



IHS Markit™

# Q3 2016 loan market data snapshot

IHS Markit

October 3, 2016

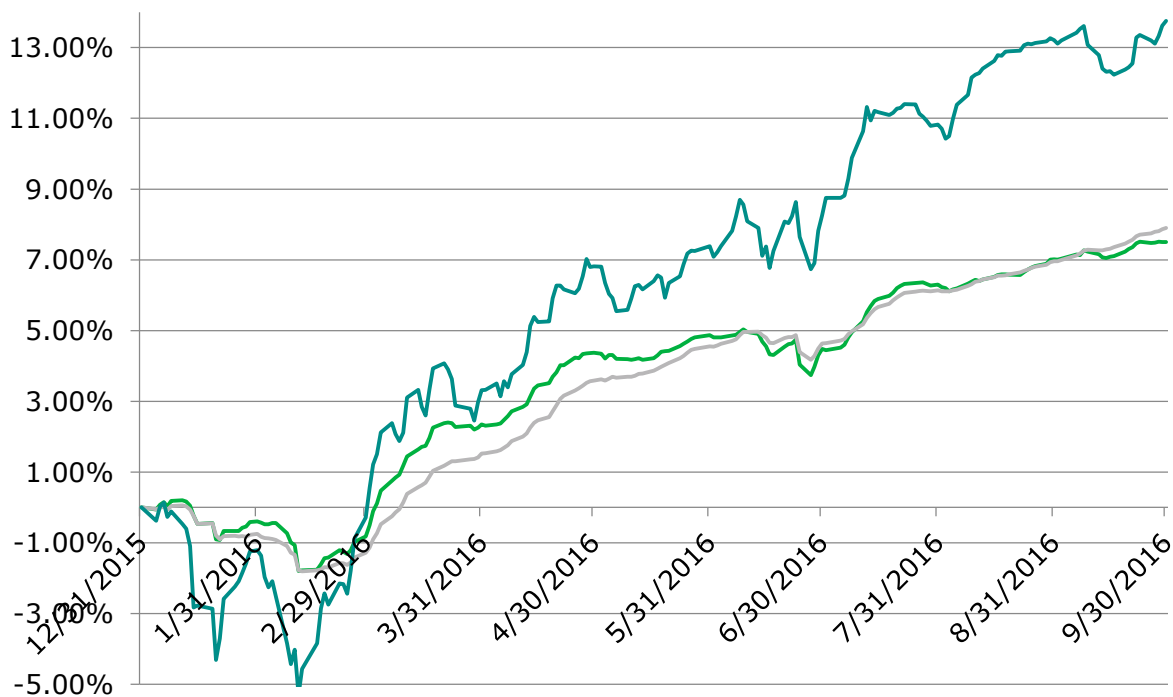
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# Index trend Q3 2016

Leveraged loan and HY bond total returns 2016



— Markit iBoxx USD Liquid Leveraged Loans Index  
 — Markit iBoxx USD Leveraged Loans Index  
 — Markit iBoxx USD Liquid High Yield Index

<b>Markit iBoxx Loan Indices</b>	<b>Q2Δ%</b>	<b>YTD return</b>
<b>Markit iBoxx USD Leveraged Loan Index</b>	3.26%	7.90%
<b>Markit iBoxx USD Liquid Leveraged Loan Index</b>	3.03%	7.51%

## Pricing data Q3 2016

### Pricing trend: average bids in the secondary market

Region	Average bid	QTD $\Delta$	YTD % $\Delta$
<b>US</b>	94.26	1.70%	1.77
<b>Europe</b>	93.29	1.27%	-0.07%
<b>Asia</b>	87.25	2.68%	3.57%

### Pricing trend: average spreads by credit rating (globally)

Average loan spreads to maturity (Sept 30)	1 year tenor	3 year tenor	5 year tenor	7 year tenor
<b>BB</b>	L+252.8	L+294	L+327.4	L+364.4
<b>B</b>	L+466.4	L+507.6	L+541	L+578
<b>CCC</b>	L+888.5	L+929.7	L+963.2	L+1000.1

Average loan spreads Q3 2016 $\Delta$	1 year tenor	3 year tenor	5 year tenor	7 year tenor
<b>BB</b>	4.53%	2.12%	2.31%	4.32%
<b>B</b>	-4.73%	-5.25%	-4.73%	-3.20%
<b>CCC</b>	-3.11%	-3.47%	-3.22%	-2.39%

