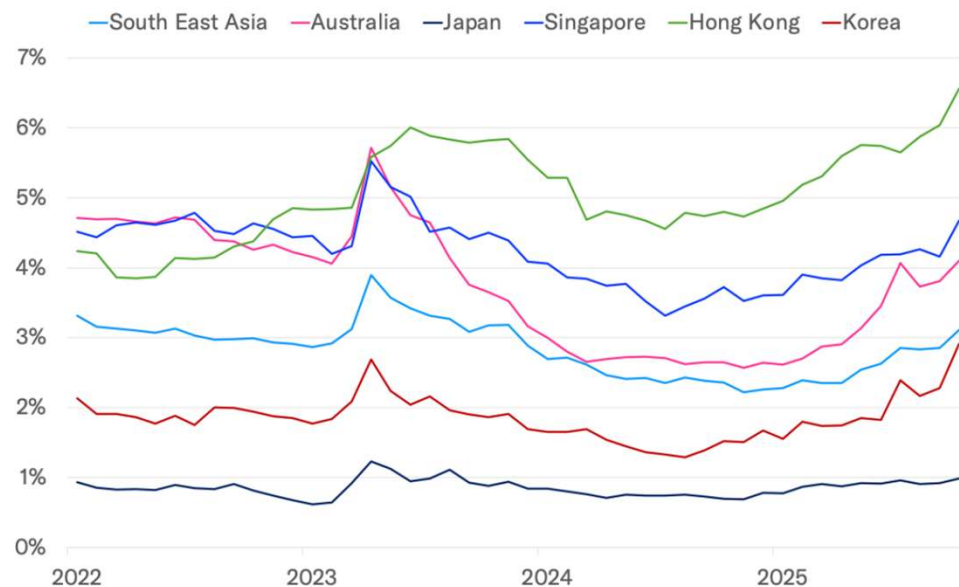
Across APAC corporate credit markets, risk is stabilizing

Forward-looking PDs show credit risk diverging between private & public firms

One-year average PDs for private companies



One-year average PDs for public companies

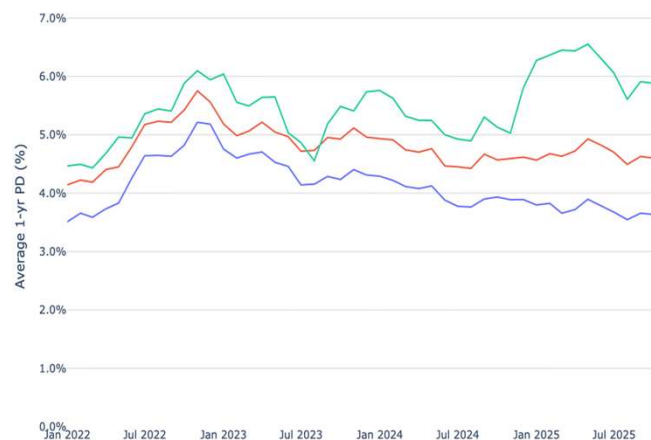


Data sources: Moody's. The average PDs represents the expected probability of default 12 months from now.

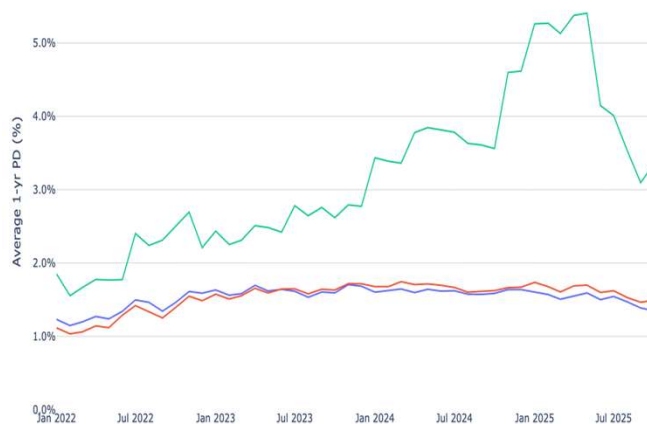
The credit cycle has been punishing for small companies

