



IHS Markit™

# Q4 2018 Leveraged Loan Market Data Snapshot

IHS Markit

January 4, 2019

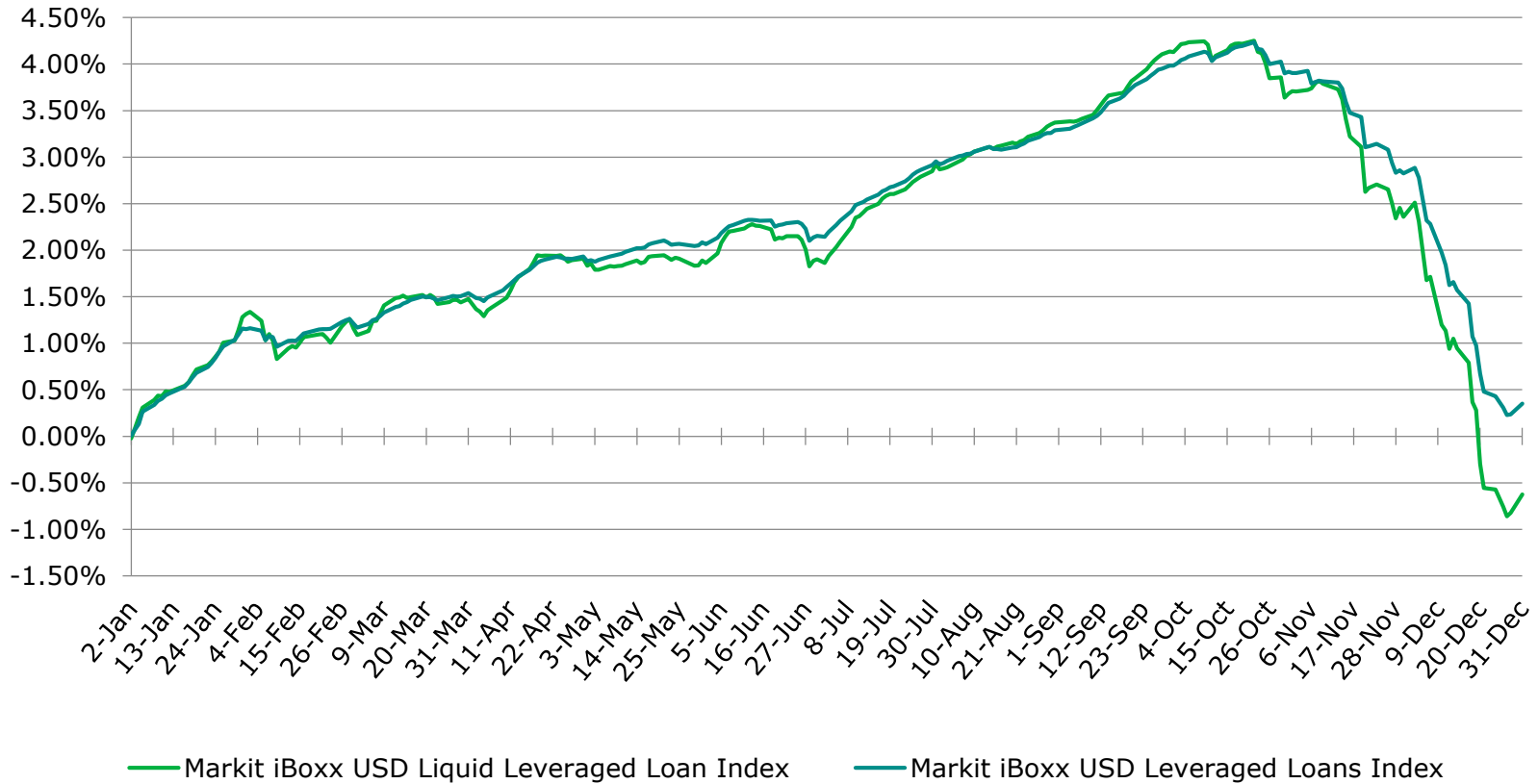
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# Loan index trend – 2018