# Sector view – Q3 2016

## Q3 change in North American and European leveraged loan sector spreads (bps)

		BBB-	BB+	BB	BB-	B+	B	B-	CCC+
<b>Basic Materials</b>	NA	-32	-21	-37	-46	-59	-74	-89	-132
	EU	-1	+17	-9	-17	-32	-50	-44	-100
	Change NA-EU	-31.4	-37.9	-28.4	-29.2	-27.7	-23.8	-44.7	-32.1
<b>Consumer Goods</b>	NA	-33	-22	-38	-47	-60	-74	-89	-133
	EU	-2	+15	-10	-18	-33	-51	-46	-101
	Current NA-EU	-30.6	-37.1	-27.6	-28.4	-26.9	-23.0	-43.9	-31.3
<b>Consumer Services</b>	NA	-15	-4	-20	-29	-42	-56	-71	-115
	EU	+15	+32	+7	-1	-16	-34	-28	-84
	Current NA-EU	-29.8	-36.3	-26.8	-27.6	-26.0	-22.1	-43.0	-30.5
<b>Energy</b>	NA	+13	+24	+9	-1	-14	-28	-43	-86
	EU	+47	+64	+39	+30	+16	-2	+3	-53
	Current NA-EU	-33.2	-39.7	-30.2	-31.0	-29.4	-25.5	-46.5	-33.9
<b>Financials</b>	NA	-26	-15	-31	-40	-53	-68	-83	-126
	EU	+6	+24	-1	-10	-24	-42	-37	-93
	Current NA-EU	-32.8	-39.3	-29.8	-30.7	-29.1	-25.2	-46.1	-33.5
<b>Healthcare</b>	NA	-28	-17	-33	-42	-55	-69	-85	-128
	EU	+2	+20	-5	-14	-28	-47	-41	-97
	Current NA-EU	-30.5	-37.0	-27.5	-28.3	-26.8	-22.9	-43.8	-31.2
<b>Industrials</b>	NA	-36	-25	-41	-50	-63	-77	-93	-136
	EU	-5	+12	-13	-21	-36	-54	-48	-104
	Current NA-EU	-30.8	-37.3	-27.8	-28.6	-27.0	-23.1	-44.1	-31.5
<b>Technology</b>	NA	-33	-22	-38	-47	-60	-74	-90	-133
	EU	-4	+13	-12	-21	-35	-53	-48	-104
	Current NA-EU	-28.8	-35.2	-25.8	-26.6	-25.0	-21.1	-42.0	-29.5
<b>Telecommunication Services</b>	NA	-42	-31	-47	-56	-69	-84	-99	-142
	EU	-9	+9	-16	-25	-39	-58	-52	-108
	Current NA-EU	-33.6	-40.1	-30.7	-31.5	-29.9	-26.0	-46.9	-34.4
<b>Utilities</b>	NA	-30	-19	-35	-44	-57	-72	-87	-130
	EU	+4	+22	-3	-12	-26	-44	-39	-95
	Current NA-EU	-34.7	-41.2	-31.7	-32.5	-31.0	-27.1	-48.0	-35.4

# North America v Europe basis – Q3 2016

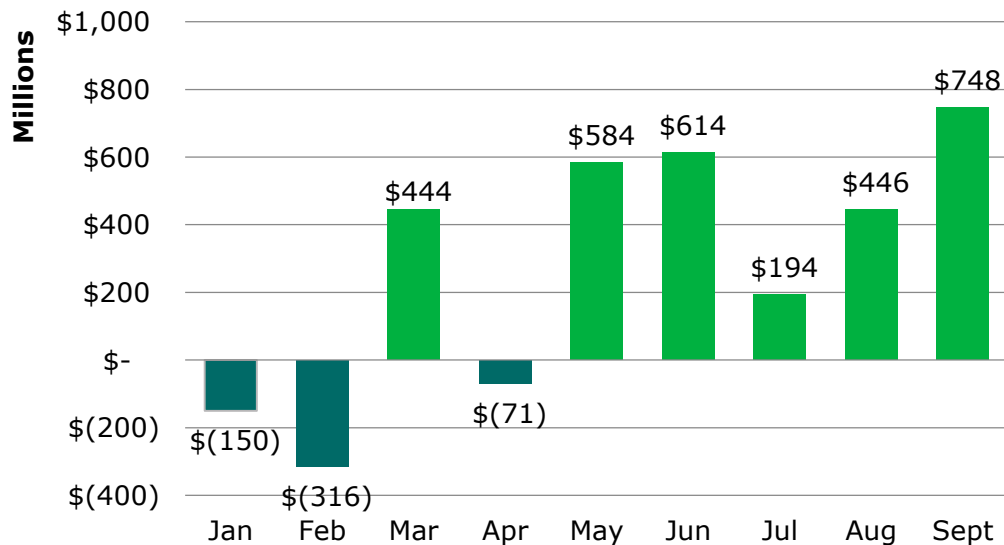
## North America v Europe syndicated loans basis



