2026 Investment Grade Private Credit:

Annual Review and Outlook

PRIVATE CREDIT | JANUARY 2026

Introduction

Investment-grade private credit enters 2026 with favorable conditions across the various segments that make up the market, including corporates, infrastructure, structured finance and residential credit. Interest rate expectations have begun to stabilize, and spreads continue to reflect steady investor demand for high-quality, long-duration assets. Private markets offered a spread pickup over public debt in 2025 despite tight market levels; this excess relative value is expected to continue in 2026, given historical market discipline. New issuance has been supported by ongoing capital needs across a range of industries, although the pace and composition of activity continue to vary by sector and by the strategic priorities of individual borrowers.

Several global themes will continue to influence market dynamics in the year ahead. Companies are investing in onshoring and nearshoring initiatives, upgrading supply chains and allocating capital to energy security and infrastructure projects in both the United States and Europe. Merger-and-acquisition activity has also begun to show signs of improvement as buyer and seller expectations move closer together. In addition, firms globally may continue to review their asset bases to identify opportunities for disposals or partnerships that support balance-sheet optimization or credit-profile preservation. These actions could create incremental opportunities for private lenders as issuers seek tailored financing solutions.

MetLife Investment Management

At the same time, several risks warrant continued attention. Inflation may not follow a linear path, and an environment of persistent price pressures could lead to periods of reduced visibility. Geopolitical tensions and uneven consumer trends also have the potential to influence financing needs and credit performance across sectors. While these factors do not currently point to broad deterioration, they underscore the importance of selective underwriting and careful assessment of issuer fundamentals.

Within this backdrop, our approach remains grounded in credit discipline, structural rigor and the flexibility to allocate capital where we find risk-adjusted opportunities are most compelling. These principles guide how we evaluate transactions across investment grade corporate private credit, private infrastructure debt, residential credit and private asset-based finance. The following sections outline how these market forces are shaping conditions within each of these areas as we move into 2026.

Investment Grade Corporate Private Credit

The investment grade (IG) corporate private credit market enters 2026 with strong demand for long-dated assets, as well as selective issuance across key sectors. Investors continue to look for opportunities to deploy long-duration capital into companies with durable business models, while issuance patterns reflect borrower preferences for shorter maturities amid an uncertain interest rate environment. This dynamic has contributed to a measured supply backdrop, particularly in sectors where financing needs are tied to long-term projects or strategic investment programs.

Sector Outlook

Opportunities remain concentrated in sectors with predictable cash flows and essential-service characteristics. Utilities continue to be active issuers in the private markets and are often well positioned to access long-dated capital. Established real estate investment trusts (REITs) also represent a steady source of transactions, particularly those with diversified portfolios and access to multiple funding channels. In addition, structured corporates provide potential opportunities where balance sheet strength and asset coverage support longer-dated financing needs.

Areas requiring more caution tend to share common characteristics. Certain consumer-facing businesses have shown signs of pressure, reflecting a slower consumer backdrop and shifting discretionary spending. Companies with supply chains exposed to tariff volatility or higher input costs also warrant careful evaluation. In these cases, issuer-level fundamentals remain more important than broad sector trends; credit selection will be a key determinant of performance.

Supply-and-Demand Dynamics

A notable feature of the IG private corporate market has been the divergence between investor and issuer preferences around maturity. Investors continue to look for longer-duration opportunities, while many issuers remain inclined to raise shorter-dated debt, particularly in an environment where interest rate expectations remain uncertain. This mismatch can influence pricing, with some issuers hesitant to pay the incremental spread required for longer-term financing. As a result, activity may remain concentrated in sectors with established needs for long-dated capital or in situations where strategic projects require multiyear funding.

Maintaining Structure and Credit Discipline

Sourcing and selection remain central to navigating the IG private corporate market. A diversified origination network provides access to a broad set of issuers across industries, while independent credit work supports a consistent approach to evaluating creditworthiness and structure.

Competitive conditions have also led to instances of weaker structures, reinforcing the importance of maintaining credit standards and remaining selective when terms do not align with long-term investor needs. The ability to walk away from transactions that do not meet underwriting requirements is an important part of this process and helps ensure that portfolio construction remains aligned with long-term objectives.

Private Infrastructure Debt

Private infrastructure debt continued to offer a broad set of opportunities in 2025, and we expect that momentum to continue in 2026. Several investment themes are likely to remain central in the year ahead, with digital infrastructure and power and energy needs shaping much of the activity across the sector.

