Borrowing costs for high-yield issuers ease from May highs

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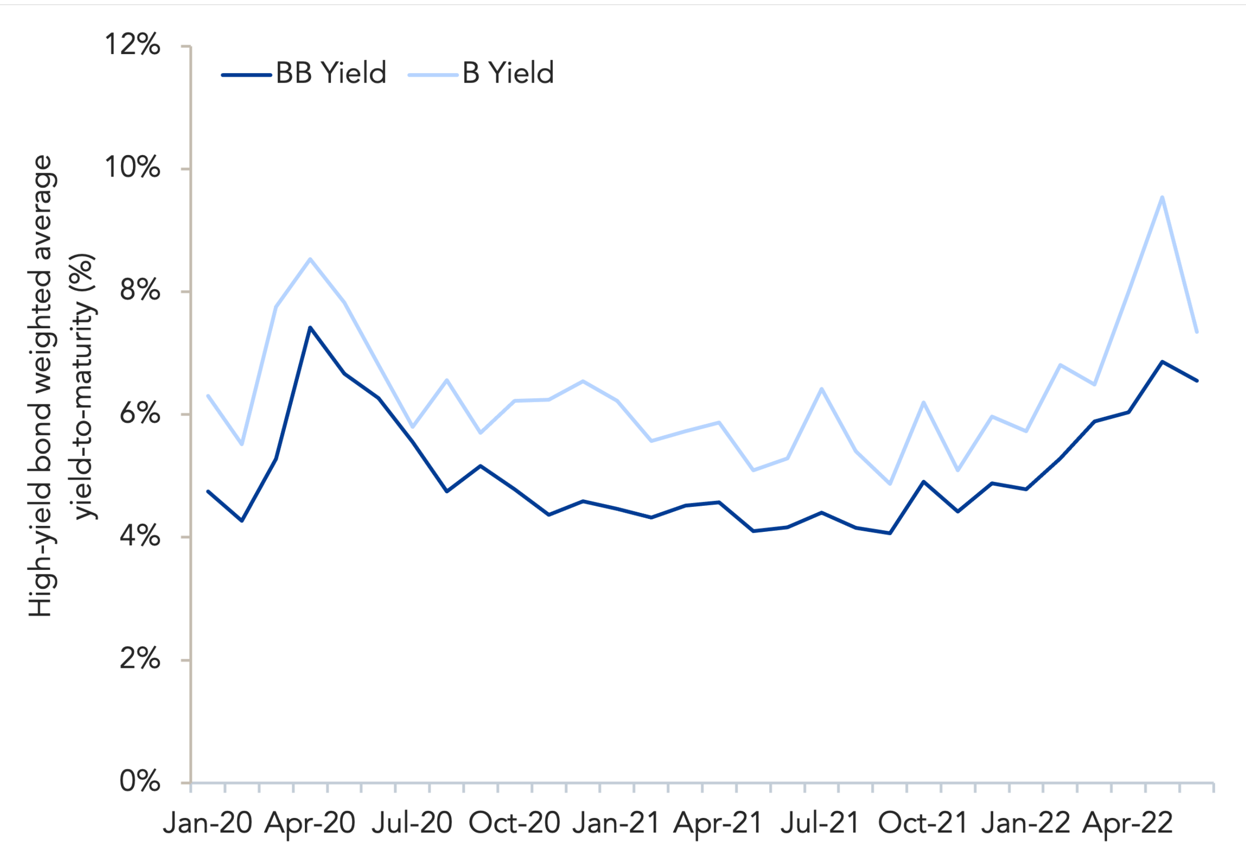

Source: Markit, BofA US HY Index

As the market for high yield bonds briefly opened back up in June in tandem with a short-lived rally in the equity markets, pricing has in turn fallen from its recent highs. Primary market picing spiked in May, largely because of the nature of stressed issuers tapping lenders during such market tumult. The B2/B rated unsecured paper backing general corporate purposes at **Carnival Corp** completed at a coupon of 10.5% on 1 May, while **Frontier Communication**'s B3/B secured notes backing capital expenditure landed at 8.75%, raising the average. By contrast, pricing on the notes issued by **Darling** (Ba3/BB+) and **EQM** (Ba3/BB-) towards the end of the month fell to 6% and 7.5%, respectively. The result was average pricing of 9.04% in May.

This has fallen to 7.16% through 28 June, as market conditions have improved somewhat, and borrowers are once more able to bring opportunistic deals to market. For instance, nine refinancing deals priced so far in June, generating volume of USD 6.6bn and average pricing of 6.85%. **Kinetik** Holdings, for instance, was able to price a USD 1bn sustainability-linked note due 2030 at 5.875% and par.

Demand for the asset class has been in free fall this year, with nearly USD 25bn flowing out of HY year-to-date. As such, the average price of the ICE BofA US High Yield Index has fallen to a fresh yearly low of 86.90 as of 28 June, with effective yields reaching 8.48%.

(Past performance is no guarantee of future results.)