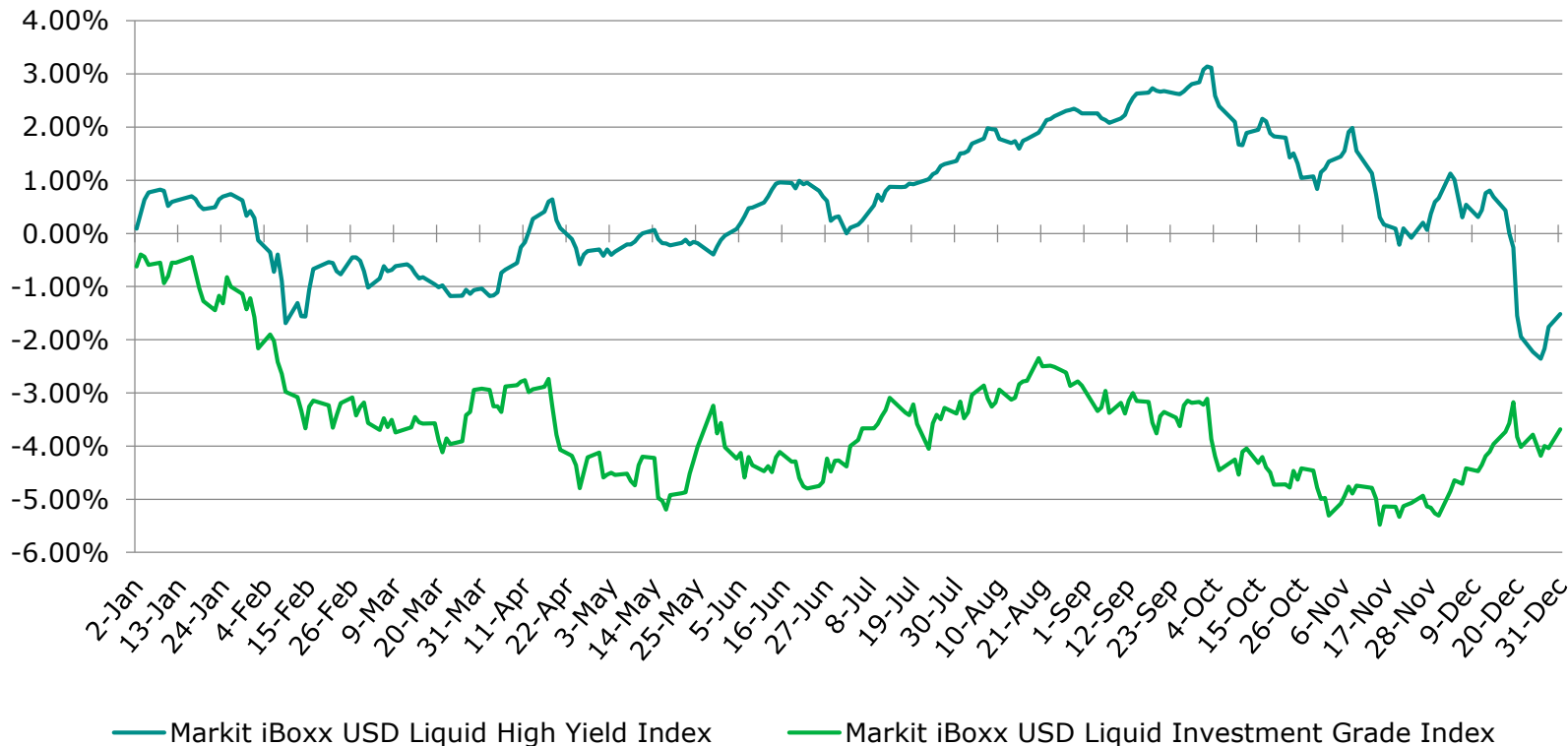
## Leveraged Loan Total Returns



<u>Loan Indices</u>	<u>Q4Δ%</u>	<u>YTD return</u>
<b>Markit iBoxx USD Leveraged Loan Index</b>	-3.50%	0.35%
<b>Markit iBoxx USD Liquid Leveraged Loan Index</b>	-4.57%	-0.63%

