U.S. Primary yields soared in 3Q22

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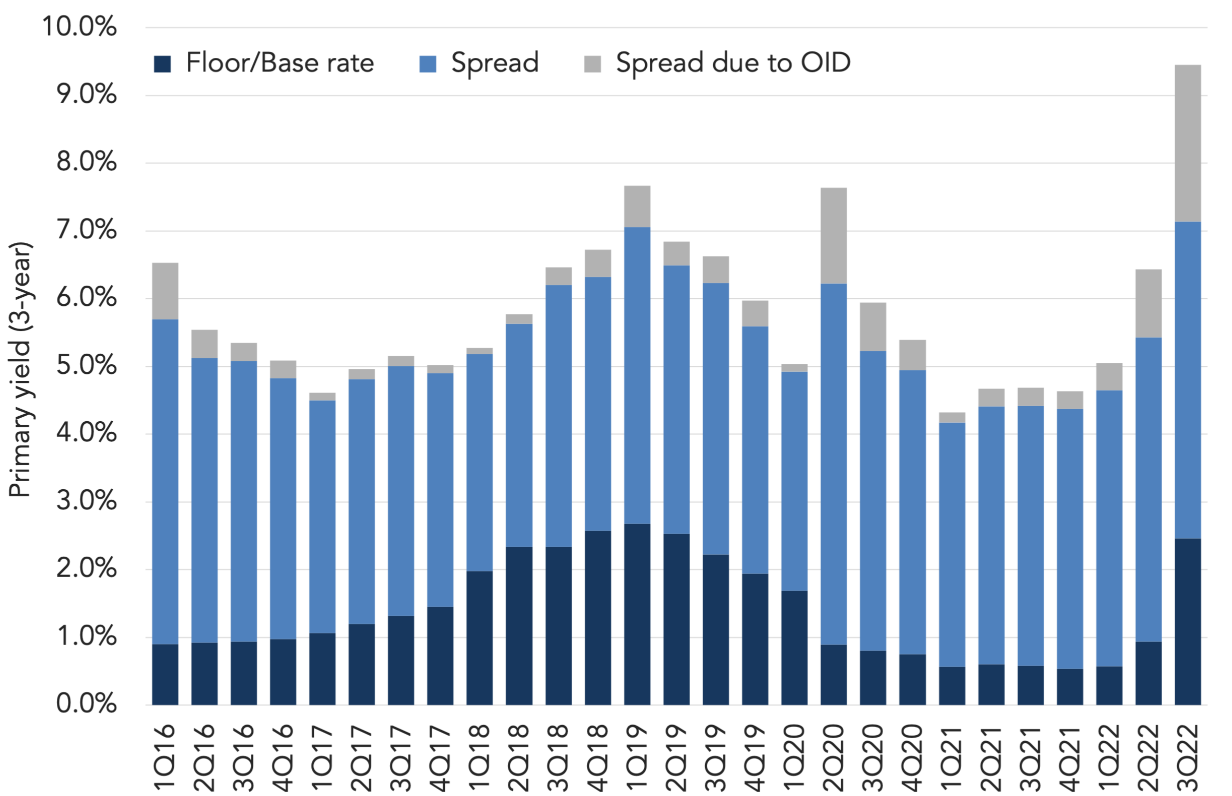

*Beginning Jan. 2022 yields shown are for SOFR based deals

In 3Q22, first-lien institutional yields skyrocketed to levels not seen since the credit crisis. The average primary yield, assuming a 3-year term to repayment on first-lien institutional term loan Bs was 9.45% in 3Q22, up over 300bp from 2Q22 levels. While spreads widened, they only accounted for 19bp of the total increase in yields, on average. The bulk of the increase was due to rising rates and wider discounts, which contributed 152bp and 131bp, respectively, to widening yields. As volatility surged in 2Q22, secondary bids dropped, and issuers had to offer steep discounts to clear the primary market, and this continued in 3Q22. The average OID was 94.2 in 3Q22, much wider than 2Q22's 97.3. Meanwhile, the average one-month Term SOFR rate was at 3.04% at the end of 3Q22, up from 1.69% at the end of June. And they have continued to rise in October, reaching 3.42% as of October 14.

(Past performance is no guarantee of future results.)