

Private Credit Funds Falling Out Of Favor

Private credit funds were all the rage in 2024 and 2025 as institutional and high-net-worth retail investors sought more risk and higher returns. Over the last few months, that trend has started reversing. The [FT reports](#) that private credit investors pulled more than \$7 billion from some of the biggest private credit funds in the fourth quarter. While sizable, the amount withdrawn is small compared to the estimated \$2.5 billion in the private credit industry, of which private credit funds account for over \$500 billion. The graphic below, courtesy of the FT, shows the pickup in private credit fund redemption requests.

Investors' concern was initially sparked by the Tricolor and First Brands bankruptcies in September 2025. Adding to their worries, Fed rate cuts are reducing the appeal of floating-rate debt, which underpins many private credit loans. Despite the two headline defaults, there are a few signs of deteriorating credit quality. To wit, we share a few quotes from the FT article below. Bear in mind that the quotes are from managers who profit by growing their private credit funds.

Ares in December told clients in its fund that its investments remained healthy and that it would commit to maintaining its dividend through June.

Blackstone said that investors continue to recognise the premium private credit can offer versus public fixed income.

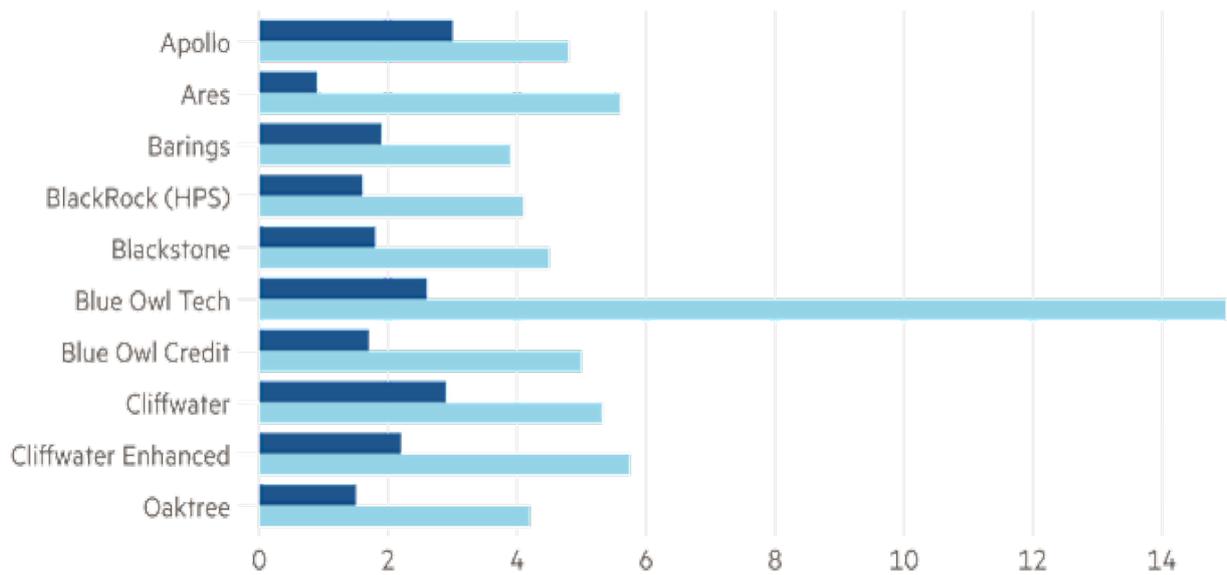
Cliffwater's Hasbrouck said the firm was not worried about our ability to perform, knowing that we have a lot of liquidity behind us and we think quarter on quarter things will get better.

It's also worth adding that banking liquidity showed some signs of stress in the fourth quarter. As a result, the Fed halted QT in October 2025 and started QE in December. The reversal in policy is meant to address liquidity concerns sparked by numerous instances of irregular overnight borrowing interest rates. Riskier credits, such as private credit funds, provide a good gauge of the market's risk tolerance and liquidity. If the current trends persist in 2026, these redemptions may be an early warning sign of broader liquidity, financial, and economic weakness.

