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Leveraged loans rally along with HY bonds and equities

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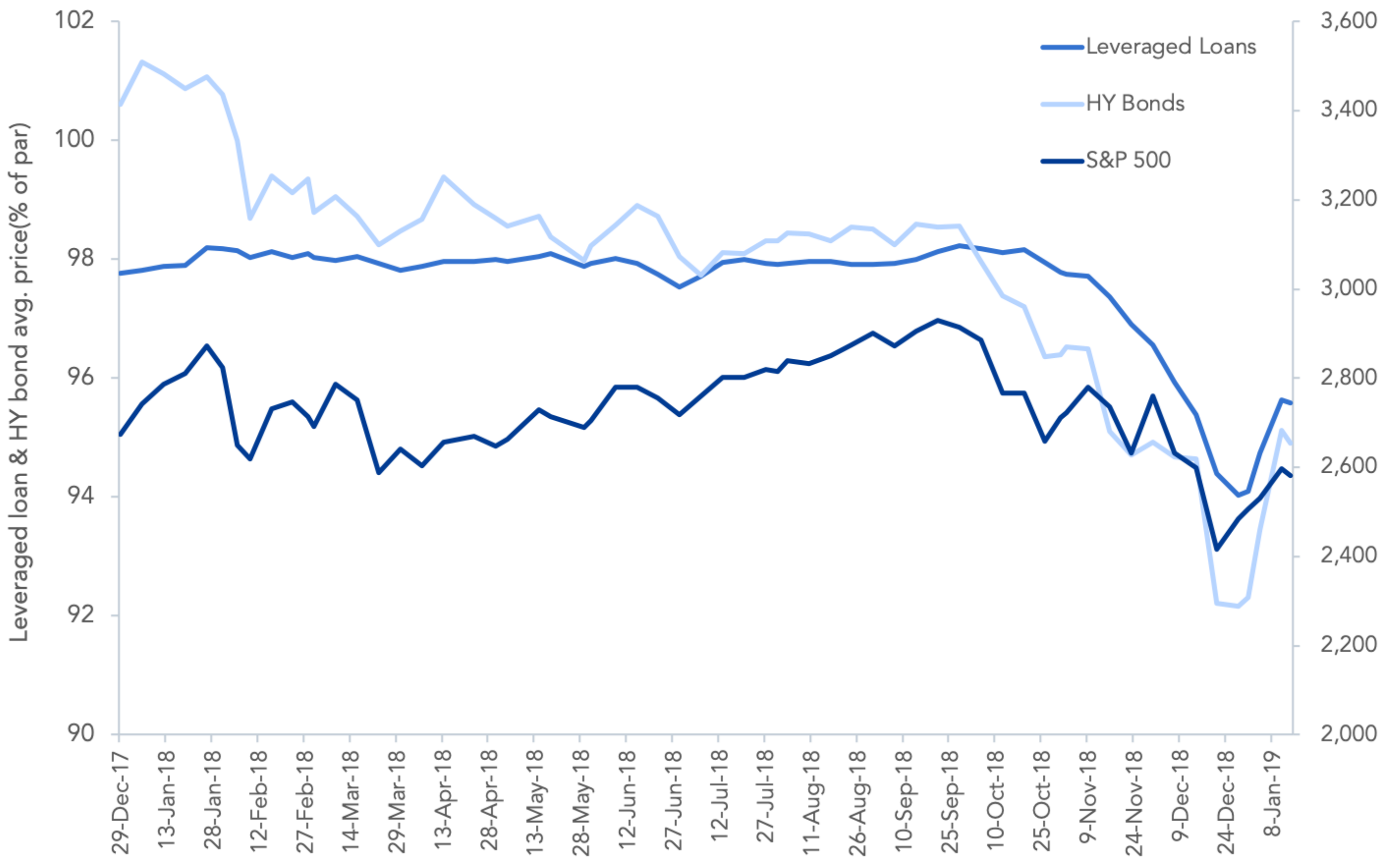

Source: Debtwire Par, Markit, ICE

Leveraged loans are off to a good start in 2019, with secondary market prices rallying, after taking a hit in the latter part of 2018. Loans have followed the gains in high yield bonds and equities, where risk aversion has eased and prices have climbed. Retail loan fund outflows have eased in early January after surging in December, offering some respite for the loan market. High yield bond funds have gone even further and reversed course, posting inflows.

The average term loan bid has increased by 149bps this year to 95.58. Though well short of the ground lost in 4Q18, the recent price appreciation has pushed the year-to-date leveraged loan return to 2.05% as of January 14, according to Credit Suisse. The positive momentum is also appearing in the high yield bond side, with the average price climbing by 260bps to 94.91 so far in 2019 , pushing the year-to-date return to 3.03%, according to ICE.

The primary loan market has also seen a jump in activity, with several deals pricing since the start of the year and a growing number of transactions in the syndication stage. The high yield bond market also opened up last week, pricing its first deal (Targa Resources) since November 29.

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