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Strong investor demand for institutional loans help issuers flex terms in their favor

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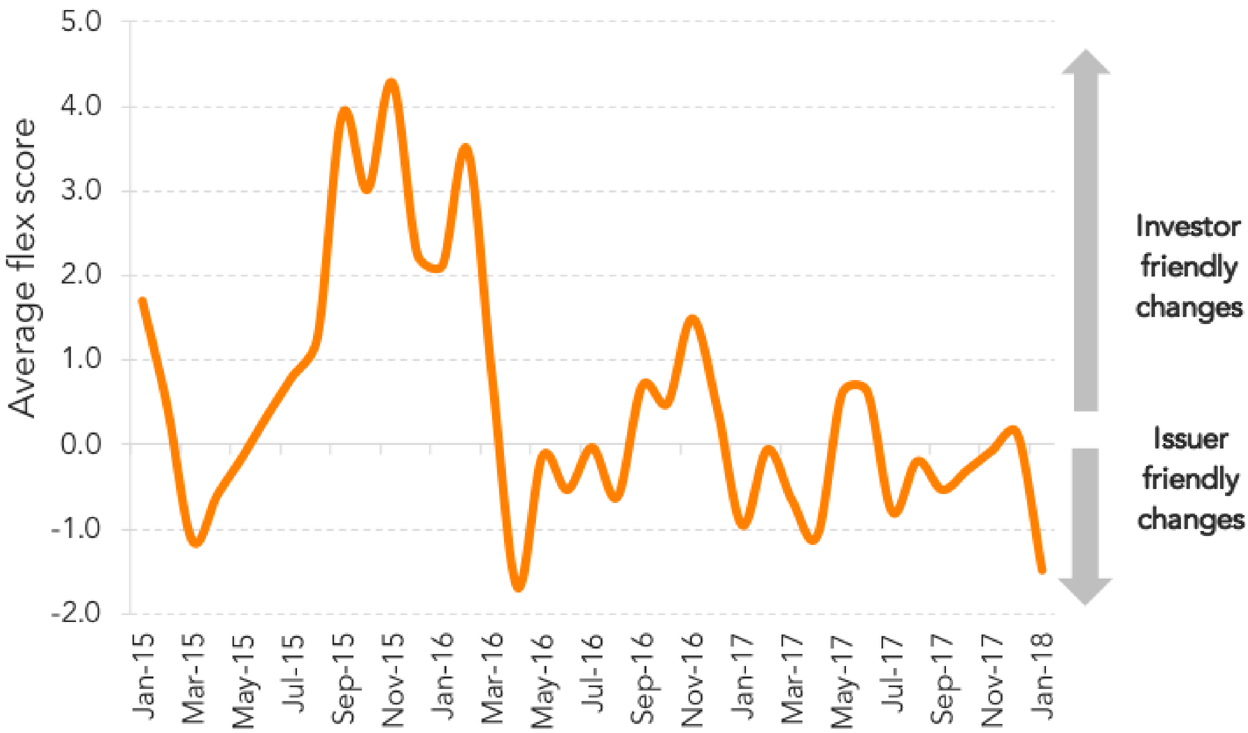

Continued strong demand for institutional loans has carried into the New Year. Already there has been US$30bn in institutional loan issuance this year. While that is lower than the year-ago level of US$43bn, this year's number includes more new money issuance. Of the US$30bn of 2018 institutional issuance, 39% comprises M&A issuance compared to just a 15% M&A share at this point last year. Strong demand for the asset has allowed issuers to flex spreads lower during negotiations. So far this year, the Flex Factor has tracked 23 flexes, with 22 of them being in favor of issuers. This has allowed the average flex score to swing to a very issuer friendly level of -1.5 in January. The Flex Factor aggregates price and structural flex activity on institutional loans in order to gauge investor sentiment. LBO deals for Safe Fleet, Flexera Software, MedRisk and Spectrum Plastics all saw pricing flex lower this week, including on the second-lien pieces. Spectrum's loan also saw increases in commitment size on both tranches.

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