Key Investment Themes

Digital infrastructure is expected to remain a major focus as demand for data centers, fiber networks and other AI-related facilities accelerates. The capital required for these projects is significant, and we anticipate an increasing number of financings designed specifically to meet the needs of long-duration institutional investors. Investors will need to recycle development capital into new projects, which should present significant opportunities for lower-cost, investment-grade debt to finance stabilized assets. Our emphasis will remain on structures that avoid technology risk by staying within the initial contractual lease terms and on partnering with strong, investment-grade counterparties that have long-term commitments to these facilities.

Power and energy infrastructure will also be prominent. Rising electricity demand — driven by industrial automation, electric vehicles, lower-carbon household appliances and the growth of AI — supports continued investment in several areas.

Opportunities should include:

- Thermal generation assets, such as natural gas combined-cycle gas turbine (CCGT) base load and peaker plants.
- Renewables, including solar, onshore wind and hydro.
- Transmission and grid investments designed to meet higher load requirements.
- LNG and midstream to supply the fuel required for thermal power generation.

In Europe, we also expect additional opportunities in core infrastructure, given the continuing need to replace aging infrastructure assets and constrained government budgets. The German government, for example, is attempting to increase infrastructure investment with a €500 billion fund. The fund would provide 10% of investments with private capital in order to fund the remaining 90% for improvement of Germany's bridges, railways, digitalization and carbon neutrality.

Both Germany and the United Kingdom are also focused on streamlining permitting and planning processes in order to allow projects to be delivered more quickly. This should further support more investable opportunities.

Despite much being written about an AI-driven nuclear power renaissance, we believe it's unlikely that there will be any investable projects in that space in the foreseeable future, given the history of cost overruns and delays associated with nuclear projects. Also, offshore wind will continue to face financing hurdles for investors, particularly in the United States, given the uncertain regulatory environment and the underdeveloped supply chain needed to support such projects.

Global Macro Themes

Both the U.S. and Europe continue to see strong energy demand. This demand is largely tied to increased industrial automation, energy transition (such as electric vehicle shifts and lower-carbon home appliances), and the rise of AI and related demand for data centers. These trends support the ongoing need for large-scale power and digital infrastructure development. Energy transition and the goal of achieving net-zero carbon targets will need to be balanced against the need to meet the increase in energy demand. Higher energy needs will require both traditional thermal generation and "clean" renewable sources to satisfy the growing need for power.

U.S. tariff policies are another factor we will continue to monitor. Given their sporadic application and political context, the impacts remain difficult to generalize. We will continue to track port-level container volumes for indications of changing trade flows. One area of focus is related to the availability and cost of imported construction inputs required for greenfield projects. As a result, supply chain considerations will remain an important part of our due diligence process.

Additional Considerations

We also expect to see increased merger and acquisition (M&A) activity in 2026, as buyers and sellers appear closer to alignment on pricing levels for infrastructure assets. If this materializes, it should create additional financing opportunities across core, energy and digital infrastructure.

Another development in the private debt market relates to transaction structures. As private and public markets began to overlap more frequently, some transactions have also started to borrow structures from different asset classes. For example, we've seen transactions with a blend of both project finance and asset-backed features. Maintaining covenant and structural discipline throughout the lending cycle is critical.

Our scale, global deal flow and active engagement with sponsors position us to help shape transaction structures and ensure that they align with investor requirements. As infrastructure needs evolve, disciplined underwriting and thoughtful structuring will remain central to how we deploy capital.

Residential Credit

The residential credit market enters 2026 with many of the same dynamics that shaped the past year. Mortgage rates are expected to remain relatively flat, which should continue to pressure affordability. At the same time, the broader push toward new affordability products — such as longer loan terms or lower down-payment requirements — may help ease some of that pressure at the margin. In this environment, we expect affordability to remain a central theme, even as the market adapts to make homeownership more attainable for certain borrowers.

Housing Fundamentals

Housing fundamentals remain generally supportive, with constrained supply across much of the country. Regional variation, however, is becoming more pronounced.

Employment dynamics will continue to be an important factor to monitor, particularly if labor markets weaken in certain regions. Even so, consumers have remained committed to staying in their homes to protect any equity buildup from home price appreciation, which has been a significant support to overall housing performance during a period of elevated rates.

Opportunities in Residential Credit

Within this environment, opportunities in residential whole loans and single-family rental (SFR) financing remain very attractive. Higher rates continue to translate into higher yields, and residential credit continues to compare favorably to public residential credit alternatives.

Because MIM invests across both whole loans and SFR debt, the opportunity set spans borrowers seeking mortgages for primary, second or investment properties, as well as institutional sponsors operating large portfolios of single-family rental homes. These exposures have been supported by steady demand from both homeowners and renters, and we expect them to remain compelling in 2026.

