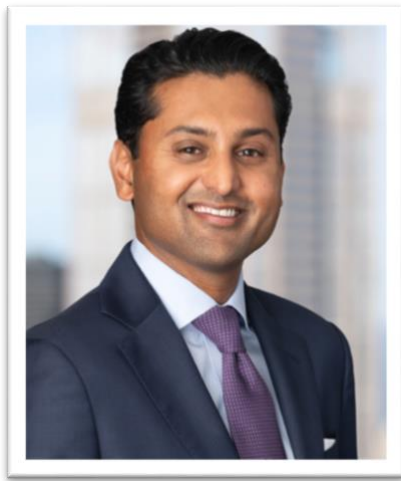




## Nuveen's Chintapalli Says The High-Yield Market Has Never Looked Less Junky

Friday, October 31, 2025



Chuck Jaffe, in this episode of The NAVigator podcast interviews Ravi Chintapalli, Client Portfolio Manager covering leveraged finance for the Nuveen Global Fixed Income team. Ravi says that he has never seen a high-yield market that has been higher quality than what he is seeing now. That helps to explain tighter spreads and suggests they should not shy away from high-yield because they're being compensated for "the true level of default risk in the market." On the loan side, Chintapalli says that while the Federal Reserve has entered a rate-cutting cycle, it shouldn't scare investors out of floating-rate loans, because they would be passing up high levels of income as a starting point to minimize default risks that are already quite low and likely to stay that way.

The podcast can be found on AICA's website by clicking here: <https://aicalliance.org/alliance-content/pod-cast/>

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**CHUCK JAFFE:** Ravi Chintapalli, client portfolio manager on Nuveen's Global Fixed Income team is here, we're talking about credit markets around the world, welcome to The NAVigator. This is The NAVigator, where we talk about all-weather active investing and plotting a course to financial success with the help of closed-end funds. The NAVigator is brought to you by the Active Investment Company Alliance, which is a unique industry organization representing the full spectrum of the closed-end fund business from investors and users to fund sponsors and creators. If you're looking for excellence beyond indexing, The NAVigator will point you in the right direction. And today we're looking in the direction of credit markets around the globe, we're doing it with Ravi Chintapalli, who is a client portfolio manager with the specialty and leveraged finance on the Global Fixed Income team at Nuveen. You can learn more about the firm and its closed-end funds by going to [Nuveen.com/CEF](https://Nuveen.com/CEF). And to learn more generally about closed-end funds, interval funds, and business-development companies, go to [AICAlliance.org](https://AICAlliance.org), that's the website for the Active Investment Company Alliance. Ravi Chintapalli, thanks for joining me again on The NAVigator.

**RAVI CHINTAPALLI:** Thanks, Chuck. It's a pleasure.

**CHUCK JAFFE:** We are looking at a situation where stock markets and bond markets and credit markets are not giving off the same message. We've been hearing that from a number of people when they're looking domestically, but you look globally, let's start there. What is the message you are getting from global credit markets right now, and how different is it from what people are thinking they're hearing from stock markets?

**RAVI CHINTAPALLI:** Thanks, Chuck. No, that's a great question, and when we think about the dispersion between central banks in the US and Europe, our teams have actually seen some value across non-US-based fixed income, specifically emerging market debt, both sovereign and corporate issues that have post-Covid and post-more, let's say constructive changes to their fiscal situations, are looking like having stronger credit profiles, but then also getting a bit of a tailwind from a weakening dollar. As we've seen with the Fed cutting rates this week, which was expected, we're seeing a bit of a tailwind then for these more non-US-based fixed-

income markets. Importantly, how to access that and maintaining an active approach and understanding the differences for when to invest within the sovereign of a country versus maybe corporate issuers within that same type of country, those are the unique aspects where active managers and active credit selectors can really truly find some value today.

**CHUCK JAFFE:** In terms of what we are seeing in credit markets around the world, domestically we are watching as the Fed enters a rate cut cycle. The Fed has been late to cut rates, I'm not making a statement about whether they should have cut them earlier or later in terms of what's happening here, but among global markets other parts of the world cut first. Where does that make you most interested in investing around the world at this stage in the cycle?

**RAVI CHINTAPALLI:** I think it's interesting that historical bias has been, "Hey, let's not own floating-rate credit because the Fed is cutting," or "Let's own it when the Fed is raising front-end rates," and I think that misses a lot of the efficiency of floating-rate assets in general, whether that be broadly syndicated loans, securitized credit, in the sense that we're still starting at a very elevated yield level. Just looking at today, the yield to three-year, kind of proxy for the loan market's yield to worst, is at 7.86%. Importantly, that's projecting and inclusive of what the market's belief of where SOFR or Fed Funds is going for the next three years, so importantly we're starting at a very elevated level. The amount of income potential that exists for high-quality and an actively managed strategy focused on floating-rate broadly syndicated loans can add significant value from an income perspective, but also let's not forget where you sit in the prioritization. These are first-lien senior secured loans in the broadly syndicated loan market, so downside risk in the event of a slowing economic environment, which would be negative for risk assets including equities, because of where you sit in the capital structure, you're going to be more protected on the downside relative let's say to an equity per se.

