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**CIO Weekly Commentary**
09 Jun 2025

CIO VIEWS: STRATEGY AND PORTFOLIO CONSTRUCTION

# Private credit looks well-positioned

## Bottom line up top

Last week's heavy dose of economic data came at a critical time for financial markets still trying to determine whether tariff-driven economic growth concerns have led to a slowdown in U.S. hiring — and how the U.S. Federal Reserve might adjust its interest rate policy timetable accordingly.

**Labor markets: a mixed bag/a mostly softer showing**

- Latest in chronological order but first in the eyes of anxious markets, the nonfarm payrolls report for May came in roughly as expected at 139,000 net new positions (versus the 130,000 consensus forecast). The payrolls tally may have resulted in part from a continued lag in the impact of DOGE layoffs earlier in the year. Meanwhile, the unemployment rate remained steady at 4.2%, while wage growth heated up slightly, to +3.9% year-over-year. We think job growth could slow over the coming quarters as employers grapple with uncertain trade policy, which remains elevated (Figure 1).
- Weekly first-time unemployment claims jumped by 8,000, to 247,000 — their highest level since last October. While potentially concerning, this above-forecast result was likely skewed by seasonal distortions around the U.S. Memorial Day holiday.
- Job openings increased to 7.39 million in April, defying expectations of a drop from March's 7.2 million, as measured by the Job Openings and Labor Turnover Survey (JOLTS) report. One caveat: like first-time unemployment claims, involuntary separations rose to their highest level since October 2024.


**Saira Malik, CFA**
*Head of Nuveen Equities and Fixed Income, Chief Investment Officer*

*On behalf of Nuveen's Global Investment Committee*


As Head of Equities and Fixed Income, Nuveen's CIO and leader of our Global Investment Committee, Saira drives market and investment insights, delivers client asset allocation views and brings together the firm's most senior investment leaders to deliver our best thinking and actionable investment ideas. In addition, she chairs Nuveen's Equities Investment Council and is a portfolio manager for several key investment strategies.

*There are plenty of macro wild cards to keep investors on edge as we approach the midpoint of the year.*

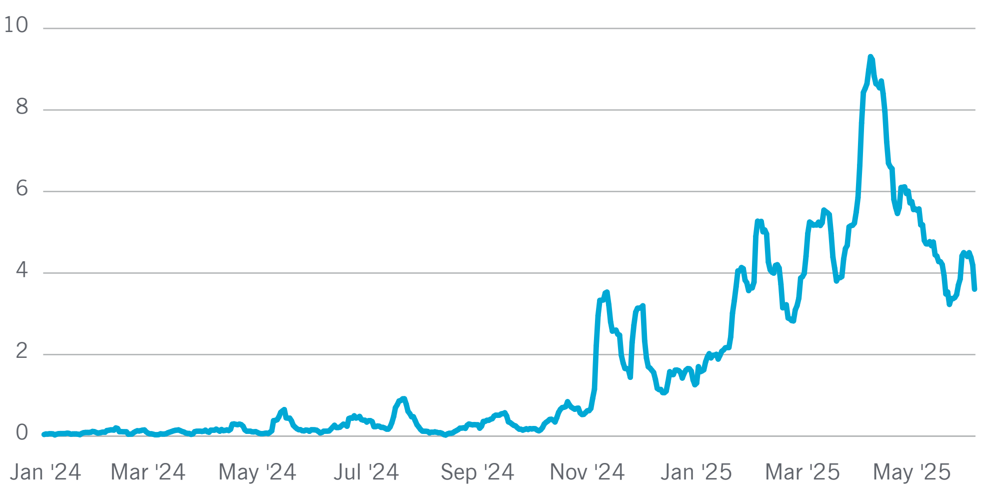
**Economic activity: both manufacturing and services disappoint**

- With a reading of 48.5, the Manufacturing Purchasing Managers Index (PMI) published by the Institute for Supply Management (ISM) showed the manufacturing sector slipping further into contraction territory in May. (PMI levels below 50 indicate contraction.)
- The ISM Services PMI unexpectedly declined from 51.6 in April to 49.9 in May — marking the first monthly services contraction since June 2024, largely attributed to tariff uncertainty.

All told, there are plenty of macro wild cards to keep investors on edge as we approach the midpoint of the year. Portfolio allocations to asset classes that historically have offered potential downside management during volatile times may help take the edge off. Private credit is a worthy contender to fill this role.

**FIGURE 1: TRADE UNCERTAINTY REMAINS ELEVATED**

*Bloomberg Economics U.S. Trade Policy Uncertainty Index*




Data source: Bloomberg, L.P. 05 Jun 2025.

