Leveraged Loan Insight & Analysis -10/17/2016

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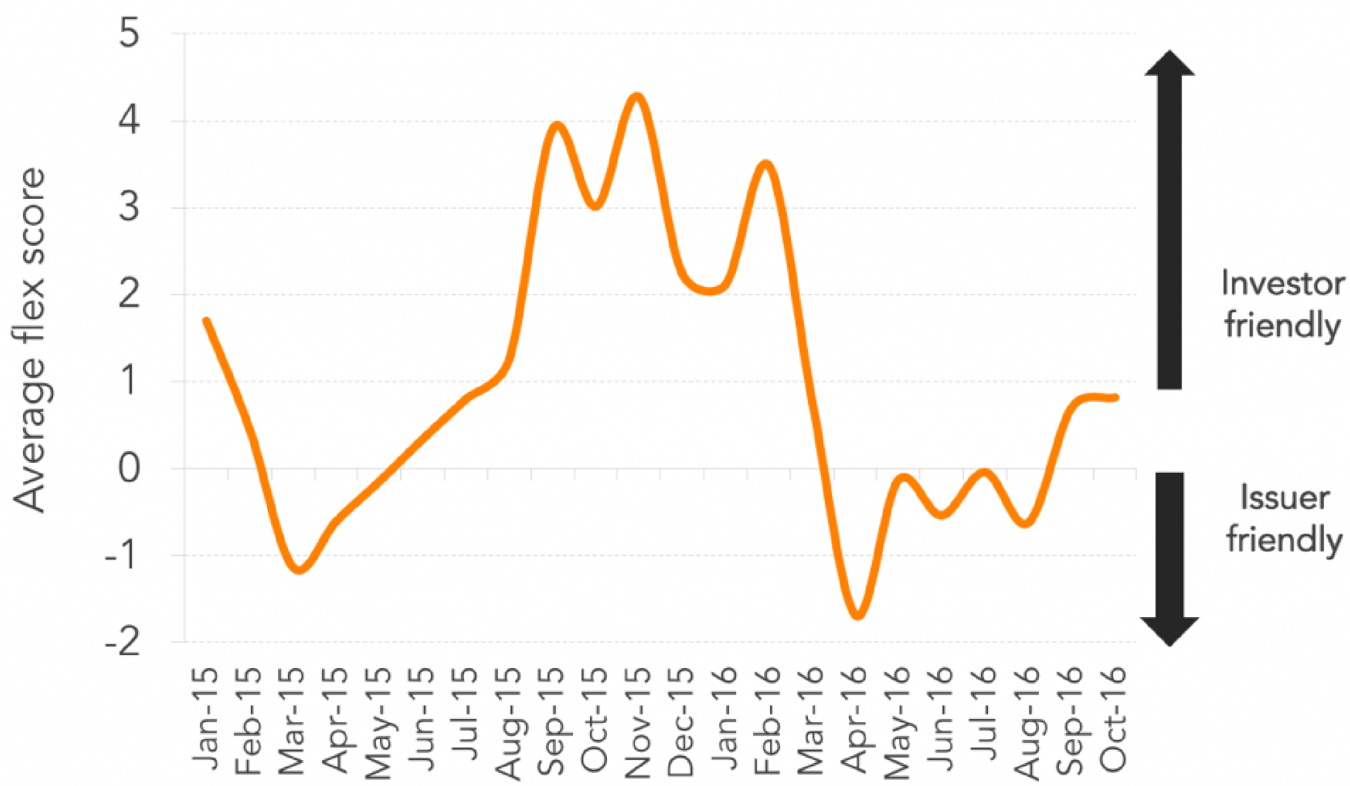
Influx of second-lien issuance has investors pushing back on terms

Recently, investors have been more open to the lower rated, higher return type of loans that were more scarce earlier in the year. In particular, second-lien issuance has picked up. Just two weeks into October and there has already been US$1.5bn in completed second-lien loan issuance which would account for 57% of second-lien issuance for all of 2Q16. This influx of higher yielding assets into the market has caused more push back from investors during negotiations. Thomson Reuters LPC's Flex Factor has an average score of 0.8 so far in October, highlighting the more investor friendly environment in the market right now.



The Flex Factor aggregates price and structural flex activity on institutional loans in order to gauge investor sentiment. So far this month the Flex Factor has recorded 12 upward flexes to 10 reverse flexes, which flips the trend from September when there were 31 reverse-flexes over just 13 upward flexes. In addition, there has been 7 second-lien flexes in October, the highest of any month this year. With another roughly US$1.2bn in second-lien issuance in the pipeline, this investor friendly market may continue for the near future.

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