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HY bond issuance slows sharply in August, flows turn negative

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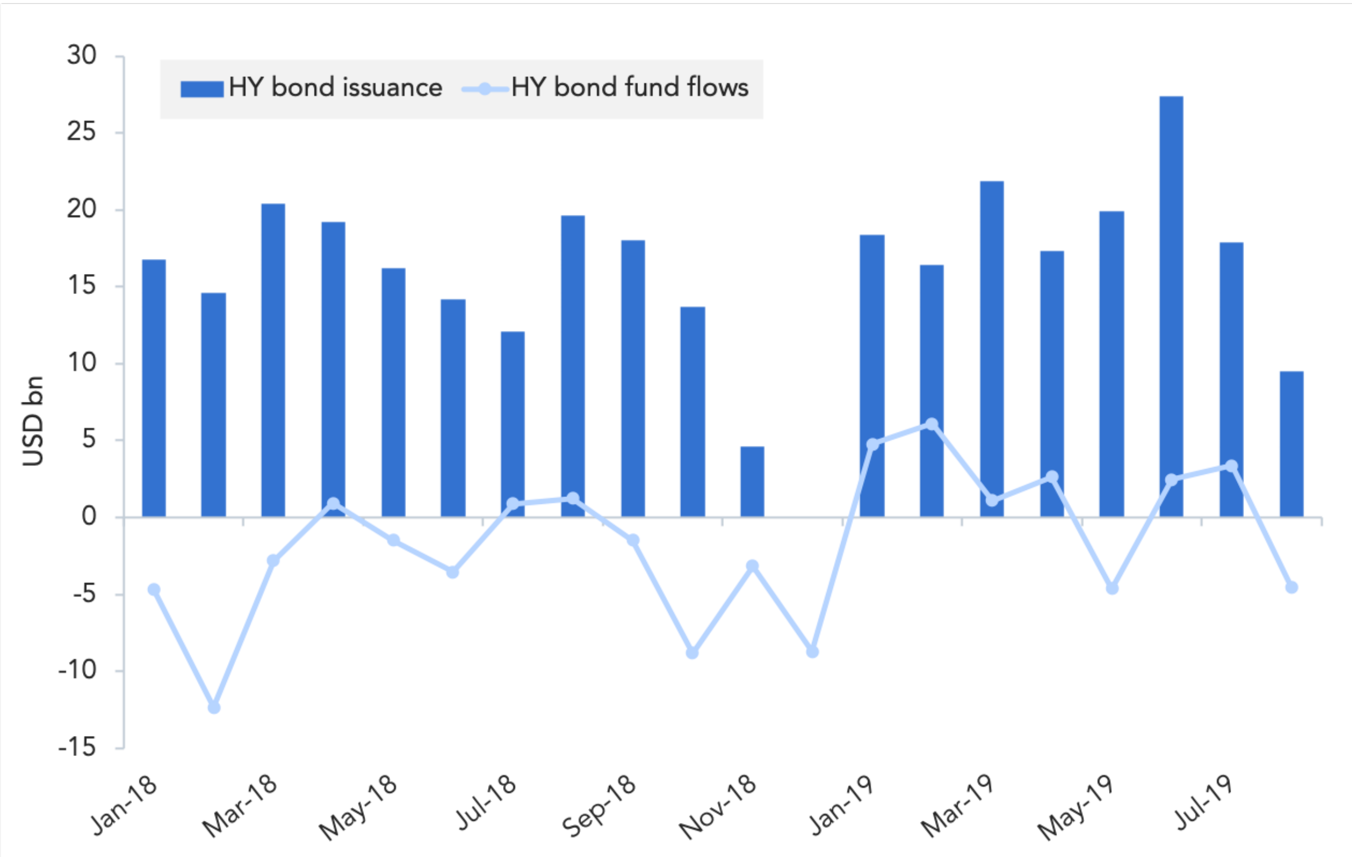

Source: Debtwire Par, Lipper

High yield bond issuance slowed sharply in August, totaling just USD 9.5bn, the lowest monthly figure this year, with one deal (Tenet Healthcare's USD 4.2bn refinancing) accounting for a large chunk of activity. The second half of the month saw just one new deal price, leaving deal flow far below the USD 19.6bn posted in the same month last year. Despite this, year-to-date volume (USD 148.6bn) remains above the level posted in the corresponding period last year (USD 133.1bn).

Bond investors were relatively more risk averse during the month, showing more appetite for higher rated credits. In turn, BB- and above issuers accounted for the vast majority (86%) of August volume, easily topping the 52% share recorded in 2019 overall.

Indicative of the changed sentiment, high yield bond funds suffered outflows of USD 4.5bn in August, according to Lipper, with weekly flows swinging between positive and negative, echoing the changing sentiment in the broader financial markets. Despite the recent outflows, high yield bond funds have still pulled in USD 11.2bn year-to-date, representing a sharp reversal from the outflows seen in full year 2017 (USD -22.5bn) and 2018 (USD -45.7bn).

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