Escape hatch: investors redeem billions from private credit funds

Quarterly redemption requests (%)

■ Q3 2025 ■ Q4 2025



Funds: Apollo's ADS, Ares' ASIF, Barings' BPCC, BlackRock's HLEND, Blackstone's BCRED, Blue Owl's OTIC and OCIC, Cliffwater's CCLFX and CELFX, Oaktree's OSCF

Sources: Company filings, FT research

What To Watch Today

Earnings

Tuesday Feb 3	EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time
Advanced Micro Devices <small>A</small>		1.31	1.09		9.62B	7.7B	\$405.88B	Q4	PM
Merck <small>MRK.US</small>		2.05	1.72		16.2B	15.6B	\$211.02B	Q4	AM
PepsiCo <small>PEP.US</small>		2.24	1.96		29.01B	27.78B	\$198.91B	Q4	AM
Amgen <small>AMGN.US</small>		4.72	5.31		9.46B	9.1B	\$159.49B	Q4	PM
Pfizer <small>PFE.US</small>		0.6	0.63		17.54B	17.8B	\$136.07B	Q4	AM
Chubb <small>CB.US</small>		6.45	6.02		13.47B	12.6B	\$108.5B	Q4	PM
TransDigm <small>TDG.US</small>		8.09	7.83		2.26B	2.01B	\$78.5B	Q1	AM
Illinois Tool Works <small>ITW.US</small>		2.69	2.54		4.07B	3.9B	\$77.34B	Q4	AM
Mondelez International <small>MDL</small>		0.7	0.65		10.36B	9.6B	\$76.95B	Q4	PM
Emerson Electric <small>EMR.US</small>		1.41	1.38		4.35B	4.17B	\$75.52B	Q1	PM
PayPal <small>PYPL.US</small>		1.29	1.19		8.82B	8.4B	\$73.76B	Q4	AM
Marathon Petroleum <small>MPC.US</small>		3.65	0.77		33.08B	33.47B	\$70.72B	Q4	AM
Enterprise Products Partn		0.69	0.74		12.44B	14.2B	\$68.45B	Q4	AM
Chipotle Mexican Grill <small>CMG</small>		0.24	0.25		2.96B	2.85B	\$54.2B	Q4	PM
Electronic Arts EA <small>EA.US</small>		4.75	2.83		2.91B	2.22B	\$53.49B	Q3	PM
Grainger <small>GWW.US</small>		9.45	9.71		4.41B	4.23B	\$52.33B	Q4	AM
MPLX <small>MPLX.US</small>		1.06	1.07		3.22B	3.06B	\$51.91B	Q4	AM
Ametek <small>AME.US</small>		1.94	1.87		1.94B	1.76B	\$45.84B	Q4	AM
Take Two Interactive Softw		0.83	-0.71		1.59B	1.37B	\$43.11B	Q3	PM
Corteva <small>CTVA.US</small>		0.22	0.32		4.24B	4B	\$42.96B	Q4	PM
Prudential Financial <small>PRU.US</small>		3.42	2.96		14.88B	14.25B	\$36.39B	Q4	PM
Archer-Daniels Midland <small>ADM</small>		0.89	1.14		21.73B	21.5B	\$32.4B	Q4	AM
Hubbell <small>HUBB.US</small>		4.67	4.10		1.49B	1.33B	\$26.12B	Q4	AM
Atmos Energy <small>ATO.US</small>		2.37	2.23		1.27B	1.35B	\$26.05B	Q1	PM
Broadridge Financial Solutio		1.36	1.56		1.6B	1.59B	\$25.95B	Q2	AM
Veralto Corporation <small>VLTO.US</small>		0.91	0.95		1.39B	1.35B	\$25.72B	Q4	PM
Gartner <small>ITUS</small>		3.52	5.45		1.74B	1.7B	\$17.72B	Q4	AM
Jacobs Engineering <small>JEC.US</small>		1.5	1.33		3.09B	2.9B	\$17.14B	Q1	PM