Across countries/regions, smaller firms have seen a sharper increase in credit risk

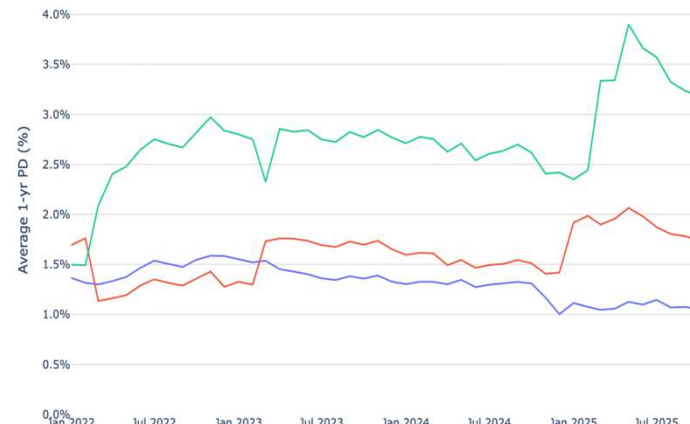
South East Asia average private company PDs by size



Australia average private company PDs by size



Hong Kong average private company PDs by size



— Large company — Medium company — Small company

Data sources: Moody's. The average PDs represents the expected probability of default 12 months from now.

Credit risk varies considerably by sector across APAC

Different macro & industry stresses apparent in average PDs across sectors

Average EDF-X PDs for APAC companies by industry sector as of October 2025

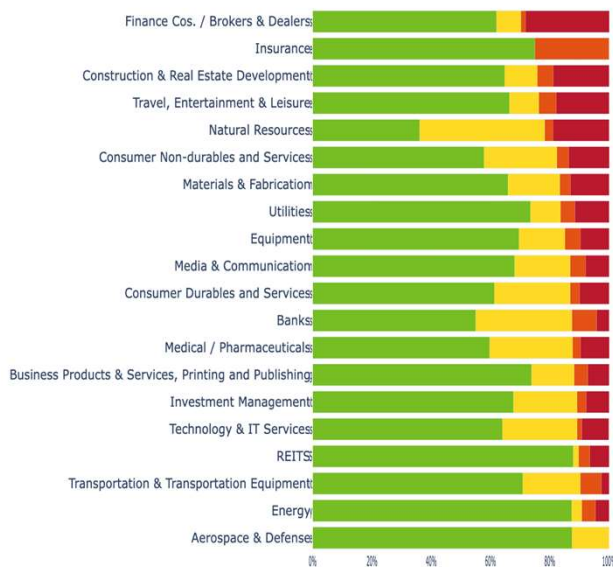
Industry Sector	South East Asia	Australia	Japan	Singapore	Hong Kong	Korea
Banks	0.5%	0.3%	0.6%	0.1%	0.5%	3.1%
Business Prod, Printing & Publishing	2.8%	1.2%	1.2%	0.9%	1.8%	1.0%
Construction & Real Estate Development	5.4%	1.7%	0.9%	1.6%	0.7%	3.8%
Consumer Durables and Services	3.8%	0.9%	1.0%	2.4%	2.9%	1.7%
Consumer Non-durables and Services	4.4%	1.7%	0.9%	2.1%	1.9%	1.2%
Energy	2.5%	2.1%	0.9%	2.0%	1.5%	0.6%
Equipment	3.8%	1.4%	1.0%	1.0%	3.7%	1.7%
Finance Cos. / Brokers & Dealers	4.4%	1.1%	1.3%	1.6%	2.4%	2.6%
Insurance	3.3%	0.9%	.	0.9%	.	1.0%
Investment Management	2.7%	1.2%	1.0%	1.0%	0.7%	0.7%
Materials & Fabrication	4.7%	2.0%	0.8%	0.9%	1.2%	1.5%
Media & Communication	3.3%	3.9%	0.6%	1.2%	0.7%	1.6%
Medical / Pharmaceuticals	3.8%	1.8%	1.1%	0.9%	3.4%	1.0%
Natural Resources	5.7%	2.4%	1.7%	1.8%	.	1.2%
REITS	1.9%	2.3%	0.7%	1.3%	0.4%	0.9%
Technology & IT Services	3.8%	2.1%	1.2%	1.2%	1.1%	1.7%
Transportation & Equipment	1.9%	1.1%	0.7%	1.5%	0.4%	1.1%
Travel, Entertainment & Leisure	5.0%	1.8%	1.8%	1.5%	1.0%	0.8%
Utilities	3.6%	1.3%	1.3%	1.1%	0.2%	0.9%

