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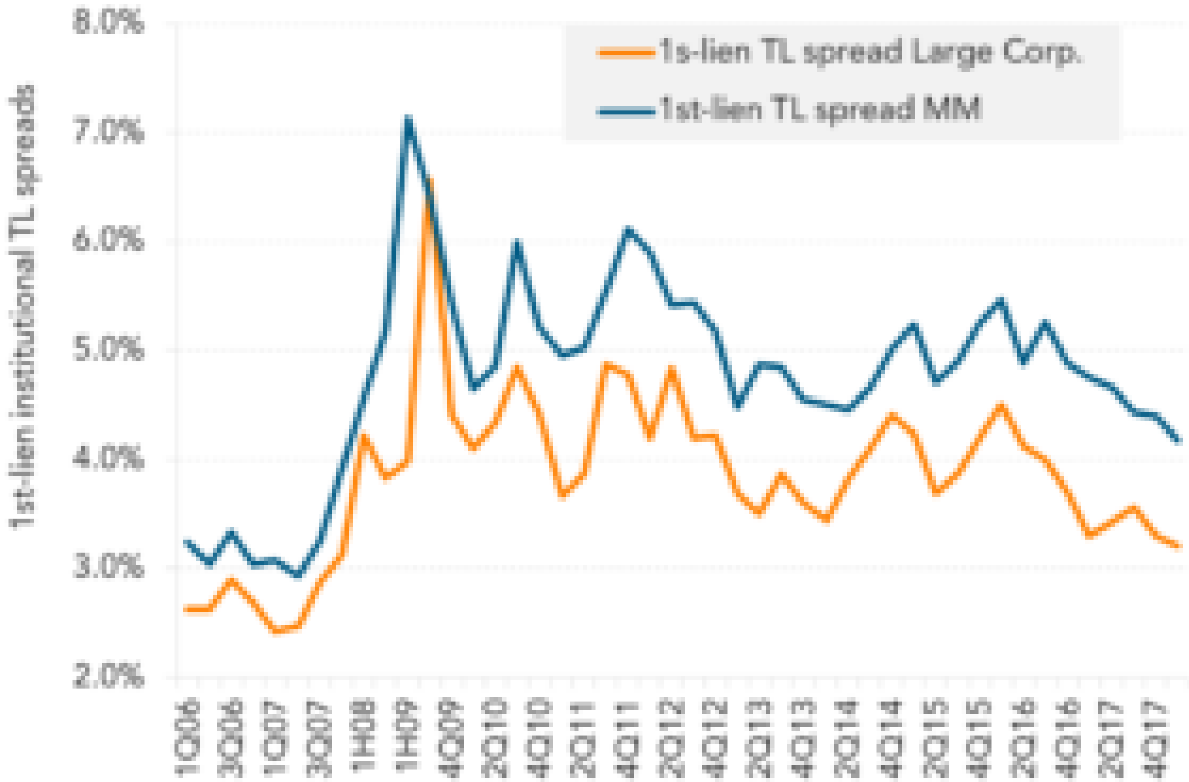
Institutional term loans spreads are back to 2007 levels

LSEG | March 15, 2018



Average spreads on first-lien institutional term loans have dropped to their lowest level since 4Q07. The drop has been across the board. The average spread for large corporate issuers is 320bp so far in 1Q18; this is 10bp below their 4Q17 levels and only 8bp above 4Q07's average of 312bp. In this end of the market, both higher-rated BB-issuers and lower-rated B-issuers have seen spreads tightening. In the BB space, more than half of the term loan Bs priced this quarter have priced at or below 200bp. In 4Q17, 44% of the term loans priced at that level, and only 20% did so a year ago. In the middle market, the average spread of 4.17% is down 23bp from 4Q17. This is the tightest average spreads have been in this end of the market since 4Q17, when they were below 400bp. More than half of the middle market institutional term loans that have priced this quarter have a spread below 400bp. Only one quarter of the facilities were priced below that level in 4Q17. The bulk of middle market term loan Bs that have priced at this lower end, are repricings and refinancings, which have soared so far in 1Q18.

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