Economy

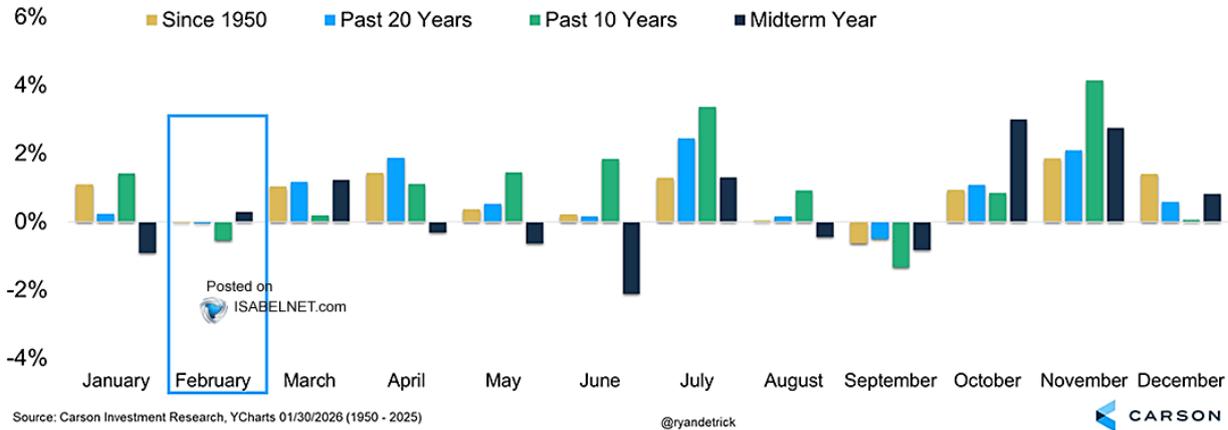
Tuesday February 03 2026		Actual	Previous	Consensus	Forecast
06:00 AM	US LMI Logistics Managers Index <small>JAN</small>		54.2		
08:00 AM	US Fed Barkin Speech				
08:55 AM	US Redbook YoY <small>JAN/31</small>		7.1%		
10:00 AM	US JOLTs Job Openings <small>DEC</small>		7.146M	7.1M	7.0M
10:00 AM	US JOLTs Job Quits <small>DEC</small>		3.161M		3.15M
10:10 AM	US RCM/TIPP Economic Optimism Index <small>FEB</small>		47.2	47.9	47
04:30 PM	US API Crude Oil Stock Change <small>JAN/30</small>		-0.25M		

Market Trading Update

Yesterday, we reviewed the technical backdrop of the market. However, this is also the beginning of a new month, which happens to be one of the weaker months of the year. From a seasonality perspective, the month of February tends to have lower returns than other months of the seasonally strong period, and has about a 50/50 win rate.

Historically, February Has Been Weak

S&P 500 Index Average Monthly Returns (1950 - 2025)



The good news is that both the first 5 days of January and the entire month were positive, which bodes well for full-year returns. When the S&P 500 rises more than 1% in the first five days, and January closes in the green, the market has finished the year higher 92% of the time, with a median 19.1% gain since 1950.

Another Clue 2026 Could Be A Good Year?

First Five Days >1% And A Positive January Combo (1950 - Current)

