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Primary yields widen to highest levels since 4Q11

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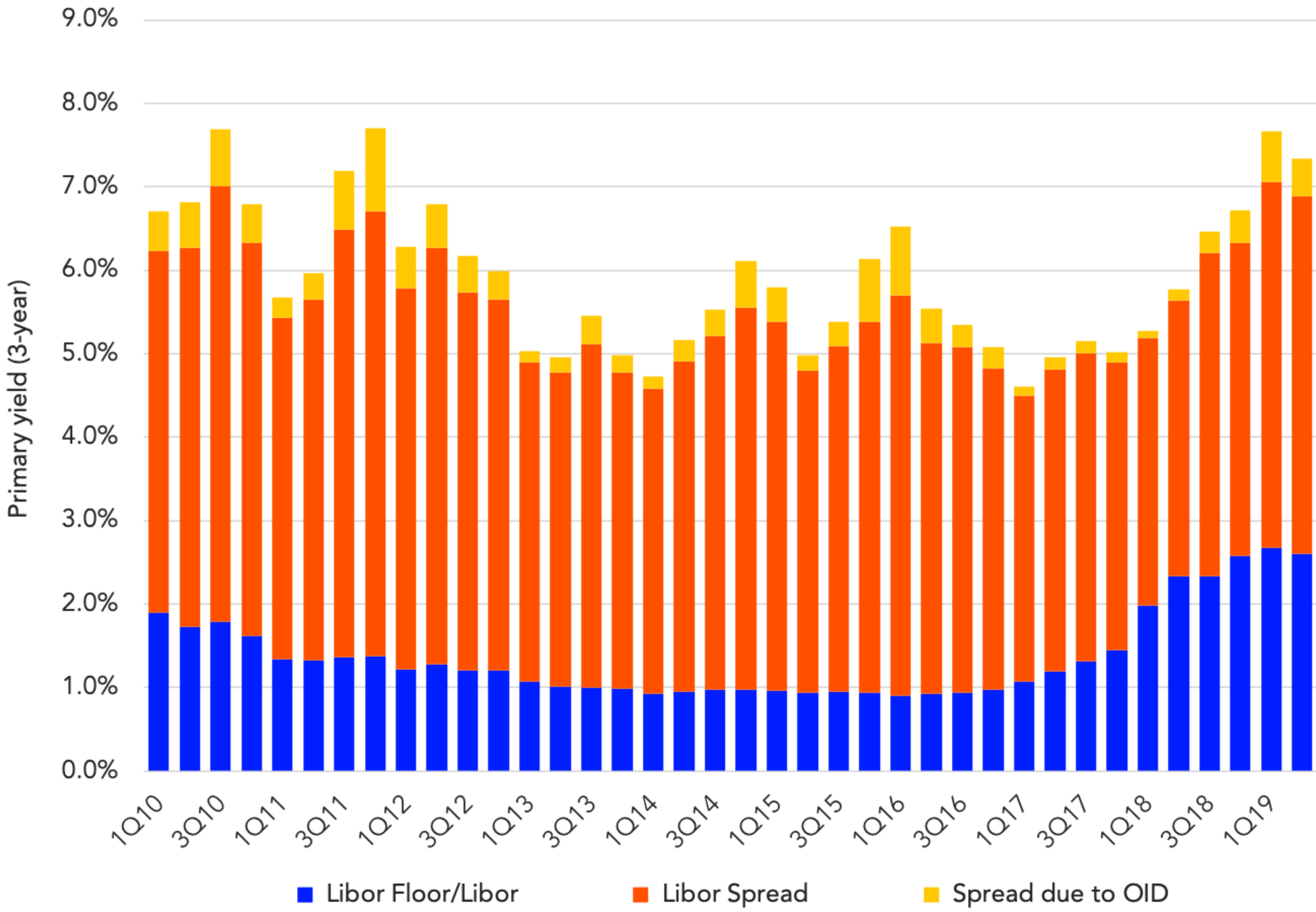

1Q19 yields on first-lien institutional term loans are at their highest level in over eight years. At 7.66%, the average yield assuming a three-year term to repayment on first-lien institutional term loans is 94bp above 4Q18's already high level. While higher Libor rates have provided a big boost since early last year, Libor spreads and wider OIDs are the main drivers of widening yields in 1Q19. Even though retail investors have pulled money from loan mutual funds for 18 straight weeks, demand for the asset class remains strong as there has been limited dealflow so far. Many issuers have obtained better terms during syndication and even very highly leveraged deals are getting done, albeit at a premium. 34 deals have seen price cuts during syndication; 2 more than 4Q18, and 12 have flexed up, which is a lot lower than the 37 reported in 4Q18. For deals that are currently in the pipeline, the average yield is slightly tighter at 7.34%.

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