



IHS Markit™

Q2 2019 Leveraged Loan Market Data Snapshot

IHS Markit

July 1, 2019

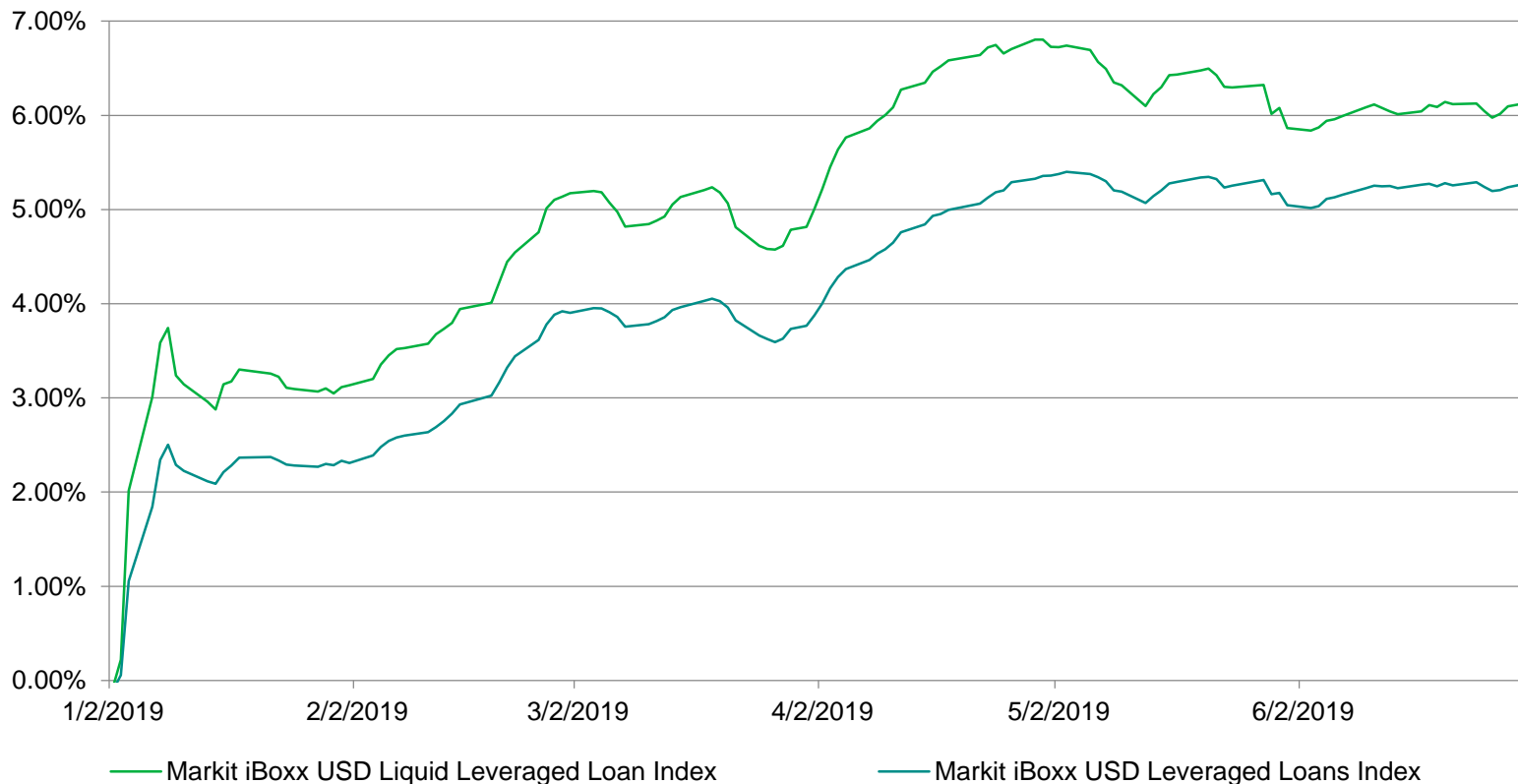
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Loan index trend Q2 2019