Year	S&P 500 Returns		
	First 5 Days	January Return	Full Year Return
1950	1.7%	1.5%	21.7%
1951	2.8%	6.0%	16.3%
1958	2.5%	4.3%	38.1%
1961	1.2%	6.3%	23.1%
1963	2.6%	4.9%	18.9%
1964	1.3%	2.7%	13.0%
1967	3.1%	7.8%	20.1%
1972	1.4%	2.0%	15.8%
1975	2.2%	12.3%	31.5%
1976	4.9%	11.8%	19.1%
1979	2.8%	4.0%	12.3%
1983	3.2%	3.3%	17.3%
1987	6.2%	13.2%	2.0%
1989	1.2%	7.1%	27.3%
1997	1.0%	6.1%	31.0%
1999	3.7%	4.1%	19.5%
2004	1.8%	1.7%	9.0%
2006	3.4%	2.5%	13.6%
2011	1.1%	2.3%	0.0%
2012	1.8%	4.4%	13.4%
2013	2.2%	5.0%	29.6%
2017	1.3%	1.8%	19.4%
2018	2.8%	5.6%	-6.2%
2019	2.7%	7.9%	28.9%
2023	1.4%	6.2%	24.2%
2026	1.1%	1.4%	?
Average			18.4%
Median			19.1%
% Higher			92.0%

Source: Carson Investment Research, FactSet 01/30/2026 @ryandetrick CARSON

