Gravitywell RESEARCH · WHAT-IF TEARSHEET

GWW-2026-002 · V1.1
AS OF 14 AUG 2026

SCENARIO VIEW · MEDIUM CONVICTION · CAUTIOUS

What if *private credit* cracks?

Conditional scenario, not a forecast. The first real test of the $1.6trn US market would reach India through its lenders, not its loans: the US wrapper losses are deeply priced; the unpriced leg is the funding winter that follows, carried by the offshore LP base (its caps binding quarter after quarter) into a refinancing-heavy Indian credit book at its maturity dates, quarters later. Moderate odds, slow mechanics, convex payoff.[1]

15–25% P(ACTIVATION) / 18M ○ · LOOSE BASE ~20-26% · STRICT ~7-9% ◐	**12.1% v 5%** Q1-26 REDEMPTION REQUESTS VS THE QUARTERLY GATE ◐	**6.0%** FITCH PC DEFAULT RATE, THE YOUNG INDEX'S HIGH — AT RICHEST-DECILE SPREADS ◐	**~4%** UNCONDITIONAL SEVERE TAIL — WHAT THE HEDGE PRICES ○

THREE CALLS

Buy the India financials puts
HIGH

6–12m Bank Nifty / Fin-Services puts near the 52-week low, with India VIX at 11.7 in its cheapest decile; ~40–80bp per 6m pays 4–8× on the moderate branch — a channel no Indian instrument prices.

Receive Indian rates
HIGH

Receive 1–5y OIS / long 10Y G-sec at 6.78%: every rung of the RBI's response ladder (liquidity, conduits, backstops) is bond-bullish, and carry is near flat at a 5.25% repo.

Carry the US payer spread
MED

CDX HY 400/600 payer spreads from 271bp OAS, ~35–50bp running; the doubling from the richest decile is the base transmission event. Skip short-BIZD at 0.80× NAV — that was 2025's trade.

THREE TRIGGERS TO WATCH

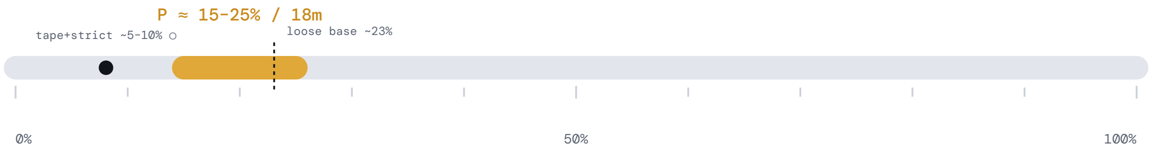
- **The honoured-fraction breaks**
  The queue ratchet's own gauge: requested dollars honoured by the twelve largest wrappers.
  `TRIGGER: <50% honoured, two consecutive quarters (now 53.4%)`

- **A marquee wind-down**
  A ≥$10bn vehicle suspends outright or converts to a liquidating trust — the print that converges every mark.
  `TRIGGER: any outright suspension (now: gates only)`

- **India's channel confirms**
  The rollover jam arriving: AAA private-NBFC spreads, and a second SP-style covenant waiver.
  `TRIGGER: AAA pvt NBFC >250bp (now 50-140) · a 2nd waiver`

THE MONEY CHART · Probability vs base rate

P(activation) / 18m



Loose base ~20-26%/18m ◐ · strict three-leg retro-test ~7-9% · market-implied ~5-10% ○. Band draws over [15%,25%] only, never from zero — a disclosed variant, priced on the report's consensus ledger. Magnitude and probability are separate axes.[1]