**CHUCK JAFFE:** Let's move this over to the credit side of things, let's talk about the stuff that we don't necessarily hear about. As a domestic investor we're hearing all the time about international stock markets, we're hearing to some extent about international bond markets, but credit has been really a dominant subject in terms of investors, everybody wanting to make sure that as they're worried about what's happening with markets, they're loading up

on credit. Well, what is the global credit picture and how much do I want to take that diversification and add it to a portfolio now?

**RAVI CHINTAPALLI:** You know, credit conditions, we've seen some headlines coming out around some high-profile defaults, but I think it's important to note that actually since 2021, we've seen in the US public leveraged finance markets, a rising default environment in excess of the long-term average. Not a structural issue, really being driven by idiosyncratic risks, and really many of those catalysts can be looked back to the plethora of LBOs that were issued in 2021 in a very low-rate environment with excess risk taking by lenders and very loose documentation. What does that all mean? It means that none of those businesses were ready to sustain an environment of higher front-end rates for longer, which is where we are today, that is resulting in some default activities for some of the more aggressive capital structures within the public leveraged finance ecosystem. Importantly, it is contained. When you think about, let's say high yield for example, the leverage profile on average in the high-yield market has never been better, the credit quality breakdown of the high-yield market has never been higher. You have more than 50% of the high-yield market with a BB average credit quality, and you can look at 20 years of history and see that the default rate for BB high-yield credit is essentially near zero, like less than 50 basis points on an annualized basis. So you can see that you're getting enhanced yield while, yes, spreads might be tight today, I think the spreads are more reflective of the fact that default risk is structurally very low in the high-yield market. On the loan side you can say a little bit differently that the pockets of risks that came to market from the excess issuance in 2021 has created an opportunity for active managers to identify discounted loans, that where now that we are in a Fed cutting cycle, maybe that's the relief that those businesses need from a cash flow perspective to get out of their own way and actually have those businesses, capital structures move back towards par. Now you're talking about a cohort of loans that can be trading anywhere between 80 cents and 90 cents on a dollar or 10 to 15% type of yield profile, those can be very additive to an active portfolio, on top of the high levels of income that the broad loan asset class delivers. So even though it's a floating-rate coupon for loans and we are in a Fed cutting cycle, the advice would be more, don't just completely avoid this asset class, because you're getting such a high level of income as a starting point.

**CHUCK JAFFE:** One of the other reasons why people might avoid certain asset classes across credit is spreads, credit spreads are tight, or at least they appear to be tight. What's the message we should take from that?

**RAVI CHINTAPALLI:** It's interesting to see from an institutional landscape, the increasing demand for below investment-grade credit right now, at the same time, we're seeing objectively spreads are on the tighter end of the range, so why is that? I come back to again the structural quality that exists today in the leveraged finance market, and in the 20 years that I've been in this market, you've never seen a high-yield market that's been higher quality. That should then mean the compensation investors are looking for, i.e. spread for taking below investment-grade credit risk should be tighter, you're getting actually compensated for the true level of default risk in the market. On the loan side, I think you're seeing wider spreads, and that is a bit more reflective of what I mentioned before about this dispersion that's happened in the market where you have high-quality loans with very low default risk, they're trading on the tight side, they're trading at fair value, they're reflective of the low default risk of those assets. But then within B and CCC loans, that's where you're seeing very wide dispersion, and you're seeing dollar prices going anywhere between 70 cents and 90 cents, and that's really reflective of the idiosyncratic differences between loan A versus loan B, and what the prospects of those individual businesses are to avoid downside or avoid a default outcome. That's again where I think active management is so critical, being disciplined in your credit underwriting, that's how managers are able to draw good outcomes within their portfolios and ultimately for clients.

**CHUCK JAFFE:** Ravi, really interesting. I appreciate you taking the time out to join us on The NAVigator, I look forward to talking with you again down the line.

**RAVI CHINTAPALLI:** Thanks, Chuck. It's always a pleasure, really appreciate it.

**CHUCK JAFFE:** The NAVigator is a joint production of the Active Investment Company Alliance and Money Life with Chuck Jaffe, and yes, I'm Chuck Jaffe, I'd love it if you'd check out my hour-long weekday show by going to your favorite podcast app or by searching for it at [MoneyLifeShow.com](http://MoneyLifeShow.com). Now to learn more about closed-end funds, interval funds, and business-development companies, go to [AICAlliance.org](http://AICAlliance.org), that's the website for the Active Investment Company Alliance. Thanks to my guest Ravi Chintapalli, he's client portfolio manager specializing in leveraged finance on the Global Fixed Income team at Nuveen, you

can go to [Nuveen.com/CEF](https://Nuveen.com/CEF) to learn more about the firm and its closed-end funds. The NAVigator podcast has something new for you every Friday, make sure you never miss an episode by subscribing or following along on your favorite podcast app, and if you liked this podcast leave us a review and tell your friends, that stuff really does help. We'll be back next week with more closed-end fund fun, until then, happy Halloween and happy investing.

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