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U.S. Credit Outlook – Majority  
of indicators show minimal  
levels of stress

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Despite the Fed's aggressive policy stance, overall financial conditions remain loose and are not in restrictive territory.

While bank lending standards have clearly tightened, other measures indicate little change:

- Financial conditions index remains loose by historic standards
- Bank lending growth has slowed but only moderately
- Credit spreads for investment grade corporate bonds continue to narrow
- Credit spreads for high yield corporate bonds remain stable and have not risen since the Fed began its tightening cycle
- Delinquency rates have risen moderately for credit card debt but remain unchanged for mortgages, commercial real estate, and business loans

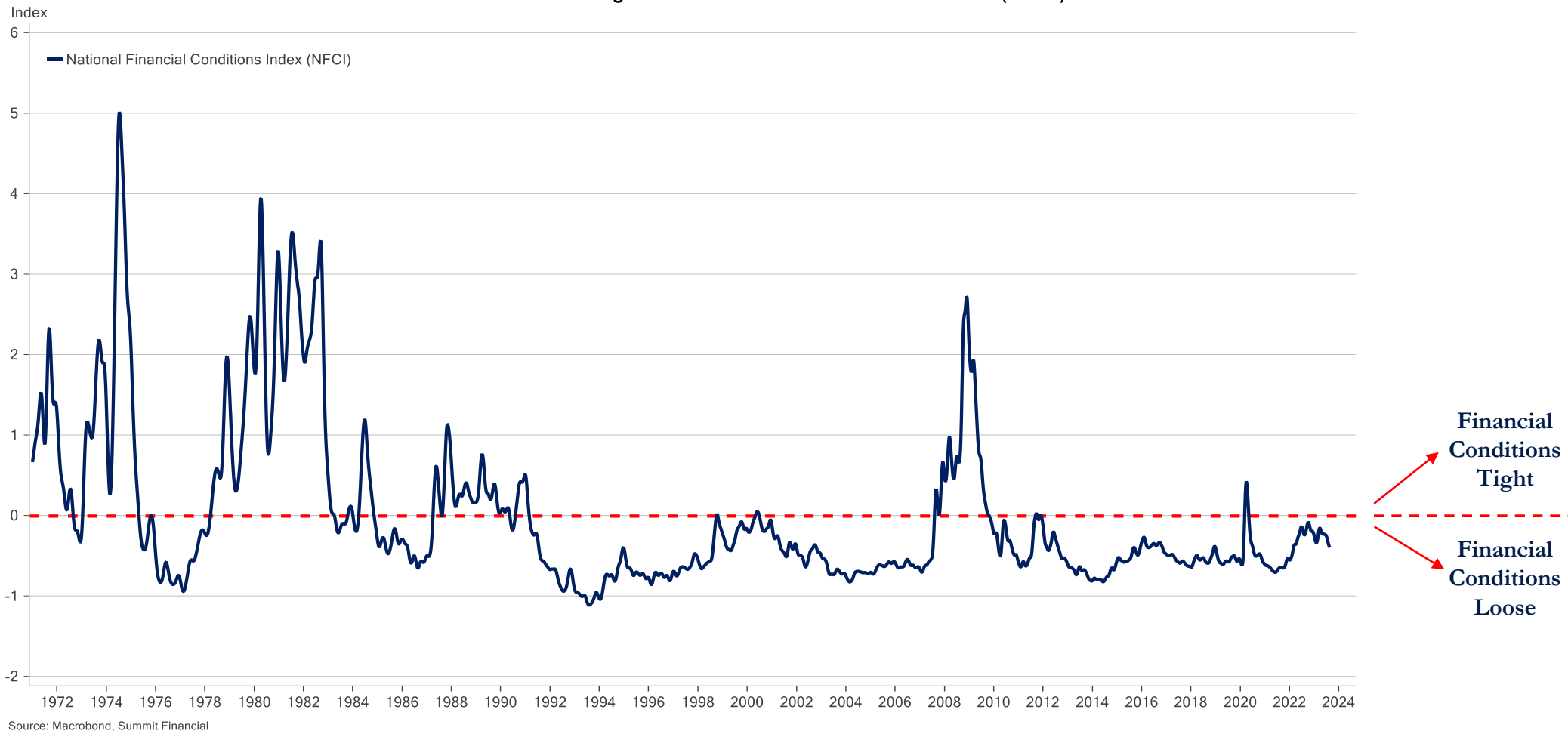
Looking forward, these are key indicators to monitor as the Fed attempts to achieve a soft landing.

# FINANCIAL CONDITIONS REMAIN LOOSE BY HISTORIC STANDARDS



- Per the Chicago Federal Reserve, financial conditions remain loose and are not in restrictive territory.

