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Leveraged loan buyers book healthy gains as secondary market shifts higher in 1Q19

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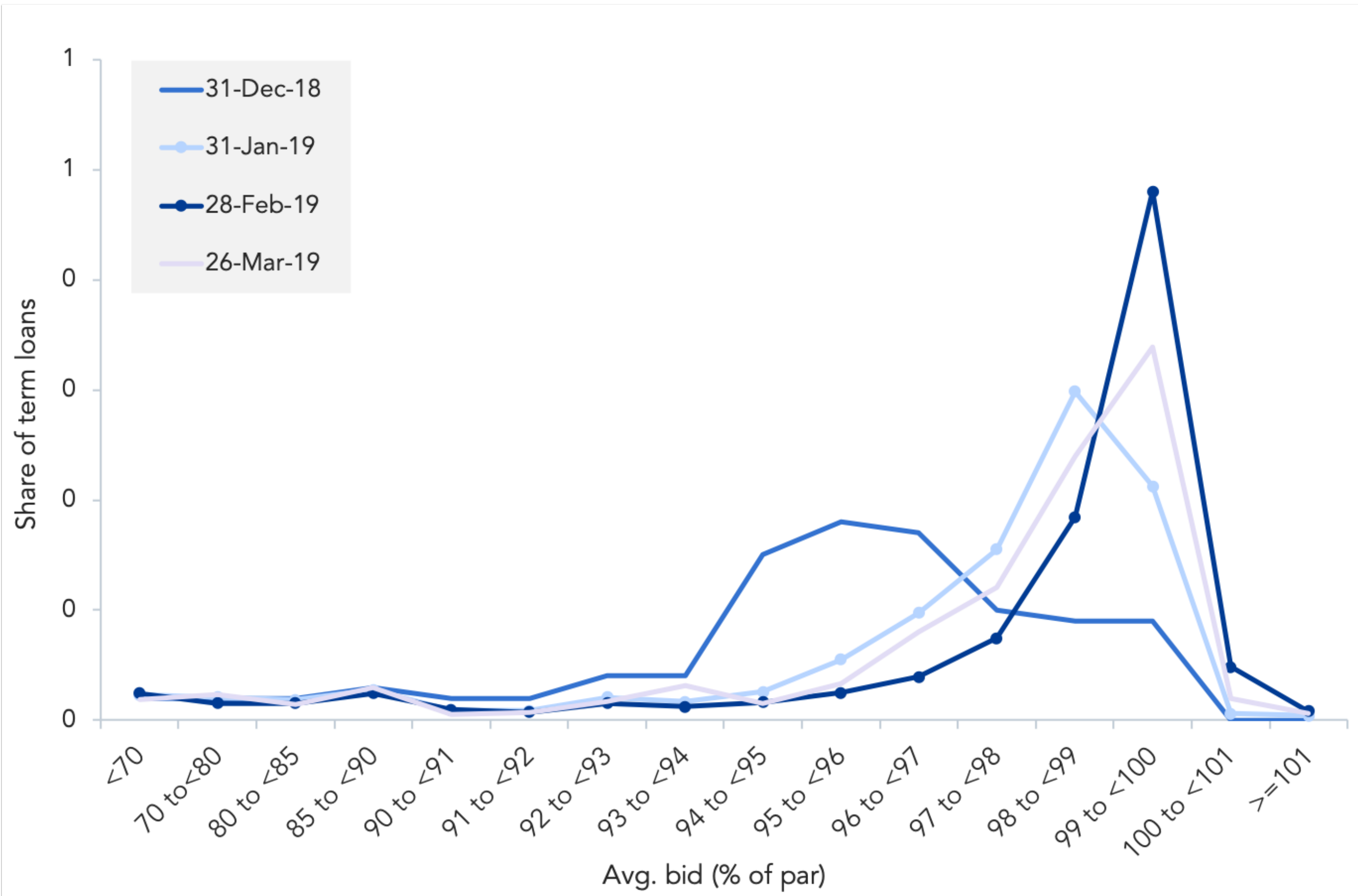

Source: Debtwire Par, Markit

The latter part of 2018 proved to be an attractive buying opportunity for those willing and able to pick up loan assets in the secondary market. Since then, prices have shifted noticeably higher. Back at the end of December, a hefty 71% of term loans were bid below 97 cents on the dollar. Fast forward to today and this has fallen to only 27%. At the upper-end of the price spectrum, just over one-third of loans are now bid above 99, compared to 9% at the end of 2018. This price appreciation came despite retail funds continuing to see outflows this quarter, though the magnitude has eased considerably from December's levels.

Term loans have gained roughly 190 bps on average this year, and notably, it wasn't necessary to buy the riskiest assets to post robust gains, as higher quality credits have outperformed.

More recently, secondary prices have taken a breather, moving lower this month as the average bid has softened by 45bps to the 96 area. Still, leveraged loans have posted an attractive total return of 3.69% so far in 2019.

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