# Bond index trend – 2018

## High Yield & Investment Grade Total Returns



<b>Loan Indices</b>	<b>Q4Δ%</b>	<b>YTD return</b>
<b>Markit iBoxx USD Liquid High Yield Index</b>	-4.46%	-1.51%
<b>Markit iBoxx USD Liquid Investment Grade Index</b>	-0.48%	-3.69%

## Pricing data trend Q4 2018

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

Region	Average bid	Q4 Δ%	YTD Δ%
<b>US</b>	95.45	-2.35	-1.51
<b>Europe</b>	93.39	-2.00	-2.79
<b>Asia</b>	93.87	-0.74	1.89

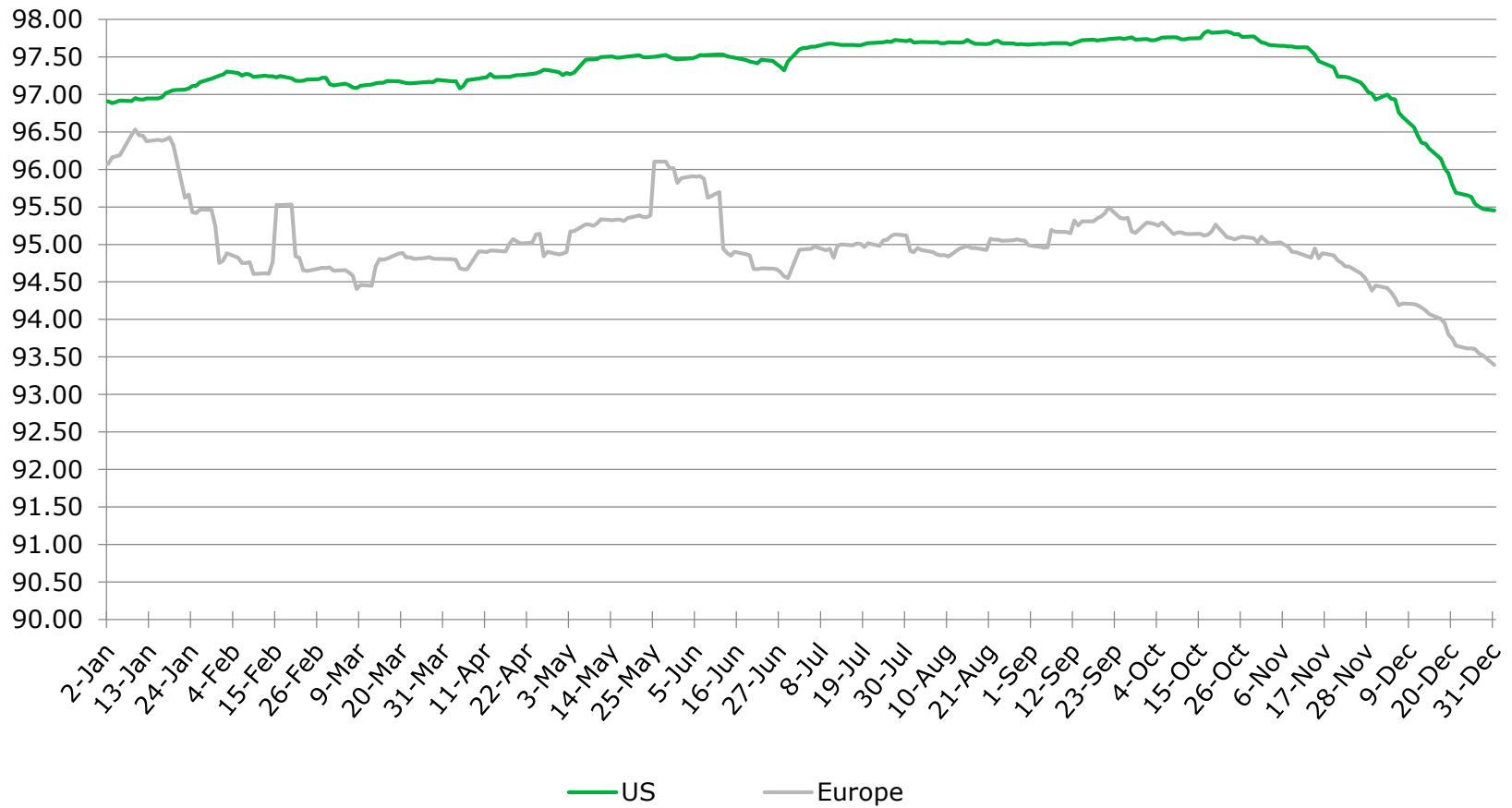
### Pricing trend: average spreads by credit rating (globally)

