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Leveraged Loan Insight & Analysis – 4/24/2017

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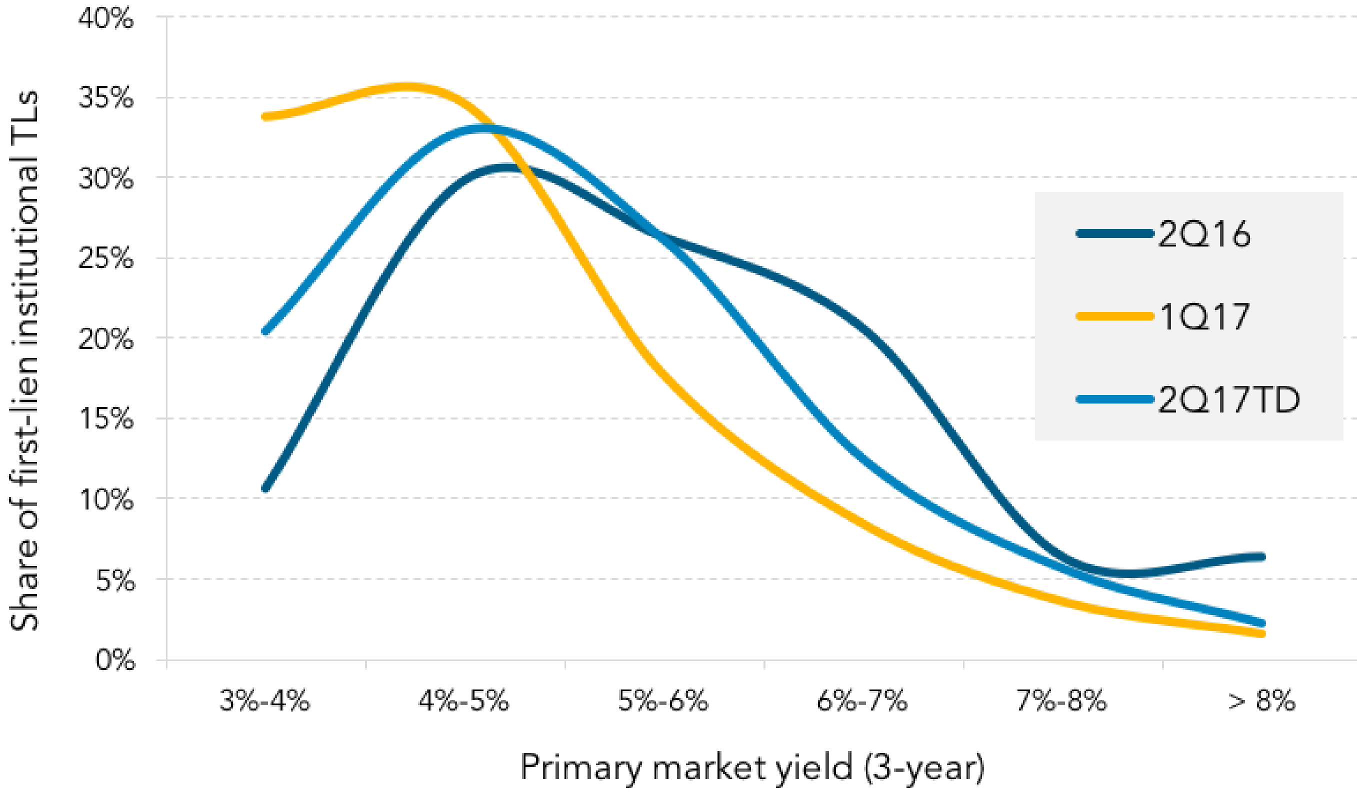
Share institutional term loans yielding less than 5% drops to 53% in 2Q17 from 68% in 1Q17



Primary yields, while still at low levels, have inched up so far in April. The average primary yield assuming a three year term to repayment on first-lien institutional tranches is 5.03% so far in April, up from 4.61% in 1Q17 but down about 50bp from 2Q16's average. The increase is partly due to an increase in the Libor rate which has increased the Libor component of yields, but average spreads have also increased. Fewer lower priced deals are getting done this quarter, which is driving up the average. While over half of first-lien institutional term loans have priced to yield less than 5% in April, this is down from a whopping 68% last quarter. A year ago, however, only 40% of the deals had a primary yield of less than 5%. More notably, 20% of deals have priced at a yield below 4% so far in April, down from 34% in 1Q17. This is partly due to the fact that the share of higher-rated credits has declined. In 1Q17, 20% of the deals priced were for BB-rated issuers; this is down to 15% so far this quarter. In contrast, B-rated issuers' share of the total has increased to 73% this quarter, up from 65% in 1Q17.

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