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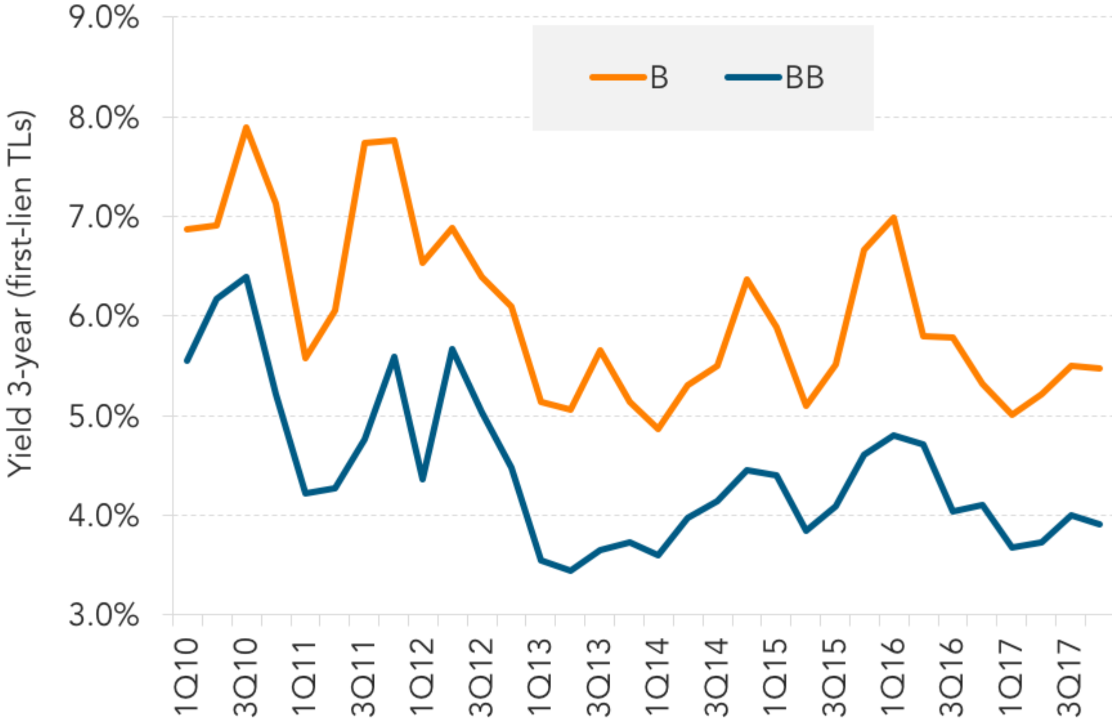
Primary leveraged yields tighten slightly so far in 4Q17

LSEG | November 22, 2017



Yields have declined slightly in 4Q17 despite an increase in the Libor component. The average yield, assuming a three-year term to repayment is at 5.07% so far in 4Q17; slightly below the 5.16% recorded in 3Q17. Holding up the yields is the increase in the 3-month Libor, which is currently at 1.45%. Average Libor spreads have actually declined by 14bp from their 3Q17 levels and are currently at an average of 3.56%. Higher rated issuers have seen a slightly higher decline in yields. Average yields on first-lien institutional term loans for BB-rated issuers are currently at 3.91%; down from 4% in 3Q17. For B-rated issuers, yields are almost flat at 5.47% so far this quarter. Low yields continue to entice issuers to cut their costs, with many rushing to the market with repricings before the Thanksgiving break. While the market has been receptive and issuers have been able to cut their costs, investors are not giving in all the way and some signs of pushback have emerged. This week Weight Watchers increased pricing, among other investor-friendly changes, on its upsized US$1.59bn term loan, which refinances existing debt.

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