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Primary leveraged yields tighten in May

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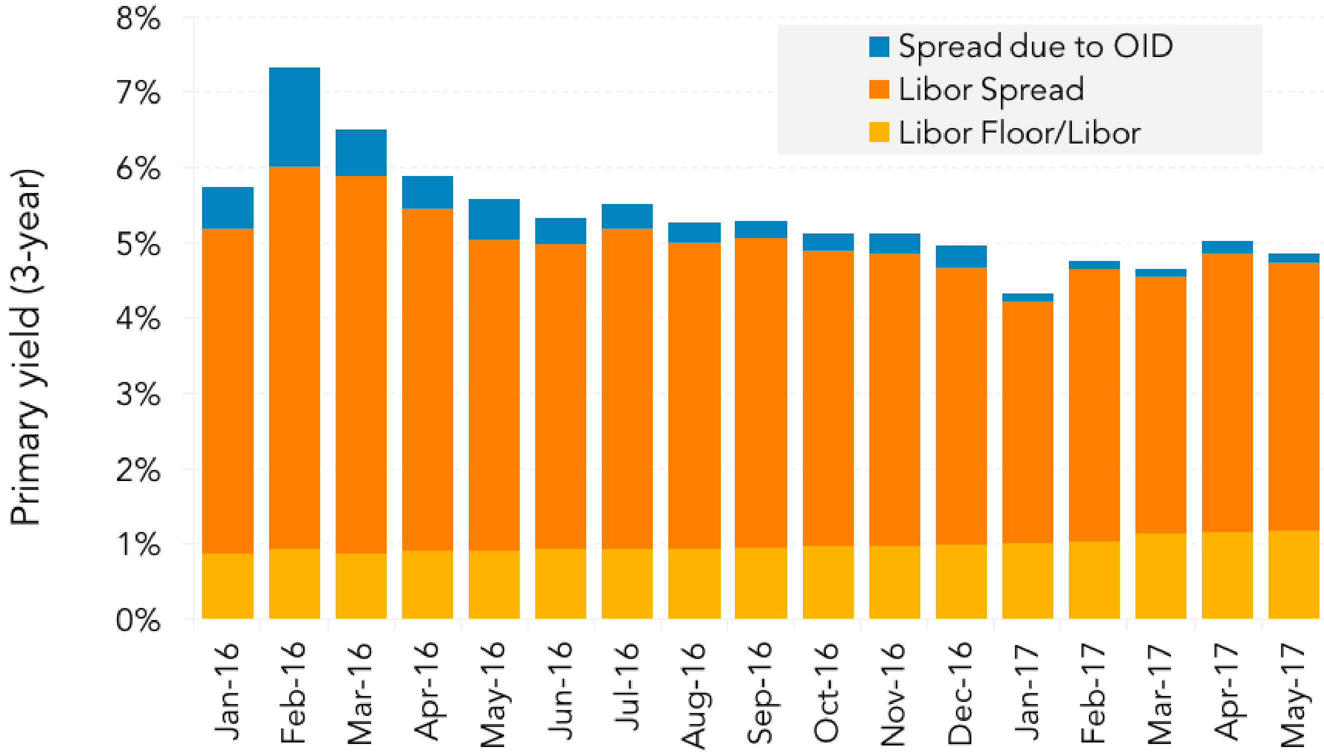

After widening in April, average yields have tightened in May, but are still above their March level. The average yield, assuming a three year term to repayment on first-lien institutional loans is 4.87% in May, down from 5.03% in April but still 20bp above the average recorded in March. One factor driving yields up this quarter has been the increase in the 3-month Libor, which is currently in the 1.20% level. In turn, the Libor component of yields in May is 1.18% on average, up from 1.16% last month and 1.13% in March. Last year, the Libor component on primary yields was a much lower 0.92%. While there has been an increase in M&A deals this quarter, refinancings and repricings continue to dominate, as issuers take advantage of investor appetite to cut costs. While investors have been a little more selective, there are still many opportunities for borrowers to obtain better terms. Cinemark will launch a US$664m repricing this week. This will be the third such transaction for this company in a year. Last June Cinemark cut pricing by 25bp to 275bp over Libor with no floor. Six months later, in December, the company again asked lenders to decrease the spread another 50bp to 225bp over Libor, also with no Libor floor.

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