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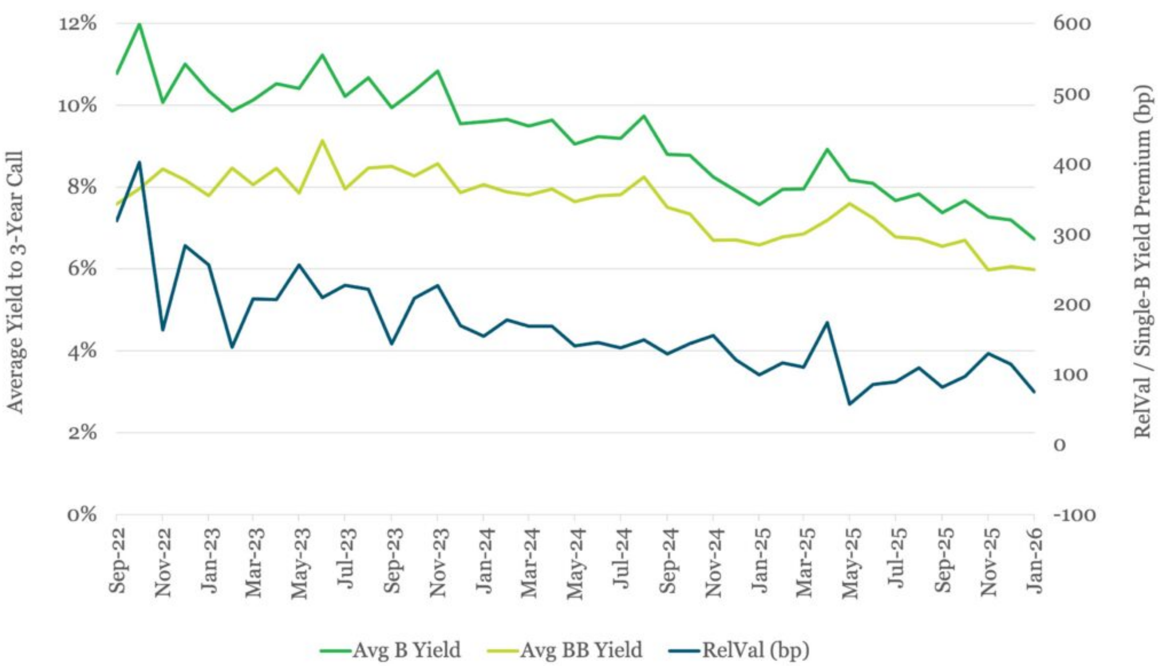
Yield compression progresses in January, drags new-issue loan yields to their lowest in four years

LSEG | February 12, 2026



Source: LSEG LPC

Although institutional loan issuance more than doubled from December to January, topping US$141bn, the majority of the business comprised best-efforts transactions executed in drive-by fashion. Refinancings drove about 85% of institutional loans, with mark-to-market repricings accounting for more than 70% of refinancings. New-issue yields contracted approximately 50bp on the month, which came as no surprise, with most of the tightening in the form of reduced spreads from single-B issuers. Double-B yields remained largely unchanged at 6% for a third consecutive month, while single-B yields averaged 6.75%. For both ratings segments, those prints are now at their cheapest levels in almost four years. And as new-issue yields have steadily tightened over time, so has the relative value or incremental yield premium for single-B credit risk. January’s pricing levels peg that implied yield premium at just 75bp, the tightest reading since May. For comparison, the relative value between single-B and double-B yields averaged more than 100bp in ’25 and roughly 150bp throughout ’24.