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High-yield bond market off to a busy start in August

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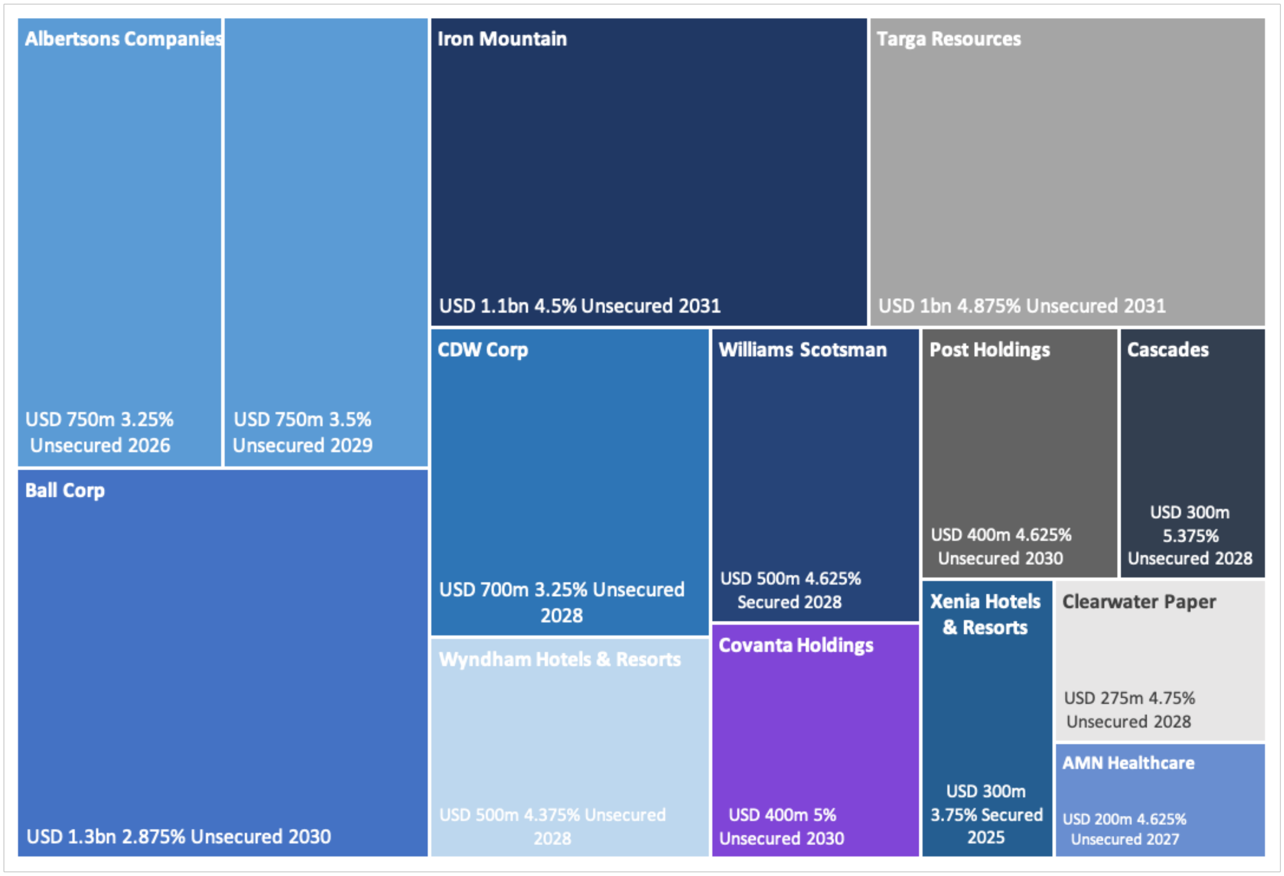

Source: Debtwire Par

Following a slowdown in July which saw high yield bond issuance slip to USD 26.4bn from the monthly issuance record of USD 64.3bn set in June, borrowers have piled back into the high yield primary market in August, recording over USD 25bn in dealflow to date. Week-to-date, issuers have priced roughly USD 8.5bn of high yield bonds across 13 deals, led by **Albertsons**' USD 1.5bn dual-tranche offering to refinance existing debt. With another roughly USD 5bn in the pipeline, high yield bonds are well on their way to surpassing July monthly issuance.

The trend away from new money financings has continued, with no M&A activity recorded so far in August following the full month of July which saw only **Allied Universal**'s USD 400m add-on note issued to fund tuck-in acquisitions. In fact, of the USD 8.5bn bonds to price this week, over 56% were allocated to refinance existing notes, while the remaining proceeds were split among general corporate purposes and other debt refinancings.

Bond yields have continued to tighten from recent highs, as the proportion of high yield bonds issued with a BB rating increased to 76% in August from 52% in July and the share of single-B issuance fell to 19% from 28%. Overall, high yield bond yields fell to 4.33% in August from 5.81% in July and a 2Q20 average of 6.98%.

Weekly issuance has been widely distributed between industries, with the consumer, industrial, and energy sectors leading the way. Other notable deals include **Ball Corp**’s USD 1.3bn unsecured note to repay revolver borrowings and **Iron Mountain**’s USD 850m unsecured paper funding the redemption of existing paper.