Data source: Moody's. The average PDs represents the expected probability of default 12 months from now.

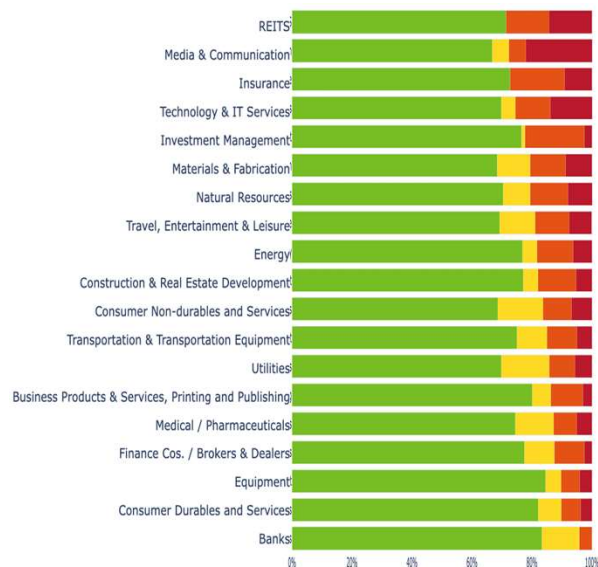
Early warning signals identify which sectors to watch

Cyclical, trade-related & financial sectors show more firms with high/severe EWS

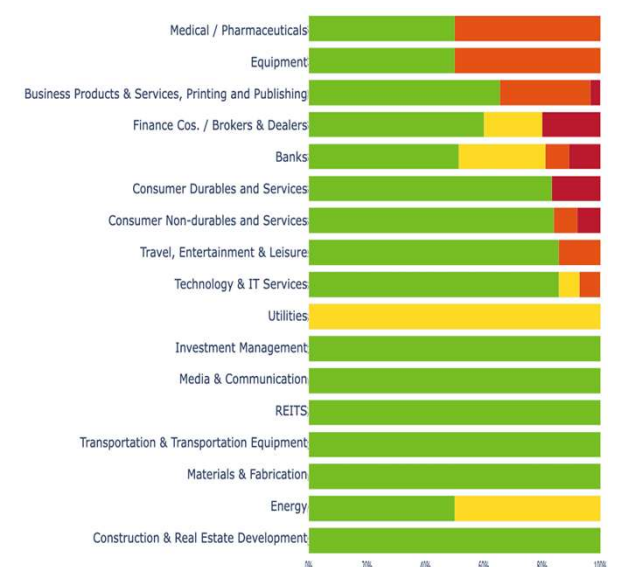
South East Asia private company EWS distribution as of October 2025



Australia private company EWS distribution as of October 2025



Hong Kong private company EWS distribution as of October 2025



Data source: Moody's. The average PDs represents the expected probability of default 12 months from now.

The image features a dark blue background. In the center, there are large, bold, blue letters 'M' and 'Q'. The 'M' is on the left and the 'Q' is on the right. Overlaid on the 'M' is the text 'Q&A' in a white, serif font.

Q&A

Resources



Access Moody's private credit insights.



Learn more about Moody's credit risk assessment capabilities.

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Find out more about how EDF-X can help monitor risk

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