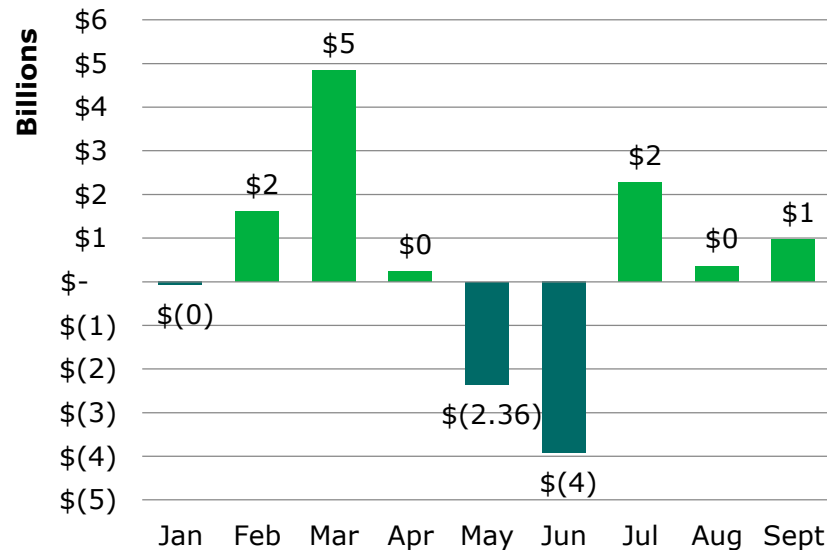
North American loans outperformed European loans and the spread basis between the two is at the widest point in over a year, driven in part by post-Brexit uncertainty.

# ETF asset flows Q3 2016

## Senior Loan ETFs



## High Yield ETFs

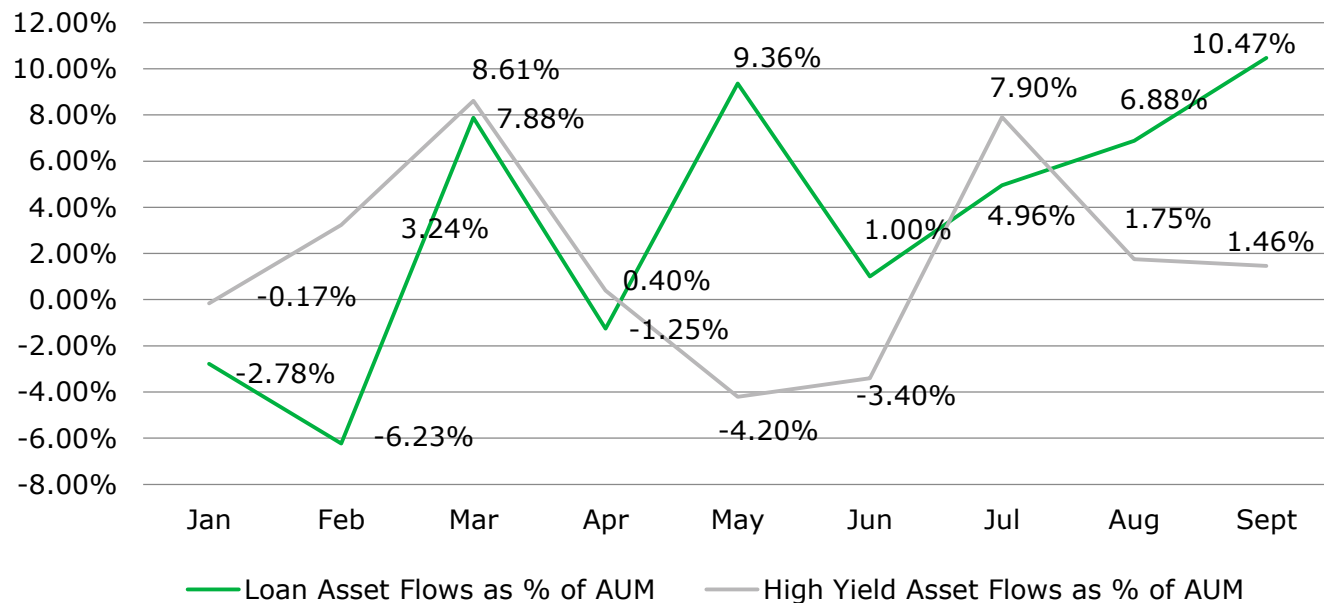


ETF Type	2016 Q3 net asset flow	YTD net asset flow
Loan	\$ 1,387,022,797	\$ 2,492,514,414

