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INVESTMENT MANAGEMENT

FIXED INCOME PERSPECTIVES

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The Refinancing Wall Is Coming. Is Your Portfolio Ready?

Trillions in corporate debt issued at near-zero rates is slated to mature in 2026 and 2027. For advisors, the question is no longer whether this creates risk — it's whether your clients are positioned to avoid it or profit from it.

There is a slow-motion event unfolding in the corporate bond market that most retail investors are not watching, but every institutional credit manager is.

During 2020 and 2021, corporations borrowed at historically low rates. Investment-grade companies locked in coupons below 2%. High-yield issuers (the kind that would normally pay 6%, 7%, or more) secured financing at 4% or less. It felt like a gift. For a while, it was.

That gift has an expiration date.

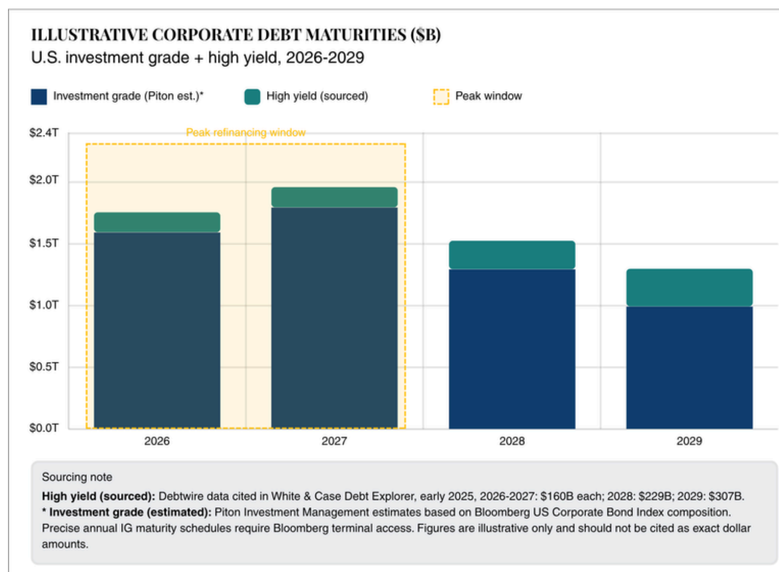
A significant portion of that debt matures in 2026 and 2027. When it does, those same companies must refinance at today's rates, not 2021 rates. For an investment-grade issuer, that might mean moving from a 2% coupon to a 5% coupon. For a high-yield borrower, the jump can be far more severe.

This is what credit professionals call the refinancing wall — and it is arriving now.

What the Numbers Tell Us About High Yield Maturity Risk

High-yield issuers alone took on roughly $1.87 trillion in low-cost debt during the pandemic, with many of those bonds and loans now coming due.[1] The scale of the corporate bond refinancing risk is not abstract: approximately $580 billion in leveraged loans and $625 billion in high-yield bonds mature between 2027 and 2029 alone, representing roughly $1.2 trillion in leveraged debt that must find a home.[2]

JPMorgan projects $225 billion in high-yield refinancing activity in 2026, with broader street projections for total high-yield issuance spanning $340 to $410 billion, with refinancing again accounting for more than 70% of that volume.[3]



Sourcing note

High yield (sourced): Debtwire data cited in White & Case Debt Explorer, early 2025, 2026-2027: $160B each; 2028: $229B; 2029: $307B.
*** Investment grade (estimated):** Piton Investment Management estimates based on Bloomberg US Corporate Bond Index composition. Precise annual IG maturity schedules require Bloomberg terminal access. Figures are illustrative only and should not be cited as exact dollar amounts.

For many healthy, well-capitalized companies, this is manageable. Higher interest expense is a headwind, not a crisis. But not every issuer is healthy. As Morgan Stanley has noted, higher rates will translate into a higher cost of debt for companies, with lower-quality borrowers finding the erosion of debt affordability increasingly challenging and disruptive.[4]

PitchBook LCD has documented the downstream consequence: many of the liability management exercises executed in recent years were temporary fixes by sponsors for companies that have still not found their way, and that dynamic is expected to persist as a theme through the end of the decade.[5]

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Why Active Fixed Income Management Matters Now

Here is the nuance that most commentaries miss: the refinancing wall is not a systemic crisis. Most large investment-grade issuers will navigate the maturity schedule without issue.

The danger is more targeted, and more insidious.

Investment-grade credit spreads to Treasuries entered 2026 at historically tight levels, briefly touching 71 basis points in January, the tightest since 1998 before the U.S.-Iran conflict sparked a rapid widening to over 100 basis points. That swift repricing illustrates precisely the asymmetric risk embedded in passive credit exposure when spreads begin at multi-decade lows.[6] Cambridge Associates echoes this concern, noting that spreads for both investment-grade and high-yield corporates are near historic lows, with the economic backdrop turning less supportive and potential for spreads to widen in 2026 and beyond.[7]

You are being compensated less for credit risk today than at almost any point in two decades, precisely when refinancing stress is rising. The risk-reward in passive corporate bond exposure has quietly become unfavorable.

What a Bond ETF Cannot Do That a Fixed Income Separately Managed Account (SMA) Can

A passive bond fund, whether an ETF or a mutual fund tracking the Bloomberg U.S. Aggregate or a corporate bond index, holds what the index holds. It has no mechanism to reduce exposure to issuers facing the most acute refinancing stress. It cannot rotate away from a highly leveraged company whose debt is rolling in 2027 at rates that will consume a greater share of its operating income. It simply owns it, because the index does.

A fixed income separately managed account, constructed and actively monitored by experienced credit professionals, can make those distinctions and react accordingly. Sector rotation, issuer avoidance, duration positioning around specific maturity clusters: these are the tools that institutional investors use. With a fixed income SMA, these tools are available to your clients directly, with full transparency into every position held.

The Advisor Opportunity

The refinancing wall creates a natural conversation point with clients. When a client asks why their bond fund is underperforming, the answer often traces back to the same issue: passive exposure to credit risk that is rising, without the ability to actively manage around it.

The advisors who add the most value over the next 18 months will not just be allocating to fixed income broadly. They will be allocating specifically, with a partner who understands where the risk is concentrated and has skill set to avoid it. A dedicated fixed income SMA managed by specialists is precisely that infrastructure.

That is precisely what dedicated fixed income advisory is built to do.

About Piton Investment Management

Founded in 2015, Piton Investment Management provides highly customized fixed income portfolio solutions to RIAs, institutions, and direct clients. Piton leverages its extensive market experience and access to create and manage fixed income and structured product portfolios across an array of custodial managers and turnkey asset management programs. Piton's product suite ranges from highly liquid "cash management" portfolios to longer duration strategies as well as highly nuanced structured product portfolios.

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Chart note: High yield maturity figures sourced from Debtwire, cited in White & Case Debt Explorer, early 2025 (debtexplorer.whitecase.com). 2026 and 2027: $160B each; 2028: $229B; 2029: $307B. Figures reflect bonds outstanding at time of publication; actual maturities may differ as issuers continue to refinance ahead of maturity dates.