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Primary yields widen slightly so far in November

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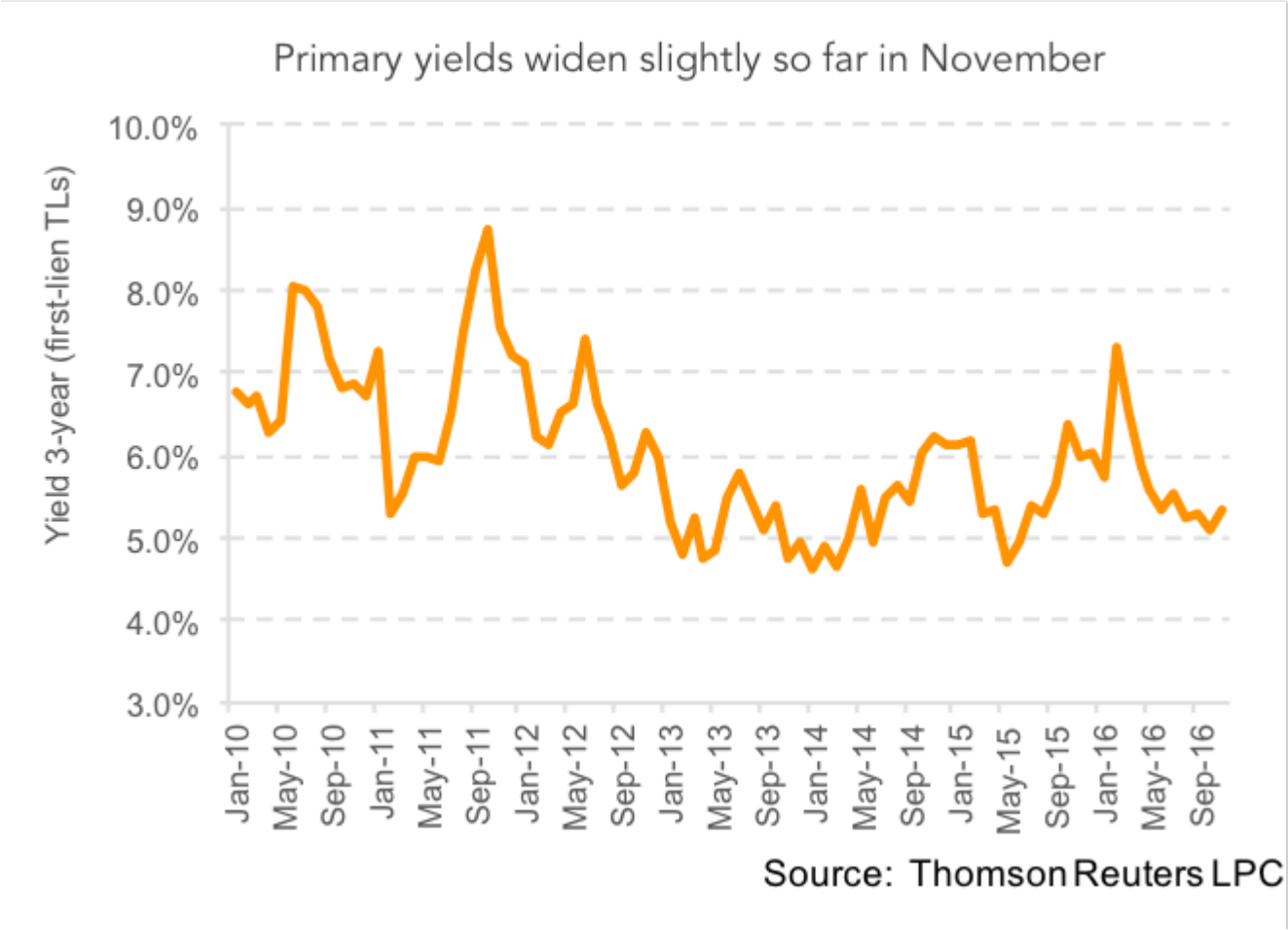
Yields have widened slightly in November to the highest average since July. The average yield, assuming a three year term to repayment on first-lien institutional loans is in the 5.36% context so far in November, slightly up from 5.1% in October. Demand for loans remains strong, and some issuers continue to successfully tap the market to cut costs, but weaker credits are facing some pushback. In turn, the number of downward and upward price flexes are roughly the same so far this month. In contrast, downward price flexes outnumbered upward price revisions by 2.3 times in October.



In 3Q16 they outnumbered price increases by 3 times. Issuers like Hostess, Cable & Wireless and Anchor Glass Container were recently able to cut pricing during syndication. However, others like Conduent, Genesys and HealthSun had to sweeten pricing. HealthSun increased pricing for the second time this week. Pricing is now at 550bp over Libor with a 1% floor while the discount will be in the 94-95 range. This results in a primary market yield of 8.8%, much higher than the 6.12% at original price guidance.

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