Average loan spreads to maturity (December 31)	1 year tenor	3 year tenor	5 year tenor	7 year tenor
<b>BB</b>	L+268.9	L+297	L+318.2	L+334.6
<b>B</b>	L+490.1	L+518.2	L+539.4	L+555.8
<b>CCC</b>	L+837.7	L+865.8	L+887	L+903.4

Average loan spreads Q4 2018 Δ	1 year tenor	3 year tenor	5 year tenor	7 year tenor
<b>BB</b>	58.55%	47.91%	38.29%	23.51%
<b>B</b>	39.51%	35.48%	30.99%	22.80%
<b>CCC</b>	10.92%	10.08%	8.74%	5.46%

# Pricing data trend – 2018

## Average Bid Price (Secondary Market)



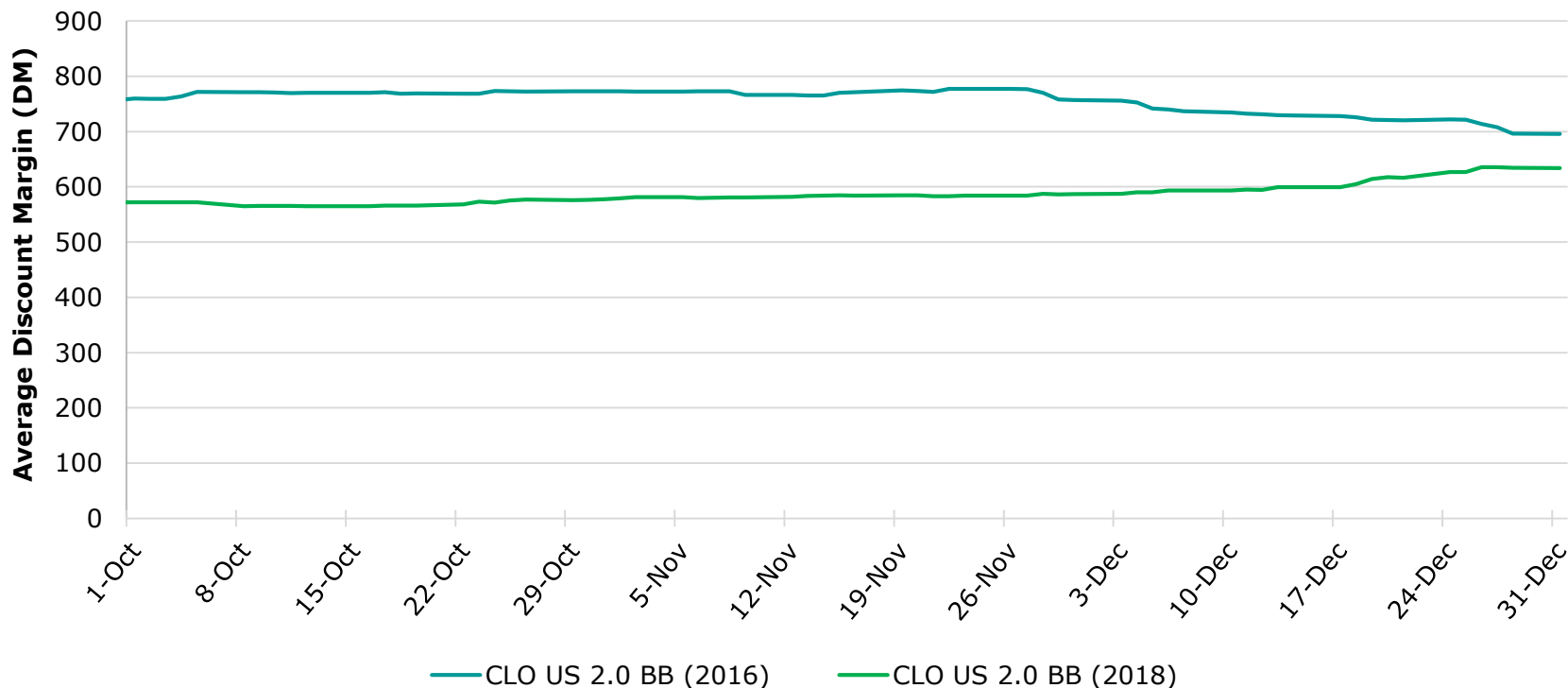
# Sector view – Q4 2018

## Q4 change in North American and European leveraged loan sector spreads (bps)

		BBB-	BB+	BB	BB-	B+	B	B-	CCC+
<b>Basic Materials</b>	NA	+31	+66	+77	+94	+113	+120	+113	+97
	EU	+20	+55	+67	+83	+97	+106	+91	+86
	Change NA-EU	+10.5	+10.7	+10.0	+10.8	+15.8	+14.6	+21.9	+10.8
<b>Consumer Goods</b>	NA	+22	+57	+69	+86	+104	+112	+104	+88
	EU	+12	+47	+60	+76	+89	+98	+83	+78
	Current NA-EU	+9.5	+9.8	+9.0	+9.9	+14.9	+13.6	+21.0	+9.9
<b>Consumer Services</b>	NA	+56	+91	+103	+120	+138	+146	+138	+122
	EU	+47	+82	+94	+110	+124	+132	+118	+113
	Current NA-EU	+9.1	+9.4	+8.6	+9.5	+14.5	+13.2	+20.6	+9.5
