Robust loan fund flows in April top US$4bn

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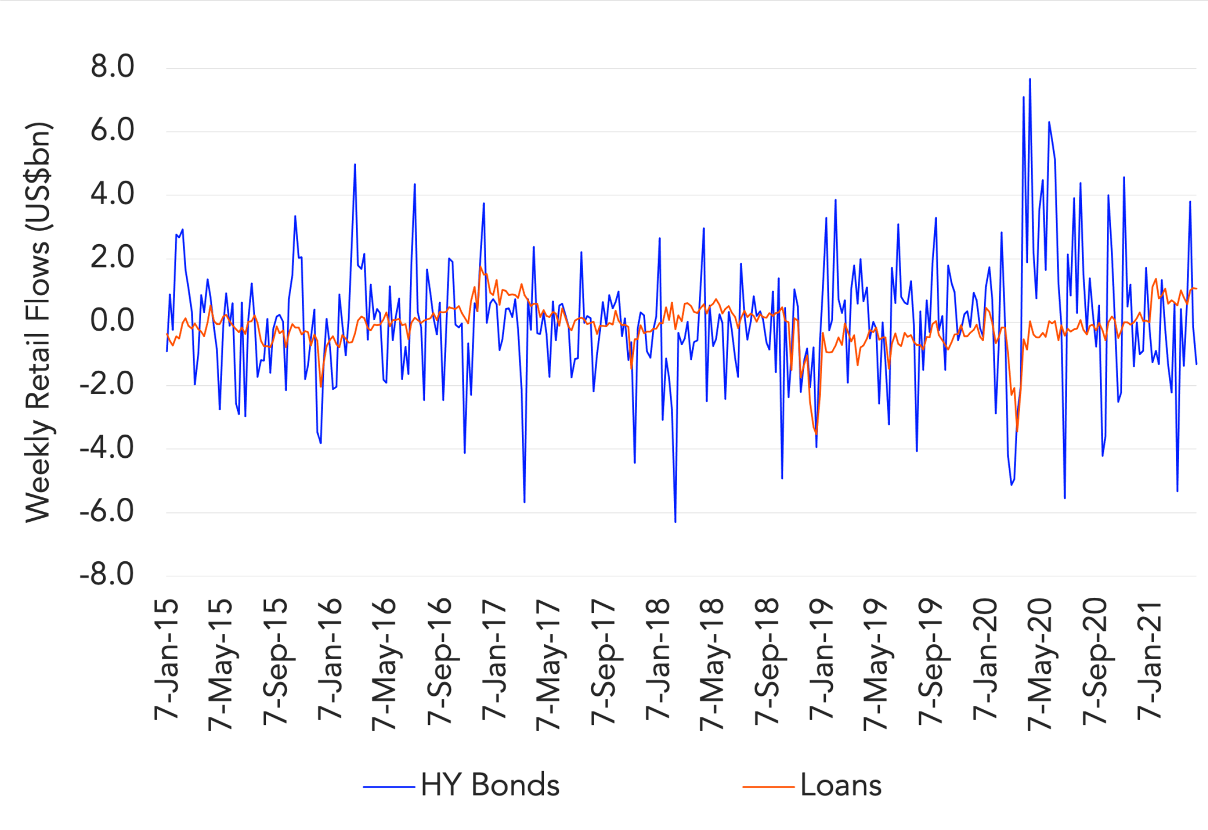

Loan mutual funds recorded US$1.06bn in inflows last week, its third consecutive week of US$1bn+ inflows and 15th consecutive week of positive flows, according to data from Refinitiv Lipper. April's results follow 1Q21 volume of US$14.074bn, the highest quarterly total since 3Q13.

Floating rate loans have been gaining traction amid investor expectations of future interest rate hikes, especially as the burgeoning US economic recovery starts to show signs of inflationary pressure. Although Federal Reserve Chair Jerome Powell recently stated that a 2% inflation rate may be allowed, he indicated that rates hikes are not planned in the near future. The Fed lowered rates to 0.25% from 1.25% on March 15, 2020 in response to the Covid-19 pandemic.

Large inflows have boosted loan funds' share of the leveraged loan market buyer base, from a low of 6.9% in October 2020 to 8.2% as of March 2021. Meanwhile, HY bonds registered US$1.3bn in outflows last week, its second consecutive week of outflows as issuance paused with the onset of earnings season. Despite this slowdown, the HY calendar remains strong as borrowers seek to lock in historically low rates and is on track to set new issuance records with US$42.6bn of volume recorded so far in April.

(Past performance is no guarantee of future results.)