ETF Type	2016 Q2 net asset flow	YTD net asset flow
HY Bond	\$ 3,610,636,741	\$ 3,936,913,456

# ETF asset flows Q3 2016

## Asset Flows as % of AUM



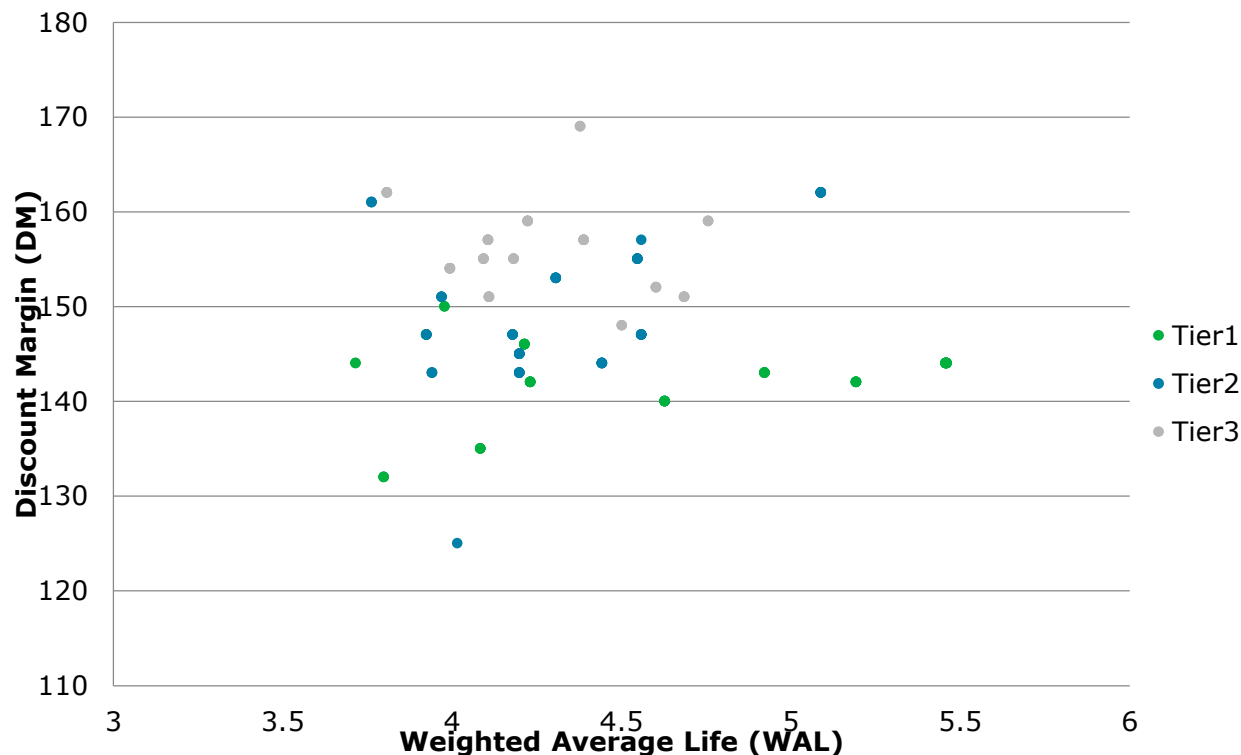
ETF Type	2016 Q3 ending AUM	Q3 % Δ in AUM	YTD % Δ in AUM
Loan	\$ 7,069,172,975	23.93%	40%

ETF Type	2016 Q3 ending AUM	Q3 % Δ in AUM	YTD % Δ in AUM
HY Bond	\$ 60,389,532,829	11.4%	26%



