Insights

2022 Debt Market Year in Review

2022 Recap and what's ahead for 2023

This year has certainly been a tumultuous one. Between rising inflation, falling stock prices, and, most importantly for the debt markets: rising rates, 2022 was not for the faint of heart. As we look ahead to 2023, most are expecting a bumpy start, but all is certainly not lost.

This piece walks through our outlook and expectations for the year ahead.

1. The Fed (driven by inflation concerns) will continue to be the primary driver in the market. The Fed Funds rate currently stands at 4.25-4.5%, with most expecting further rates hike to 5-5.25% by the end of 2023 before returning to a more moderate 4-4.25% by the end of 2024, 3-3.25% by the end of 2025, and 2.5% over the long run. Any change from these predictions (positive or negative) will immediately impact the credit markets.
2. Most companies are well equipped to handle these hikes. Proskauer estimates the default rate to climb to 5% from 1.5% today, well below the default rate during both COVID and the Great Recession.
3. While 1H may be slow, most market participants are expecting a pick-up in the 2nd half of the year. As with any market correction, it never lasts forever, as painful as it may feel at the time.

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