<b>Energy</b>	NA	+4	+39	+50	+67	+86	+93	+86	+70
	EU	-8	+27	+40	+56	+69	+78	+63	+58
	Current NA-EU	+11.1	+11.4	+10.6	+11.5	+16.5	+15.3	+22.6	+11.5
<b>Financials</b>	NA	+44	+79	+91	+108	+127	+134	+126	+110
	EU	+33	+68	+80	+96	+110	+118	+104	+99
	Current NA-EU	+11.3	+11.6	+10.8	+11.6	+16.7	+15.4	+22.8	+11.6
<b>Healthcare</b>	NA	+29	+64	+76	+92	+111	+118	+111	+95
	EU	+20	+54	+67	+83	+97	+105	+90	+85
	Current NA-EU	+9.2	+9.4	+8.7	+9.5	+14.5	+13.3	+20.6	+9.5
<b>Industrials</b>	NA	+27	+62	+73	+90	+109	+116	+109	+93
	EU	+17	+51	+64	+80	+94	+102	+87	+82
	Current NA-EU	+10.0	+10.2	+9.5	+10.3	+15.3	+14.1	+21.4	+10.3
<b>Technology</b>	NA	+28	+63	+75	+92	+111	+118	+111	+94
	EU	+19	+54	+67	+83	+96	+105	+90	+85
	Current NA-EU	+9.1	+9.4	+8.6	+9.5	+14.5	+13.3	+20.6	+9.5
<b>Telecommunication Services</b>	NA	+73	+108	+120	+136	+155	+162	+155	+139
	EU	+63	+98	+111	+127	+140	+149	+134	+129
	Current NA-EU	+9.5	+9.7	+9.0	+9.8	+14.8	+13.6	+20.9	+9.8
<b>Utilities</b>	NA	+40	+75	+87	+104	+123	+130	+123	+106
	EU	+29	+64	+76	+92	+106	+114	+100	+94
	Current NA-EU	+11.5	+11.8	+11.0	+11.9	+16.9	+15.6	+23.0	+11.9