# Portfolio considerations

Investors and asset managers have worked hard to identify areas potentially impacted by higher tariffs, but policy and timeline goalposts keep changing. Experienced direct lenders see the imposition of widespread tariffs as an almost Covid-like event in which emerging risks create primary and secondary effects.

Because of the often countercyclical nature of **private credit**, macro headwinds for the economy can be tailwinds for the asset class. Service sectors currently provide some cushion amid trade and supply chain

> ***Private credit currently benefits from enhanced volume, better terms and tighter structures.***

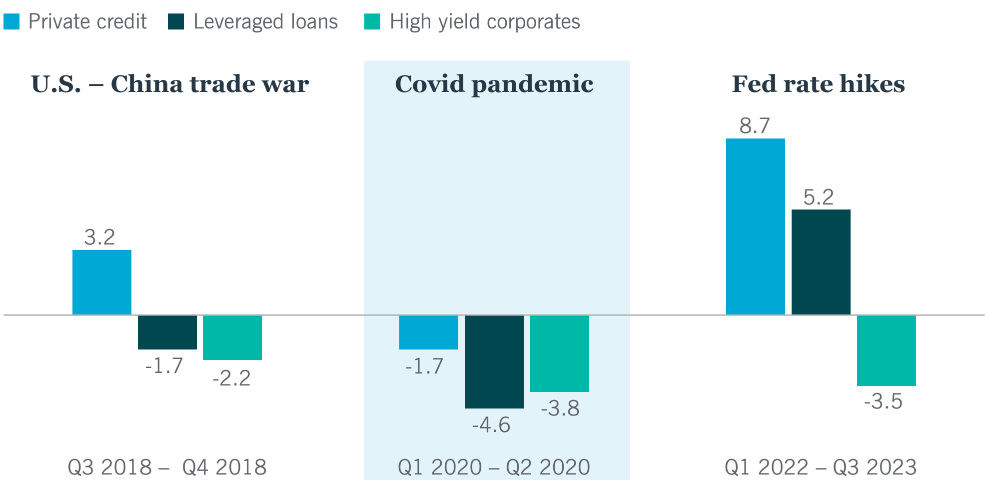
challenges, with their all-weather resilience translating to higher purchase price multiples and investor-friendly loan-to-value (LTV) ratios of around 35%.

It's true that most private credit portfolios haven't been tested by a prolonged recession. By one estimate, only 5% of today's private credit managers existed before 2009. But our base case economic outlook doesn't call for a recession within the next 12 months. Moreover, during the past 16 years, all asset classes have faced the same obstacles, including budget standoffs, a global pandemic, supply chain disruptions and geopolitical conflicts, among others. Private credit has navigated these conditions well relative to other major credit sectors, and we believe it is well-positioned in the current environment (Figure 2).

Where do we see the private credit opportunity in this ever-changing landscape? While headline risks exacerbate liquid asset volatility, private credit currently benefits from enhanced volume, better terms and tighter structures. And thanks to investor appetite for the asset class, there's plenty of liquidity for private credit strategies up and down the capital structure and across the risk spectrum. Against this backdrop, we expect spreads to remain in their current range, widening if deal flow picks up later in the year as seems likely. We also expect the illiquidity premium — a fixture in private markets for decades — to persist.

**FIGURE 2: PRIVATE CREDIT HAS CONSISTENTLY DELIVERED A YIELD PREMIUM**

*Returns during key market events (%)*




Data source: Bloomberg, L.P., 31 May 2025. **Performance data shown represents past performance and does not predict or guarantee future results. Representative indexes: Private credit**: Cliffwater Direct Lending Index; **Leveraged loans:** Morningstar LSTA U.S. Leveraged Loan Index; **High yield corporates:** Bloomberg U.S. Corporate High Yield Total Return Index. Returns are measured by annualized returns calculated based on quarterly returns.

## About Nuveen's Global Investment Committee

*Nuveen's Global Investment Committee (GIC) brings together the most senior investors from across our platform of core and specialist capabilities, including all public and private markets.*

*Regular meetings of the GIC lead to published outlooks that offer:*

- macro and asset class views that gain consensus among our investors
- insights from thematic "deep dive" discussions by the GIC and guest experts (markets, risk, geopolitics, demographics, etc.)
- guidance on how to turn our insights into action via regular commentary and communications

**For more information, please visit nuveen.com.**

### Endnotes

**Sources**

All market and economic data from Bloomberg, FactSet and Morningstar.

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