Federal Reserve Bank of Chicago National Financial Conditions Index (NFCI)



This information is provided for illustrative purposes, is neither an offer to sell nor a solicitation to buy any security mentioned and is not intended to be investment advice. Past performance is not a guarantee of future results. Forecasts presented herein reflect our judgment as of the date of this presentation and are subject to change. Data has been obtained from third-party sources which we believe to be reliable, but we do not warrant or guarantee the timeliness or accuracy of this information.

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# BANK LENDING STANDARDS HAVE TIGHTENED SIGNIFICANTLY



- Lending standards have tightened notably following Fed rate hikes and recent bank failures.
- Most recent data from the Senior Loan Officer Opinion Survey on Banking Lending Practices show lending standards are at levels last seen during previous recessions.

Senior Loan Officer Opinion Survey on Bank Lending Practices (SLOOS)



Source: Macrobond, Summit Financial

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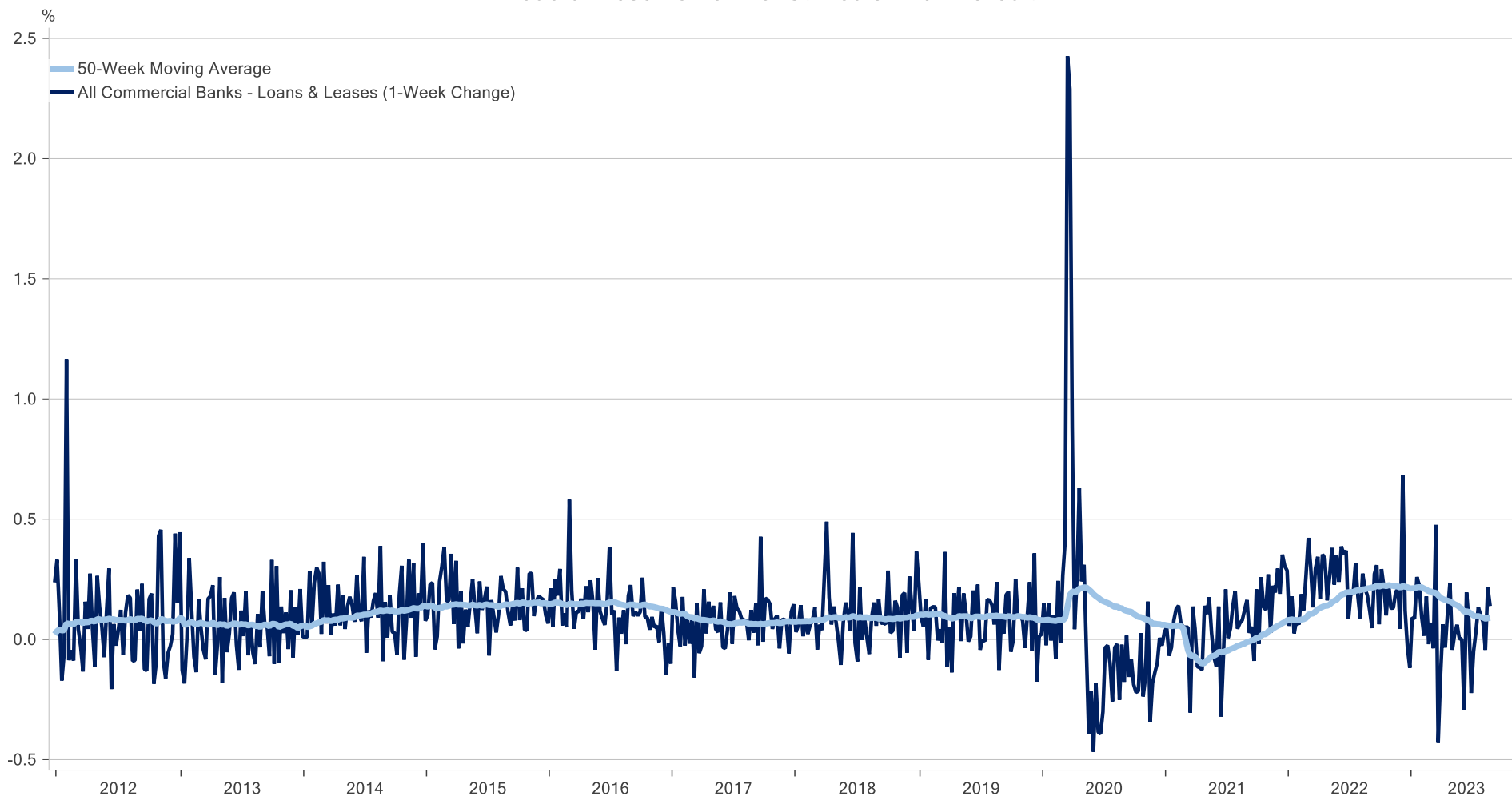
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# BANK LENDING GROWTH HAS SLOWED BUT ONLY MODERATELY.



