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Downward price flexes in the institutional market are on the rise

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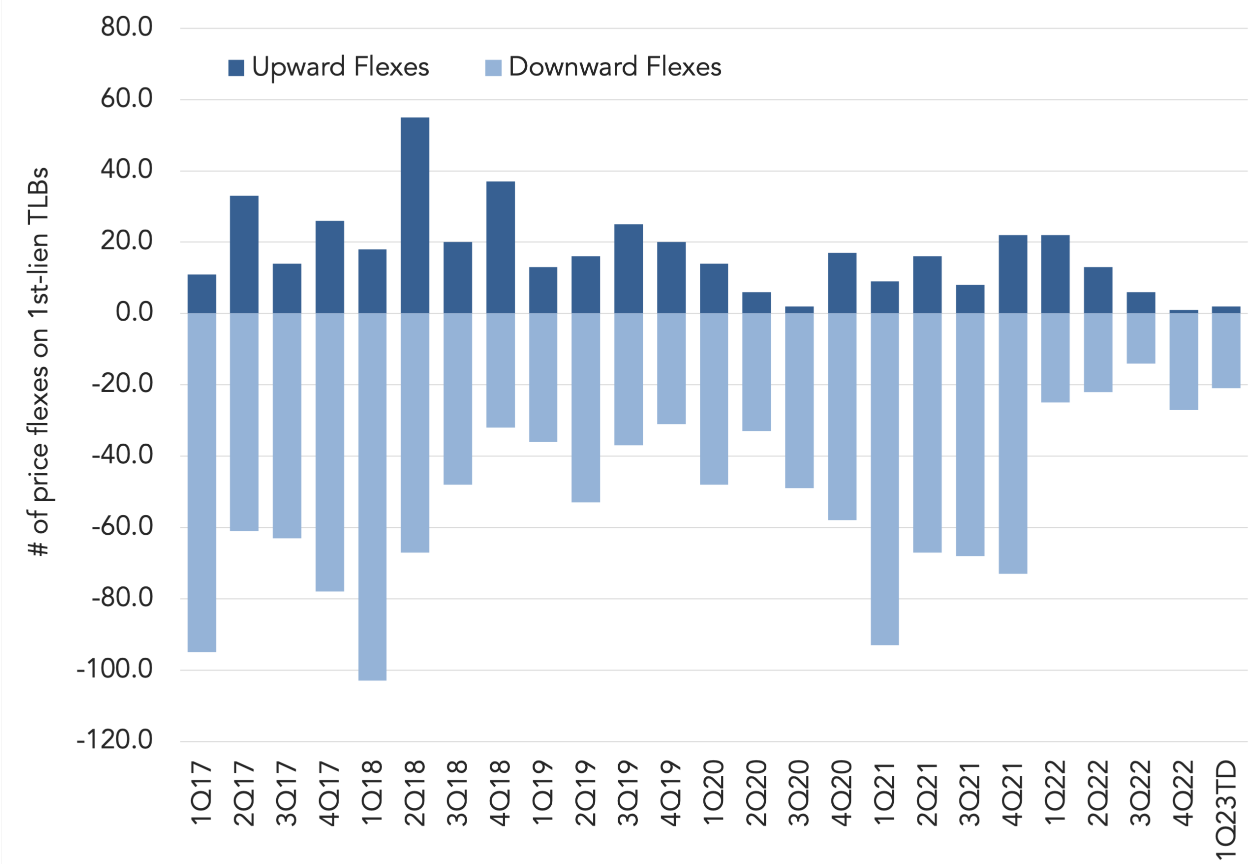

Source: Refinitiv LPC

February has seen an increase in downward price flexes in the institutional loan market with 12 price cuts on first-lien term loans reported so far. This is up from the 9 reported for all January and on par with November and December totals. Midway into 1Q23, the tally for the quarter is at 21 downward price flexes so far, six shy of the total logged last quarter. If downward price flex activity continues at this pace, 1Q23 will end up with the highest level of price cuts since 4Q21. While the institutional loan market is not at full throttle, many issuers are tapping the market for refinancings, amendment and extensions and add-ons. For the most part, these deals have been well received allowing some issuers to cut costs, via lower OIDs or tighter spreads during syndication. In contrast, only 2 upward price flexes have been reported so far this quarter. Moreover, yields are only marginally higher than last quarter. The average yield, assuming a 3-year term to repayment on first-lien institutional term loans is at 9.72% so far this quarter, just 10bp above 4Q22's level. Meanwhile, the one-month Term SOFR rate is up roughly 20bps since the end of last year, and average spreads are up 4bps, however, the average OID has tightened to 97.63 from 96.38 in 4Q22.

(Past performance is no guarantee of future results.)