While the data suggests that any near-term weakness will likely be temporary, given the more significant deviations from long-term means, those corrections could be larger. As such, it will likely pay to manage risk more closely. Precious metals investors learned the meaning of 'risk' on Friday. The irony is that the rationale for owning metals was to get out of the stock market because it was going to crash.

That may be true. However, the stock market doesn't crash by 30% in a day. Silver did.

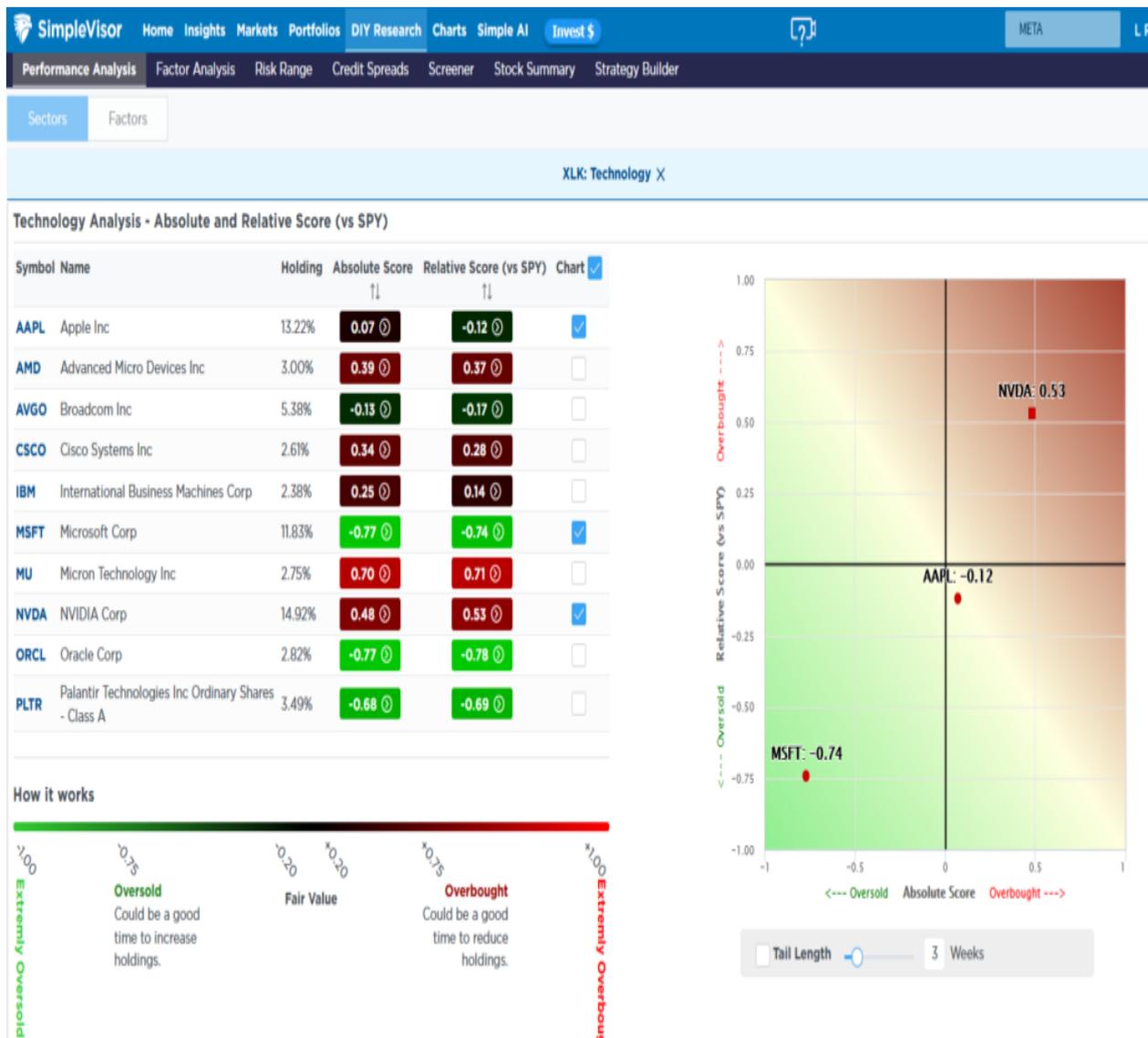
The lesson is to manage your risk, don't get overextended, and control your leverage. The goal is not to get rich quickly; it is to survive the long game.

