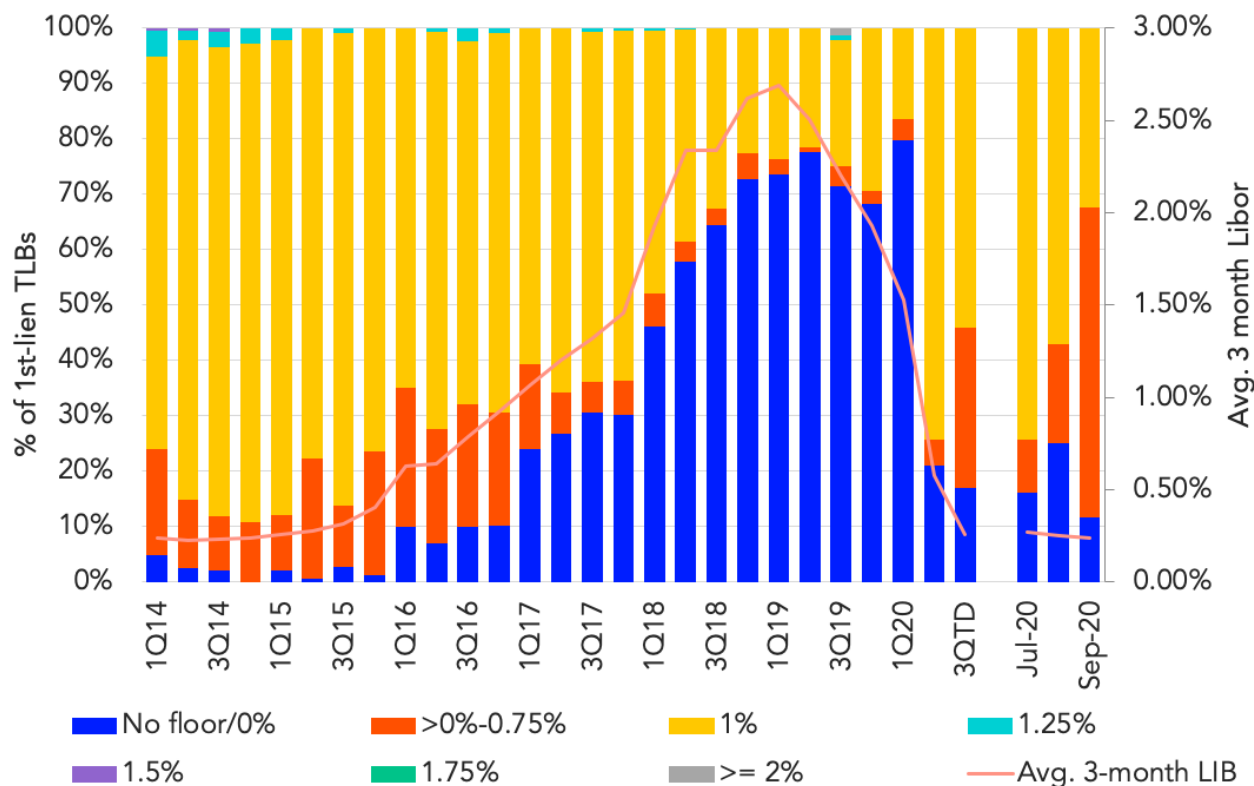


Libor floors remain in institutional market, but are shifting lower

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One of the many effects brought by the pandemic was the precipitous drop in Libor rates, which had already been in a steady decline for a while. The average 3-month Libor rate dropped almost 100bp to an average of 0.58% in 2Q20 and is at an average of 0.26% this quarter. As a result, Libor floors made a reappearance and there was a complete shift in the market. In 1Q20, a whopping 80% of first-lien institutional tranches had a 0% or no floor. By the second quarter, 74% of first-lien term institutional term loans had a 1% floor. And while the majority of deals in the institutional market still have a Libor floor, there has been a shift towards lower floors this quarter. In July, 74% of deals had a 1% floor. The share is down to 32% so far in September. As investors look to put money to work amid very limited supply of new deals, healthier issuers are taking advantage to bring opportunistic deals to market, and pricing, including Libor floors is tightening. Still, the majority of deals that have hit the market in September have a floor, with 56% of them offering a 0.5% or 0.75% floor.