Monitoring Regional Variation and Consumer Health

We will continue to monitor two key areas — regional supply dynamics and consumer health. Analysis of data from the MIM portfolio provides early and regular insight into shifting conditions across geographies.

Discipline and Transparency

Our approach to residential credit is supported by several structural features that contribute to our long-standing disciplined underwriting. Complete control over the investment process allows us to evaluate each loan individually, incorporating loan-level and borrower-level transparency into every assessment.

Monthly performance data from our sizable portfolio provide granular insight into evolving borrower and regional trends, which helps inform how risk is priced across different markets. Together, these elements support a consistent framework for evaluating new opportunities and managing credit across changing conditions.

Private Asset-Based Finance

Private asset-based finance (ABF) is positioned to enter 2026 with continued strong issuance activity and broadly stable credit performance across most consumer and commercial subsectors. Pricing and structures have the risk of deteriorating, given the demand for this asset class. MIM will continue to seek and develop a diverse array of asset sourcing to mitigate single-source origination risk.

Consumer Subsectors

Going into the new year, consumer subsectors show performance that is generally stable to slightly weaker. Auto loan asset-backed securities (ABS), credit card ABS, student loans and unsecured consumer credit have exhibited modest softening as household budgets adjust to higher borrowing costs.

Solar financing has also seen some pressure, reflecting shifts in consumer spending patterns and installation demand. Buy now, pay later (BNPL) programs remain a small but active area of issuance and have similarly shown signs of incremental weakening. While these trends do not point to broad deterioration, they underscore the need for careful issuer-level evaluation across consumer exposures.

Commercial Subsectors

Conditions across commercial subsectors remain mostly stable, although some pockets of softness have emerged. Oil- and gas-related ABS is one area where performance has moderated, reflecting both commodity price dynamics and issuer-specific drivers.

Other commercial subsectors continue to demonstrate resilience, supported by steady collateral performance and diversified borrower bases. As with consumer ABS, differentiation at the issuer level remains more important than broad sector labels, and underlying collateral trends will continue to guide assessment of new opportunities.

Issuance Environment

Issuance in private ABF reached record levels in 2025, driven by strong demand for secured financing and increased activity from both established issuers and new entrants. The momentum behind these issuance volumes is expected to carry into 2026, supported by the repeat-issuance nature of many ABF structures and the ongoing financing needs associated with revolving or amortizing collateral pools.

Frequent refinancing cycles contribute to a steady pipeline, although market participation from new issuers has introduced greater variability in structure and terms. These dynamics create a constructive backdrop for origination but also highlight the importance of rigorous credit analysis as competition influences pricing.

Structural Considerations

Competitive conditions have led to instances of weaker structures, particularly among newer issuers seeking to access the market. This includes variations in credit enhancement levels, covenant protections or collateral coverage that may not fully compensate for risk. Evaluating these differences — and determining when structural concessions are not aligned with long-term investor interests — will remain an important focus. Clear visibility into underlying asset performance, including delinquency trends, seasoning profiles and collateral recovery assumptions, is essential for assessing whether proposed structures offer appropriate safeguards.

Origination Approach and Selectivity

Origination in private ABF spans both bank-led transactions and direct-issuer relationships, each requiring a detailed understanding of collateral characteristics and issuer behavior. Subsector-specific expertise plays a central role in evaluating opportunities, as performance drivers can differ meaningfully across consumer and commercial asset types.

Independent credit work supports this evaluation, allowing issuer-level distinctions to guide transaction selection. Selectivity remains important, and the ability to decline transactions when terms or structures do not align with investor requirements helps ensure that portfolios remain positioned for a variety of market environments.

Conclusion

Across private fixed income markets, several themes will shape the opportunity set in 2026. Supply is expected to remain steady across many sectors, supported by ongoing financing needs and selective issuance from high-quality borrowers. Investor demand continues to be healthy, although shifting macro forces and uneven trends across industries underscore the importance of maintaining awareness of pockets of risk. These risks appear manageable within the private markets, where structures and credit protections can offer meaningful safeguards.

Within this environment, our outlook is constructive but measured. Elevated rates and varied sector dynamics call for continued attention to underwriting standards and careful positioning across credit exposures. Selectivity and a focus on risk-adjusted outcomes will remain central to evaluating opportunities as market conditions evolve.

Our approach reflects disciplined underwriting, diversified sourcing supported by long-standing issuer and sponsor relationships, and the flexibility to respond to changes in market conditions. These principles guide how we allocate capital across private markets and position portfolios to navigate both the opportunities and the challenges that 2026 may present.

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