Staples Assent While Materials & Industrials Fade

Last week's volatility shook up the absolute and relative analysis scores and placements of many sectors and factors. As shown in the first graphic, courtesy of [SimpleVisor](#), Industrials and Materials, which were extremely overbought, have underperformed and are now trading closer toward fair value. Within the top graph, on the right side, you can see how both sectors have rotated from the top right corner, signifying overbought on relative and absolute scores. At the same time, the Staples sector continues to climb the charts. Note that the Utility sector is finally moving higher across both scores. Might it be following Staples?

The second graphic shows how the volatility of the last week has shaken up the Technology sector. The three largest stocks by market cap in the S&P 500 and the Technology sector ETF (XLK) span the overbought-oversold range. NVDA has risen nicely to overbought, while Apple has improved to fair value, and Microsoft, with its poor price performance due to earnings, is now very oversold. It's also worth noting that the Gold Miner factor, which was extremely overbought, fell to fair value in less than a week. That is a sharp move for this analysis, but consider its price fell by 15% late last week.



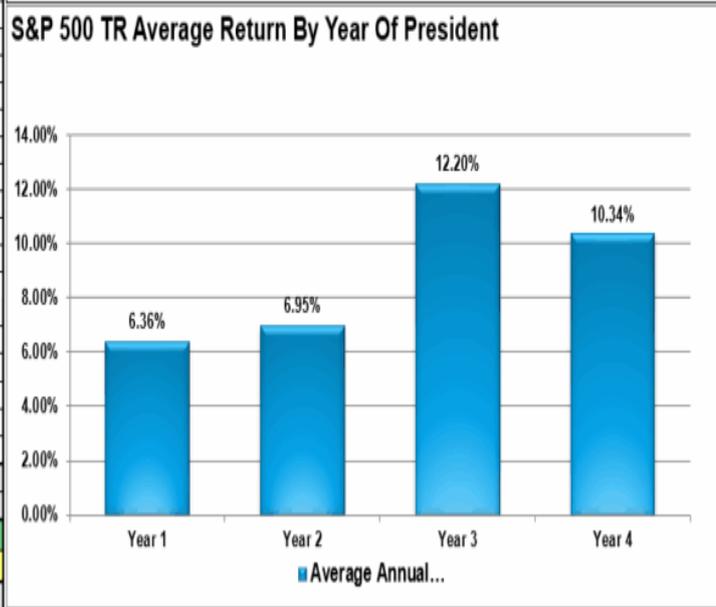
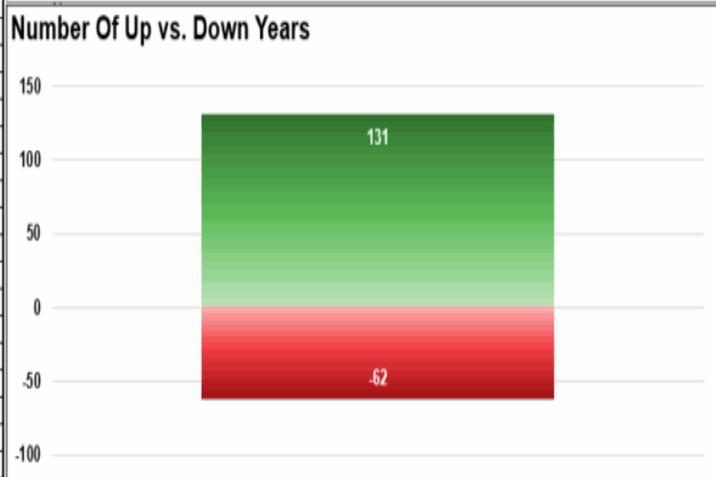
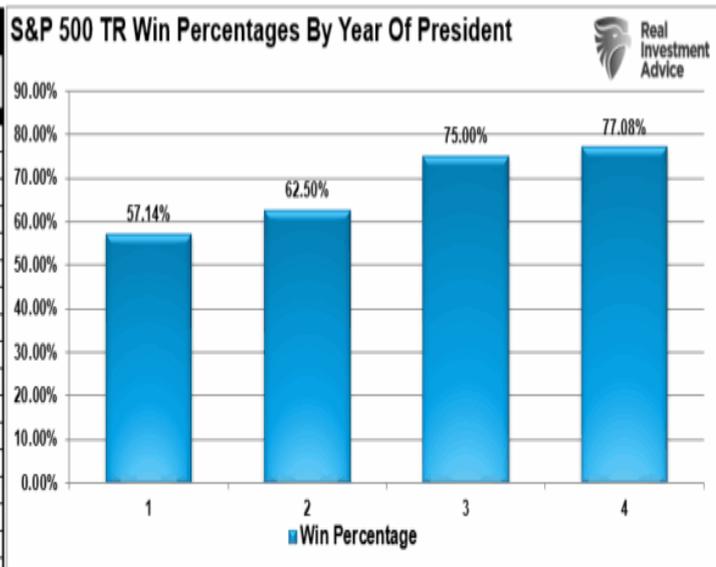


The Market Cycles Potentially Driving 2026 Returns

Market cycles are once again at the center of the investment narrative as we head into 2026. The optimism is familiar as earnings held up in 2025, the economy avoided recession, and big tech lifted the indexes. However, those victories are already reflected in the price. As we head into 2026, with valuations extended, the margin for error has narrowed. However, while analysts are very optimistic for this year, the case for another strong year leans heavily on historical patterns.

Let's start with the Presidential Cycle. Market cycles tied to the presidential calendar suggest the second year of a new administration is often slower. Since 1948, years three and four of a presidential term have yielded the most substantial returns, while year two, or the post-election year, has shown weaker performance, with modest gains and lower win rates. The data is shown below, and while 2025 traded above historical norms, 2026 may not be as fortunate.

