HY bonds post busiest quarter since 4Q17, loan issuance falls sharply in 1Q19

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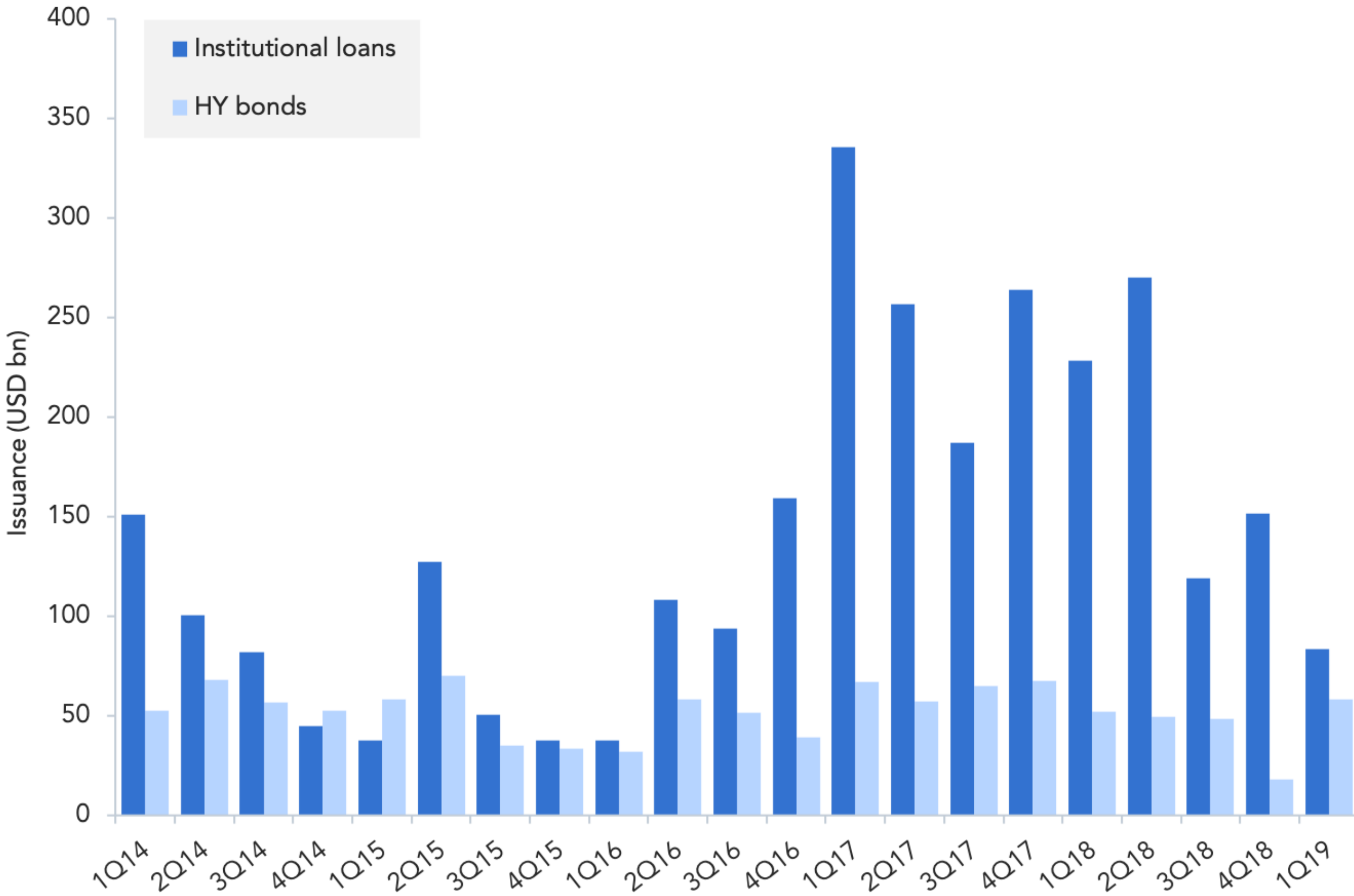

Source: Debtwire Par

High yield bonds posted their busiest quarter since 4Q17, as issuance totaled USD 58.1bn in 1Q19. The bond market bounced back from the volatility seen in the latter part of 2018, posting figures of USD 19.3bn in January, USD 16.4bn in February and topping off the quarter with USD 22.4bn in March. This came on the back of improved investor sentiment, inflows into high yield bond funds and the Federal Reserve's pivot to a more dovish interest rate policy. A feature of the market in the first quarter was the popularity of secured bonds, as borrowers took advantage of investor appetite for these bonds. Secured bond issuance totaled USD 30.6bn, accounting for over half of overall high yield bond volume in 1Q19, up from 34% last year.

In comparison, leveraged loan issuance is off to a slow start this year, with first quarter volume at USD 163bn, down sharply from its year-ago level of USD 379bn. In the institutional loan segment, the drop is even more pronounced, with issuance at USD 84bn in 1Q19, down 63% from the corresponding period last year. Despite the slow start, the loan market is on a firmer footing than it was at the end of 4Q18, when volatility in the equity and bond markets seeped through to the loan market, causing primary activity to dry up as lenders became risk averse, retail loan funds saw outflows surge and prices tumbled in the secondary market. The good news is that while loan deal flow is down this year, most of it is for new money purposes, like M&A and LBO activity, amid a dearth of repricing activity.

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