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Discounts widen as volatility hits the primary loan market

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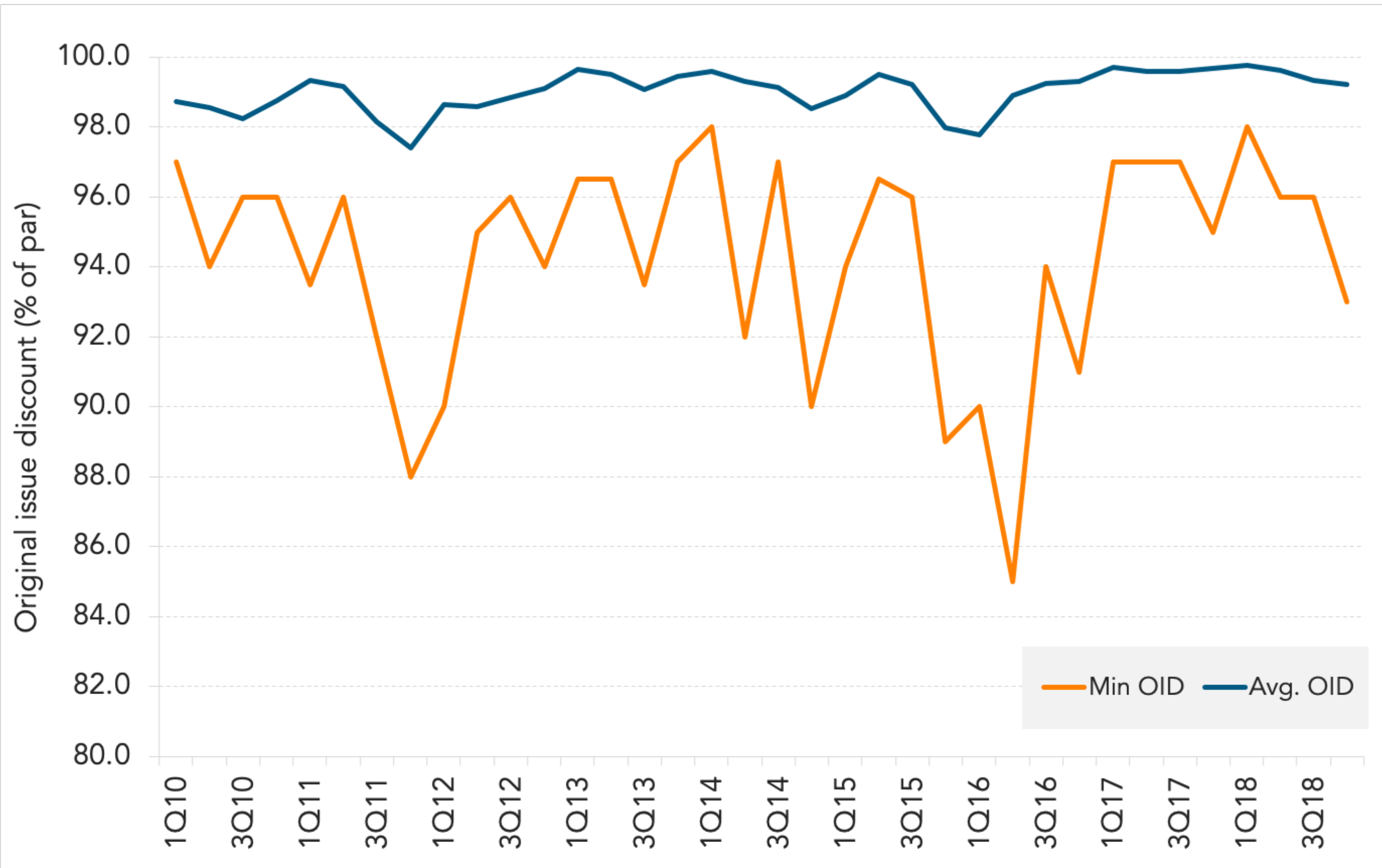

Loan market sentiment has shifted dramatically this quarter as broader market volatility sent waves into the leveraged loan market. Concerns about global growth, trade wars, Brexit worries, and uncertainty over future interest rate hikes have cast a shadow on confidence and investors are a lot more cautious. Last week retail investors pulled a record high US$2.5bn from bank loan funds. And issuers continue to make concessions to appease investors. The average yield, assuming a three-year term to repayment on first-lien institutional term loans of 6.75% this quarter is at its highest level in over 8 years. While much higher Libor rates have boosted yields this year, spreads and OIDs have been widening this quarter as issuers sweeten terms to make it to the finish line. The average OID on first-lien institutional term loans has widened to 99.22 this quarter, its lowest level since 2Q16. The biggest OID is 93 so far this quarter, a level not seen in two years. On top of that, XOJET, Triton Digital, Dealer Tire and Elo Touch solutions were all LBO deals that were priced with an OID below 96.

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