Presidential Election/Stock Market Cycle						
Beg. Of 4-Yr Cycle	Elected President	Pres. Party	Post Election Year	Mid-Term Year	Pre-Election Year	Election Year
1833	Jackson	Dem	(0.90)	13.00	3.10	(11.70)
1837	Van Buren	Dem	(11.50)	1.60	(12.30)	5.50
1841	WH Harrison	Whig	(13.30)	(18.10)	45.00	15.50
1845	Polk	Dem	8.10	(14.50)	1.20	(3.60)
1849	Taylor	Whig	0.00	18.70	(3.20)	19.60
1853	Pierce	Dem	(12.70)	(30.20)	1.50	4.40
1857	Buchanan	Dem	(31.00)	14.30	(10.70)	14.00
1861	Lincoln	Rep	(1.80)	55.40	38.00	6.40
1863	Lincoln	Rep	(8.50)	3.60	1.60	10.80
1869	Grant	Rep	1.70	5.60	15.26	7.84
1873	Grant	Rep	2.97	8.60	11.40	(16.51)
1877	Hayes	Rep	20.24	30.46	20.34	31.60
1881	Garfield	Rep	(6.29)	8.47	5.15	(5.36)
1885	Cleveland	Dem	31.29	9.42	(3.65)	7.17
1889	B. Harrison	Rep	9.43	(7.73)	26.11	(2.03)
1893	Cleveland	Dem	(3.90)	4.61	4.51	0.15
1897	McKinley	Rep	17.63	29.20	(12.37)	22.84
1901	McKinley	Rep	11.90	(2.40)	(13.05)	35.17
1905	T. Roosevelt	Rep	15.86	(3.23)	(18.58)	37.79
1909	Taft	Rep	8.85	7.02	(0.77)	1.39
1913	Wilson	Dem	(3.64)	(8.96)	27.28	(2.83)
1917	Wilson	Dem	(26.39)	(2.83)	(0.56)	(4.28)
1921	Harding	Rep	19.99	26.45	(2.23)	25.18
1925	Coolidge	Rep	19.41	13.48	34.75	43.81
1929	Hoover	Rep	(8.30)	(25.12)	(43.84)	(8.64)
1933	F. Roosevelt	Dem	49.98	(1.19)	46.74	31.94
1937	F. Roosevelt	Dem	(35.34)	29.28	(1.10)	(10.67)
1941	F. Roosevelt	Dem	(12.77)	19.17	25.06	19.03
1945	F. Roosevelt	Dem	35.82	(8.43)	5.20	5.70
1949	Truman	Dem	18.30	30.81	23.68	18.15
1953	Eisenhower	Rep	(1.21)	52.56	32.60	7.44
1957	Eisenhower	Rep	(10.46)	43.72	12.06	0.34
1961	Kennedy	Dem	26.64	(8.81)	22.61	16.42
1965	Johnson	Dem	12.40	(9.97)	23.80	10.81
1969	Nixon	Rep	(8.24)	3.56	14.22	18.76
1973	Nixon	Rep	(14.31)	(25.90)	37.00	23.83
1977	Carter	Dem	(6.98)	6.51	18.52	31.74
1981	Reagan	Rep	(4.70)	20.42	22.34	6.15
1985	Reagan	Rep	31.24	18.49	5.81	16.54
1989	G.H.W. Bush	Rep	31.48	(3.06)	30.23	7.49
1993	Clinton	Dem	9.97	1.33	37.20	22.68
1997	Clinton	Dem	33.10	28.34	20.89	(9.03)
2001	G.W. Bush	Rep	(11.85)	(21.97)	28.36	10.74
2005	G.W. Bush	Rep	4.83	15.61	5.48	(36.55)
2009	Obama	Dem	25.94	14.82	2.10	15.89
2013	Obama	Dem	32.15	13.52	1.38	11.77
2017	Trump	Rep	21.61	(4.23)	31.22	18.01
2021	Biden	Dem	28.47	(18.04)	26.06	24.88
2025	Trump	Rep	16.50			
2029						
2033						
STATS	Total % Gain		311.72%	333.38%	585.41%	496.25%
	Average Annual Return		6.36%	6.95%	12.20%	10.34%
	Number Up		28	30	36	37
	Number Down		21	18	12	11
	Win Percentage		57.14%	62.50%	75.00%	77.08%



Since 1871, markets have gained in 30 of those years, with losses in only 18, resulting in a win rate of approximately 62%. While better than a coin toss, it falls well short of the win rate in years three and four. Another potential headwind for markets in 2026 is the midterm elections, which could potentially result in a change of control in the House or Senate, leading to increased gridlock in Washington.

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