# CLO trend Q4 2018

## 2.0 US CLO BB Spreads 2016 vs. 2018



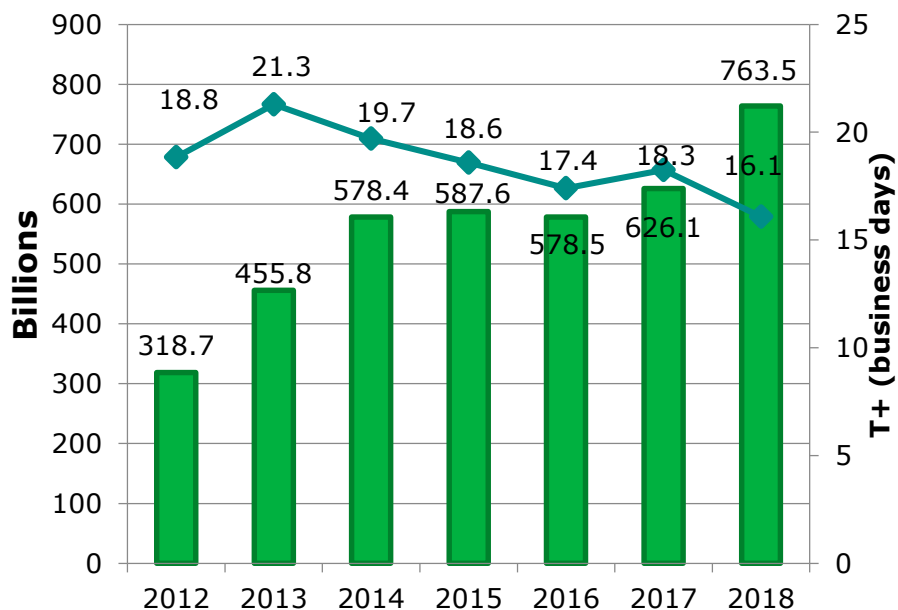
2018 closed with a record issuance of ~\$128bn in new issue (~\$121.5bn in resets and ~\$33bn in refinancings). CLO managers have had to navigate a particularly challenging market leading up to the year-end given the broader credit softness from the accelerated selloff in loans in December. 2.0 BB spreads inched wider towards the same inflexion point compared to this time two years ago, ~60 bps shy of year-end levels after the market rebounded from the energy market slump in early 2016. While the correction in the loan market presents an opportunity to purchase cheaper credits, the liability costs are expected to rise in the new year, as evidenced by the latest 2.0 AAA print of 3ML+120/130, notably higher than the tightest paper in March.



# Trade settlement volume – 2018

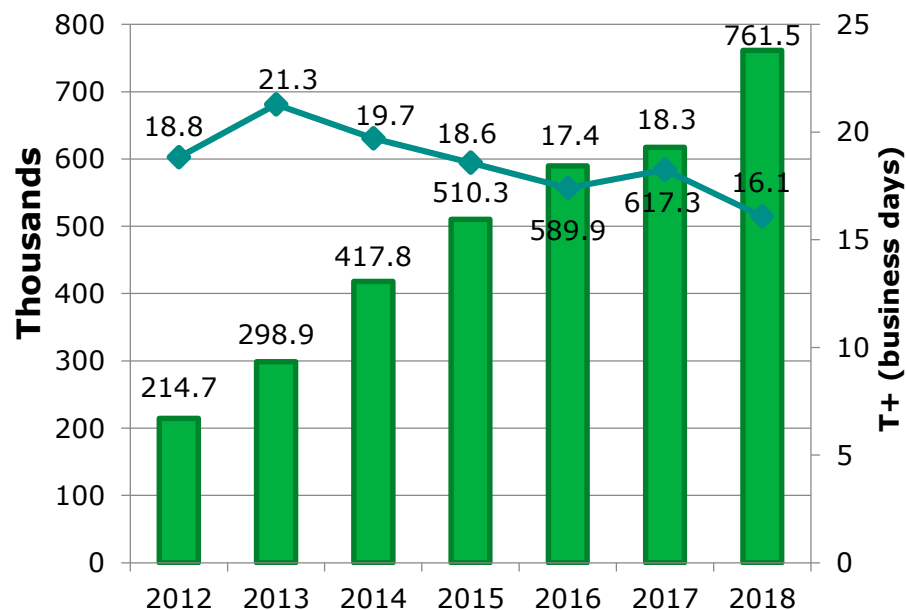
(excluding “When Issued” trades)

