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Primary leveraged yields widen in July

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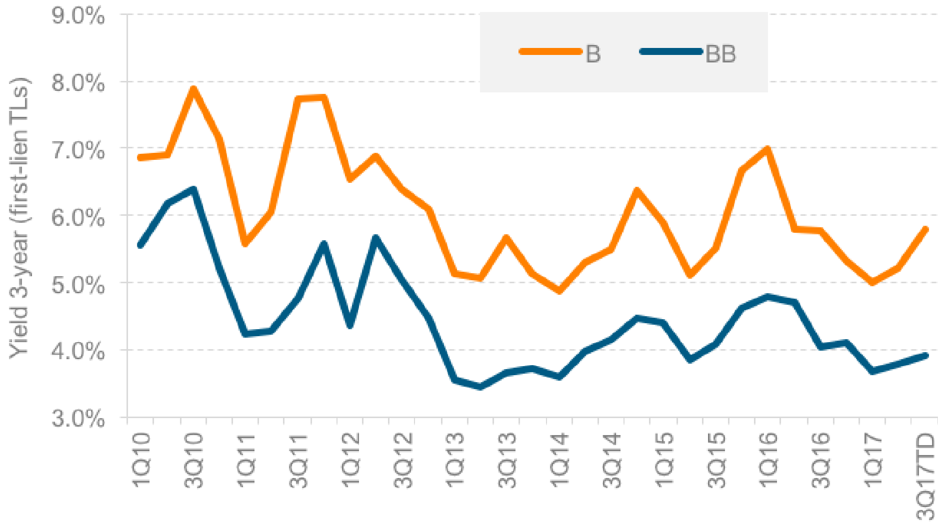

Average yields have increased across the board so far in July, more so for lower rated issuers. The average yield, assuming a three-year term to repayment on first-lien institutional term loans is 5.79% for B-rated issuers so far in 3Q17. This is up 11% from the 5.22% average recorded in 2Q17. For higher rated BB-issuers, the increase has been a lot lower. At 3.91%, the average yield on first-lien institutional term loans for BB-rated issuers is up 3% from last quarter's average. But when looking at the yield components, a large part of the increase in yields can be attributed to the increase in the Libor rate, which is currently at 1.31%. The average Libor rate component of yields is 10bp higher in 2Q17 at 1.30% so far. Also contributing to wider yields is the mix of deals. While refinancings and repricings continue to dominate, their share of the total is a lot smaller than in the first half of the year. Refinancings constitute 55% of the first-lien institutional tranches tracked for yield calculations so far in July. This is down from 69% in 1Q17 and 63% in 2Q17. On the other hand, M&A deals comprise 40% of the total so far this year, up significantly from 22% and 28% in 1Q17 and 2Q17, respectively.