# CLO trend Q3 2016

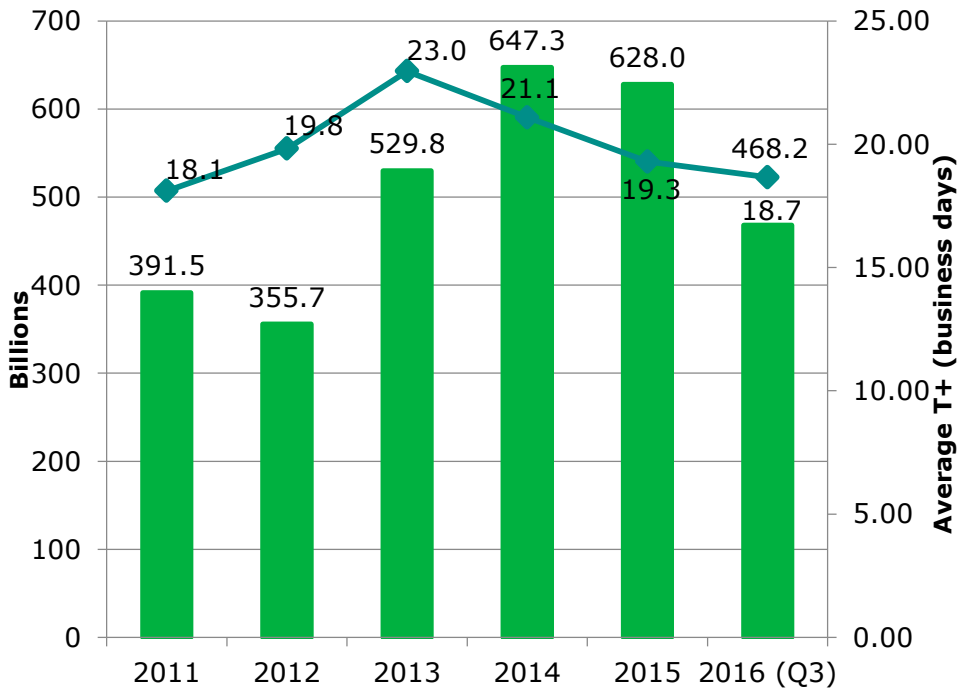
## CLO 2.0 AAAs by WAL and Manager Tier



Supply levels in the primary market remain elevated, culminating in ~\$40bn from 90 deals compared to ~\$75bn this time last year. Liability spreads continue to tighten from AAA to A, supported by strong demand from investors in the secondary and the looming risk retention in December. Investor focus is largely concentrated on shorter duration 2.0 super senior paper on account of rising yields and lower risk. Tier 1 & 2 shorter duration AAAs (2-3 yr WAL) have priced as tight as 125 bps, compared to 140-170 bps for new issue. Spread compression for shorter duration IG tranches will likely continue given the increase in loan prepayments. Manager tiering remains pronounced across the WAL buckets.