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



Source: Markit Loan Settlement

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

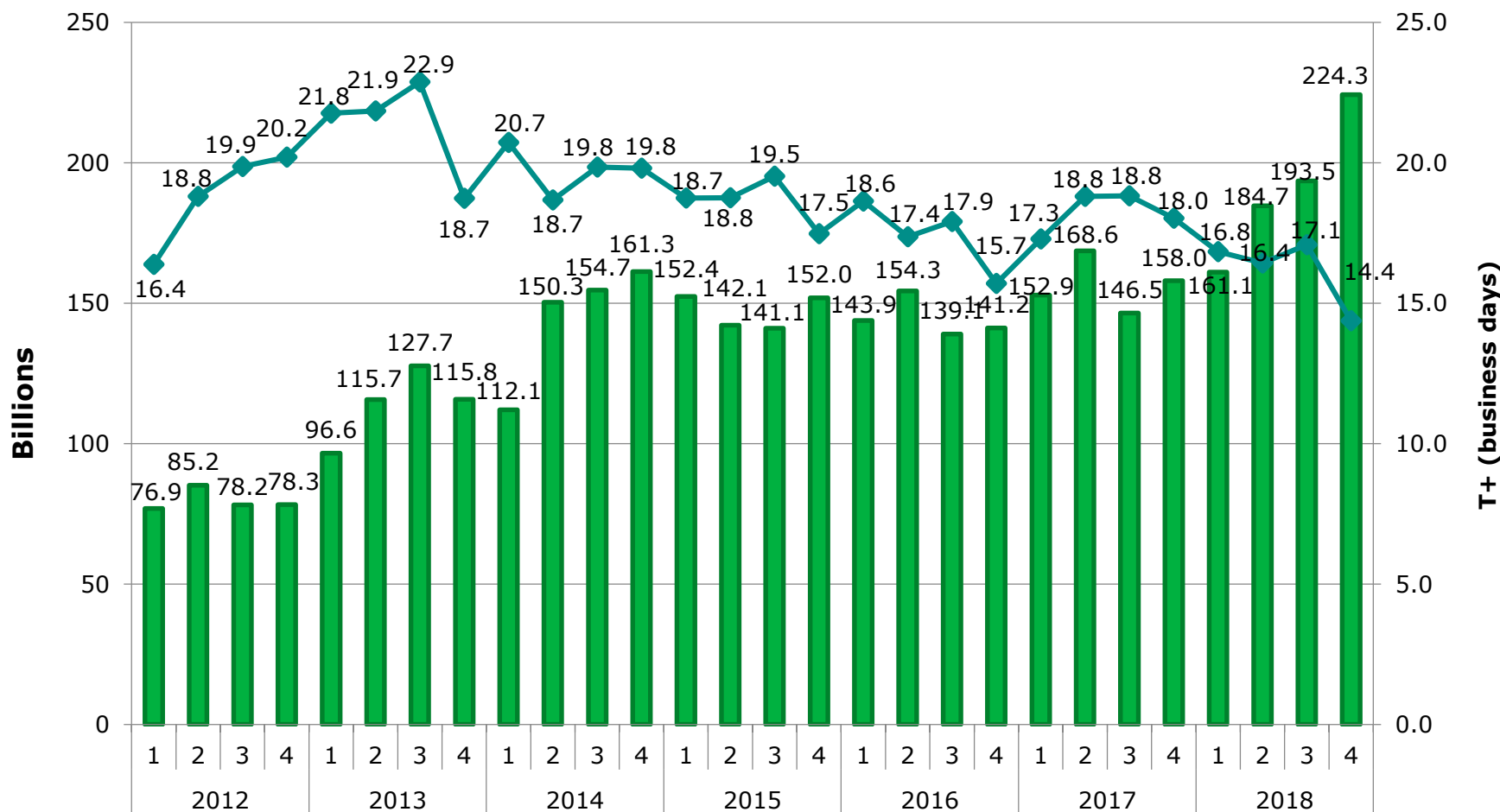


Source: Markit Loan Settlement

# Trade settlement efficiency 2018

(excluding "When Issued" trades)

## LSTA Secondary Par Settled Notional by Quarter



Source: Markit Loan Settlement

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