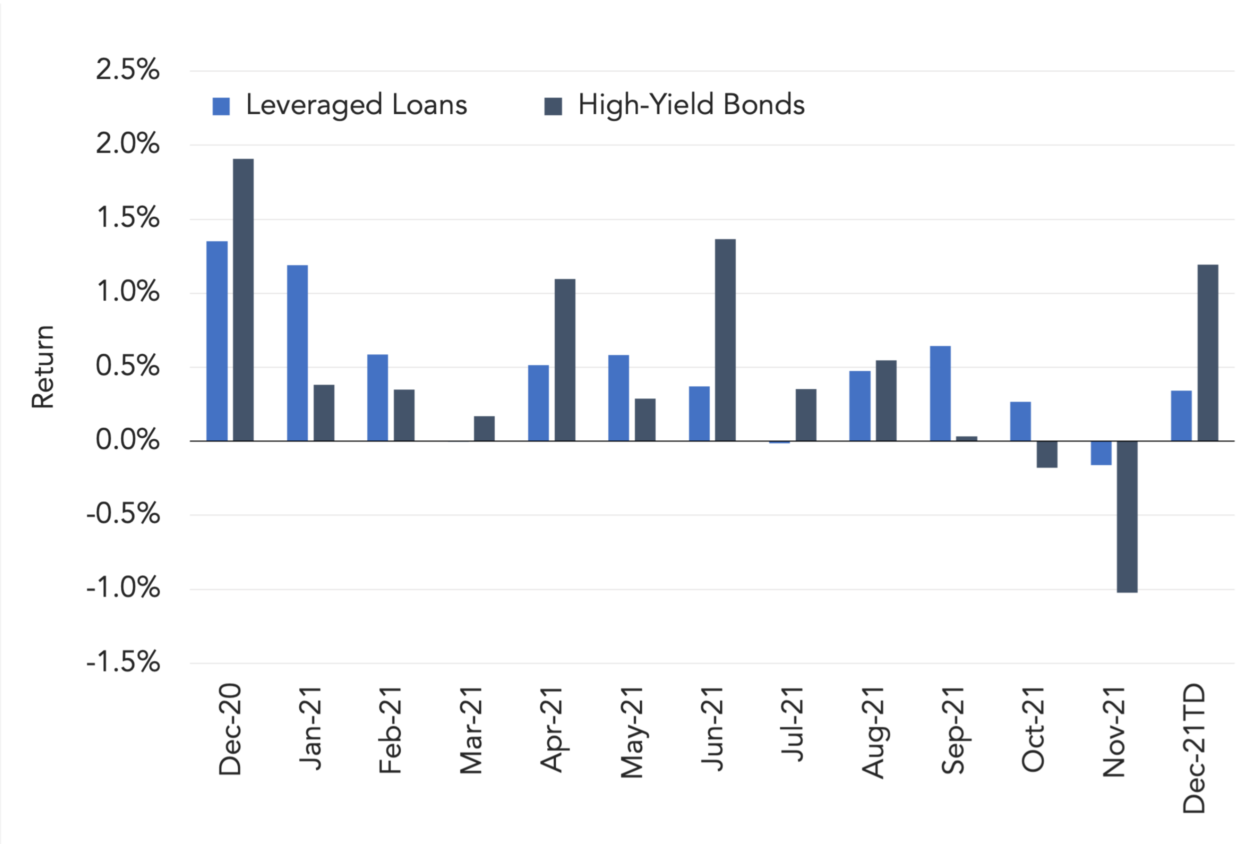
THE LEAD
https://theleadpc.com/leveraged-loan-insight-analysis-12-6-2021/

US leveraged loan and HY bond returns bounce back in December

LSEG | December 9, 2021



Leveraged loans posted their worst month of post-pandemic returns in November, at -0.16%, according to the S&P/LSTA Leveraged Loan Index, while US high-yield bond returns slumped 1.02%, their second consecutive month of negative returns, according to the ICE BofA US HY Index.

News of a new Covid-19 variant detected in the last week of the month roiled markets and sent the average loan bid on the LPC 100 48bp lower, to the 98 context. In addition, testimony from Fed chairman Powell suggesting that current inflation is more than transitory moved up many analysts' expectation that rate hiking could begin in the first half of next year and helped drive the average mark on high-yield bonds 183bp lower in November. But the secondary market has stabilized so far in December.

While equity markets remain volatile, loan and bond markets have remained open with robust issuance to feed ample demand from cash-rich investors, especially CLOs. The average bid on the LPC 100 is 32bp higher, translating to a 0.34% return December to date, while US high-yield bond bids have jumped 112bp, driving returns to 1.19%. Year-to-date, loan returns stand at 4.89%, compared to 4.65% for high-yield bonds.

(Past performance is no guarantee of future results.)