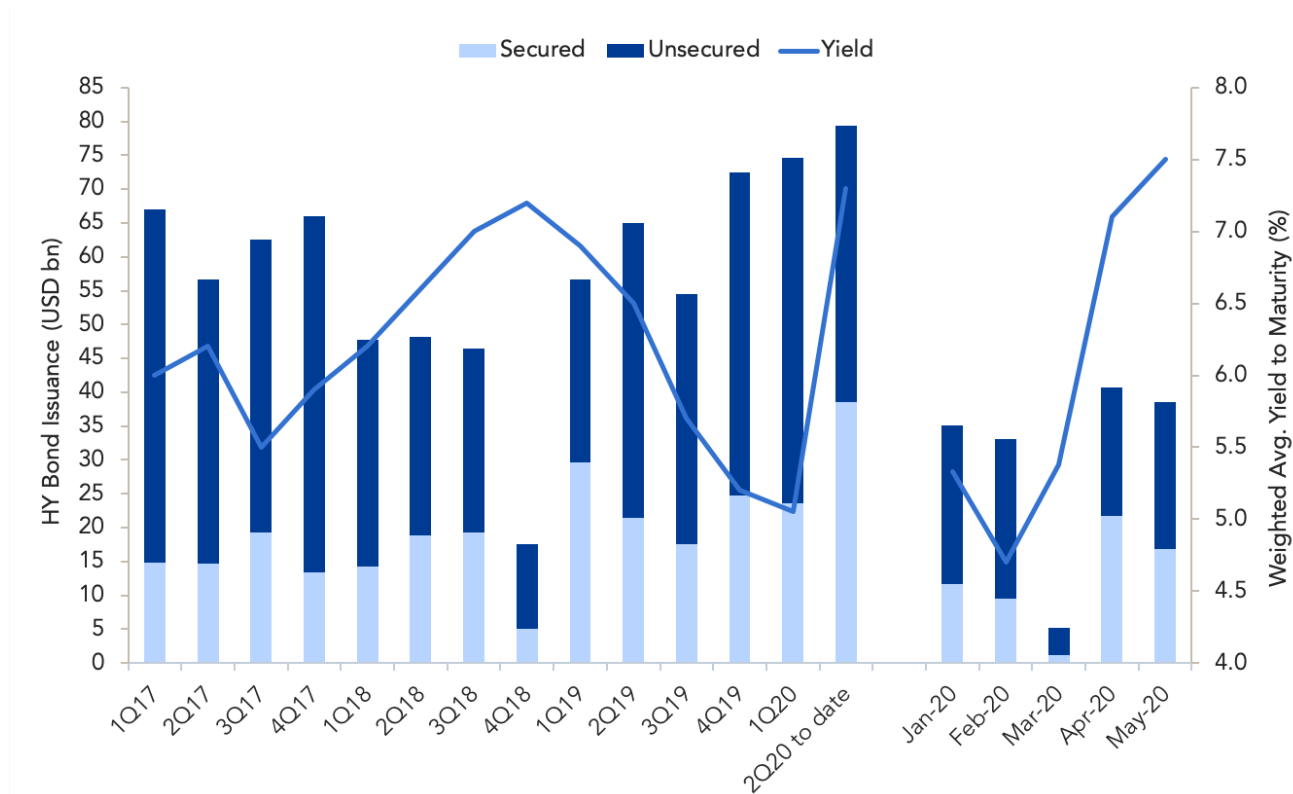


Secured issuance and higher pricing define current HY bond market

Debtwire | May 28, 2020



Source: Debtwire Par

The US high yield bond market has been printing paper at a rapid clip since reopening in April, which saw roughly USD 40.6bn in volume, the most active month this year to date, and a far cry from the USD 5.3bn seen in March when much of the market was shut down by the coronavirus (COVID-19) pandemic. Things have not slowed down in May, as over USD 38bn in new issuance has been recorded to date. Secured issuance has surged, accounting for roughly half of issuance in the second quarter compared to just 31% in 1Q20, as lenders seek additional protection from ongoing market uncertainty.

The new issuance comes at a higher price as additional risk is repriced in the market, with the weighted average yield to maturity of bonds issued in April and May rising to 7.1% and 7.5% from the first quarter average of just 5.1%. Looking specifically at the secured share of issuance, pricing has jumped to 8.0% so far in the second quarter from 6.0% in the first quarter.

Companies in industries hit hardest by the COVID-19 pandemic have been forced to pay up for short-term liquidity. Some notable deals include **Viking Cruises'** bond issued at a 13% coupon, **AMC Entertainment's** notes paying 10.5%, **Avis Budget Car Rental's** 10.5% bond, and **Del Monte Foods'** 11.875% paper.