- Lending growth has slowed but is not at recessionary levels.
- Growth rates are below 2022 highs but are similar to pre-2019 levels.

Federal Reserve Bank of St. Louis - Bank Credit



Source: Macrobond, Summit Financial

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# CREDIT SPREADS FOR INVESTMENT GRADE BONDS CONTINUE TO NARROW



- Credit spreads for investment grade bonds remain largely unchanged.
- Levels are below averages from prior cycles.
- Credit spreads for high yield bonds have also remained stable (not shown)

Credit Spreads



Source: Macrobond, Summit Financial

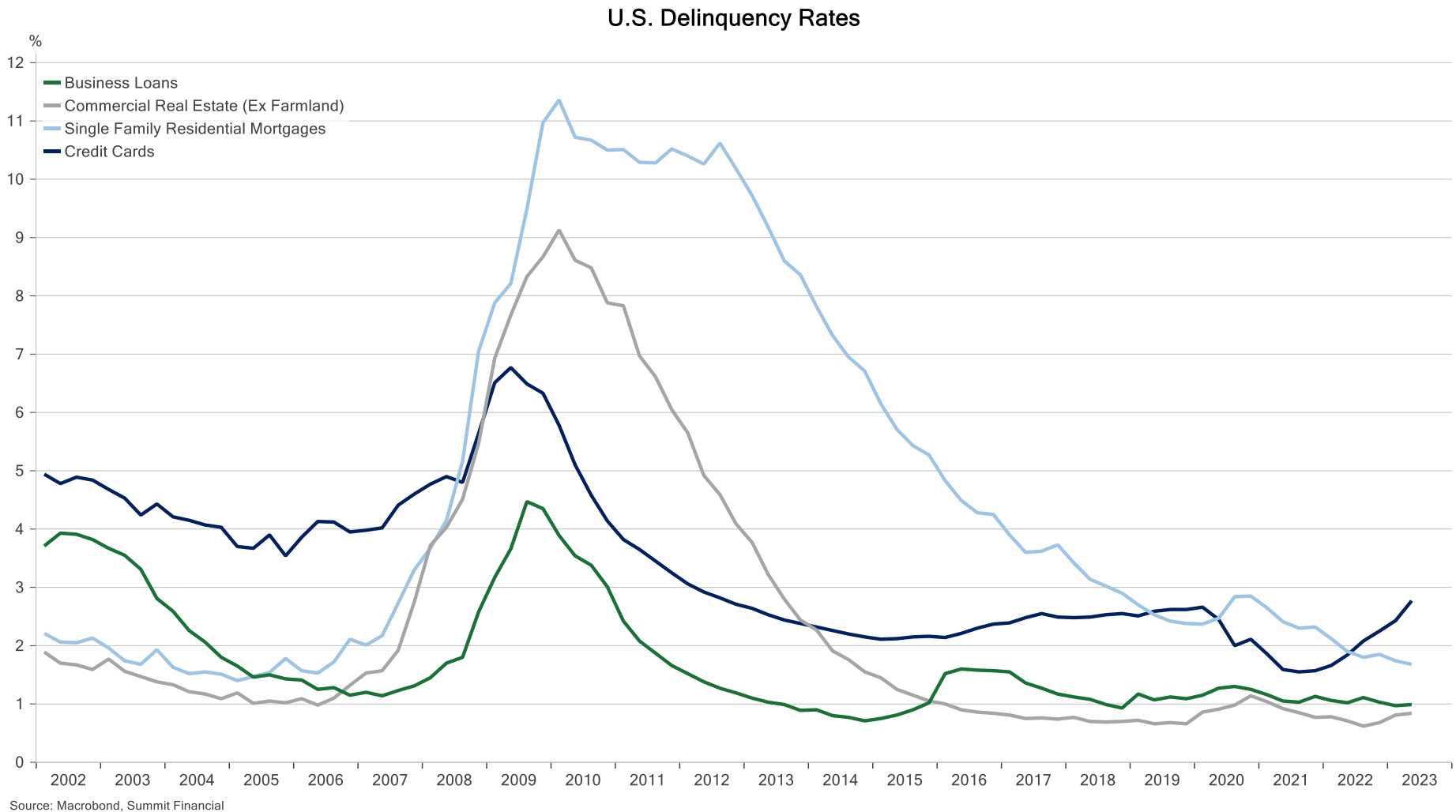
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# U.S. DELINQUENCY RATES REMAIN STABLE



- Delinquency rates are generally unchanged for mortgage, commercial real estate, and business loans.
- Credit card delinquencies have risen but remain near averages from last cycle.



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