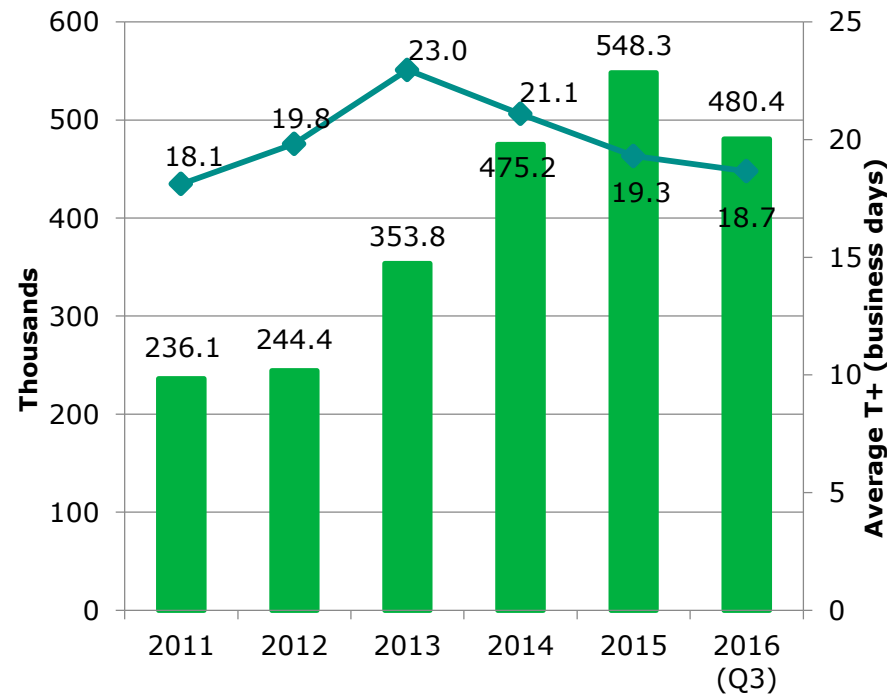
# Trade settlement volume Q3 2016

**Average T+ time and LSTA Secondary Par Settled Notional**



Source: Markit Loan Settlement

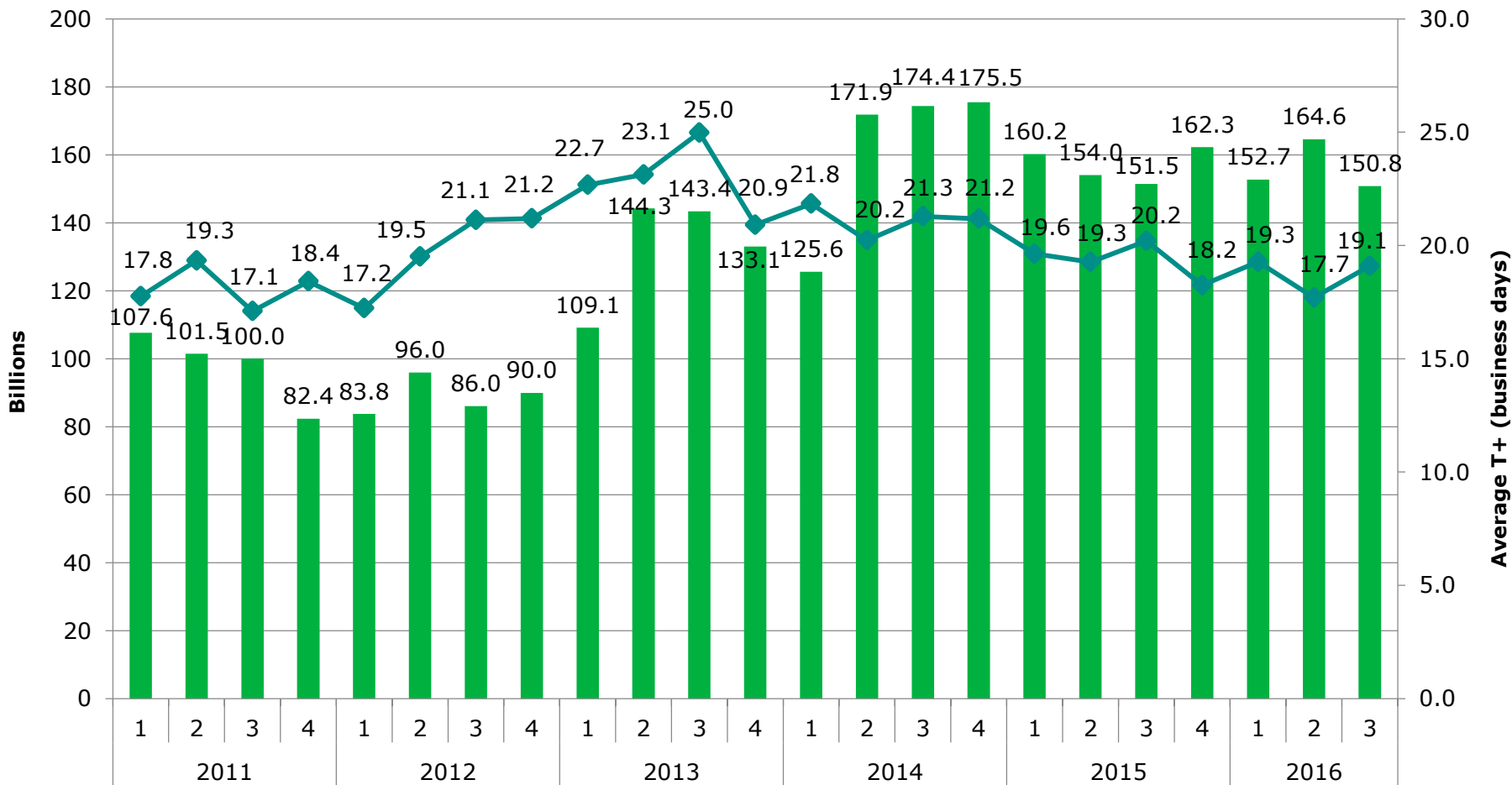
**Average T+ time and LSTA Secondary Par Settled Allocations**



Source: Markit Loan Settlement

# Trade settlement efficiency Q3 2016

**Average T+ time and LSTA Secondary Par Settled Notional by Quarter**



Source: Markit Loan Settlement

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