

# **Forecasting Credit Cycles: The Case of the Leveraged Finance Market in 2024 and Outlook**

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## **ABSTRACT**

There are certain times in our economic and financial environment when it makes sense to assess carefully and dispassionately where we are in the credit cycle and how this cycle relates to the business cycle. Now, in mid-2024, is one of those times, as the economic uncertainties are at substantial levels. This note reflects my long history of studying credit cycles going back to the early 1970s. My current assessment is that the Benign Credit Cycle we have enjoyed since 2010, with the exception of a few months in 2016 and early 2020, ended in 2023. We recently reached an inflection point to an Average credit risk scenario. This assessment is based on an analysis of a number of historical indicators over the last 50 years. This conclusion is tempered by the possibility that the U.S. credit picture will continue its heightened risk trend toward a Stressed Scenario by the end of 2024, and combined with a “hard-landing” economic recession, we could witness another financial-credit crisis.