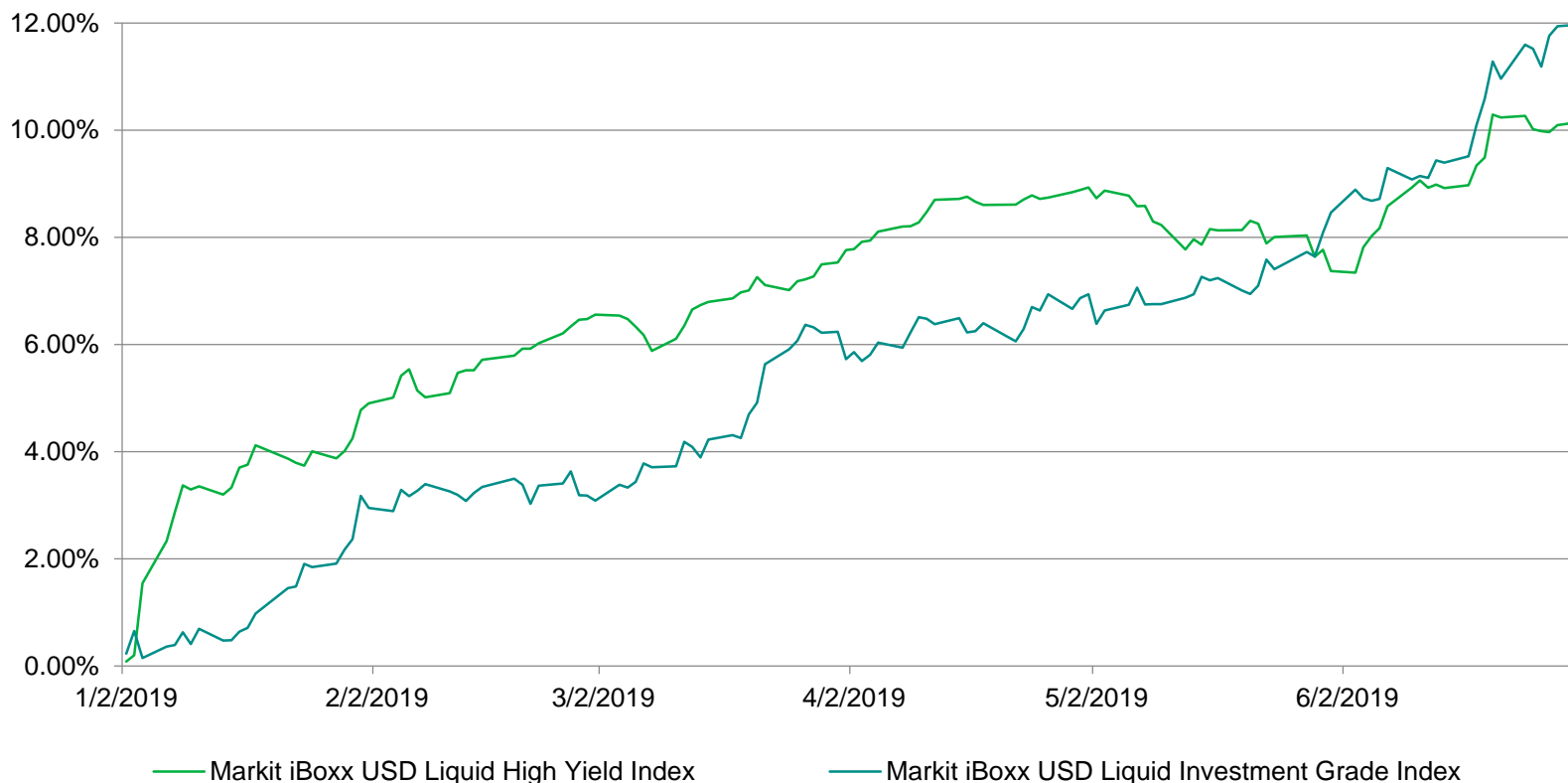
Leveraged Loan Total Returns



<u>Loan Indices</u>	<u>Q2Δ%</u>	<u>YTD return</u>
Markit iBoxx USD Leveraged Loan Index	1.43%	5.27%
Markit iBoxx USD Liquid Leveraged Loan Index	1.23%	6.13%

Bond index trend Q2 2019

High Yield & Investment Grade Total Returns



<u>Loan Indices</u>	<u>Q2Δ%</u>	<u>YTD return</u>
Markit iBoxx USD Liquid High Yield Index	2.36%	10.13%
Markit iBoxx USD Liquid Investment Grade Index	5.11%	11.96%

Pricing data trend Q2 2019

Pricing trend: average bids in the secondary market

Region	Average bid	Q2 $\Delta\%$	YTD $\Delta\%$
US	96.15	-0.02	0.73
Europe	93.94	-0.79	0.59
Asia	93.28	-1.30	-0.63

Pricing trend: average spreads by credit rating (globally)

Average loan spreads to maturity (June 28)	1 year tenor	3 year tenor	5 year tenor	7 year tenor
BB	L+190.1	L+220.4	L+241.2	L+258
B	L+427.2	L+457.5	L+478.3	L+495.1
CCC	L+831.5	L+862.8	L+882.6	L+899.4

Average loan spreads Q2 2019 Δ	1 year tenor	3 year tenor	5 year tenor	7 year tenor
BB	-19.21%	-17.36%	-16.88%	-16.50%
B	-5.42%	-5.30%	-5.60%	-5.77%
CCC	-4.35%	-4.32%	-4.50%	-4.62%

Sector view – Q2 2019

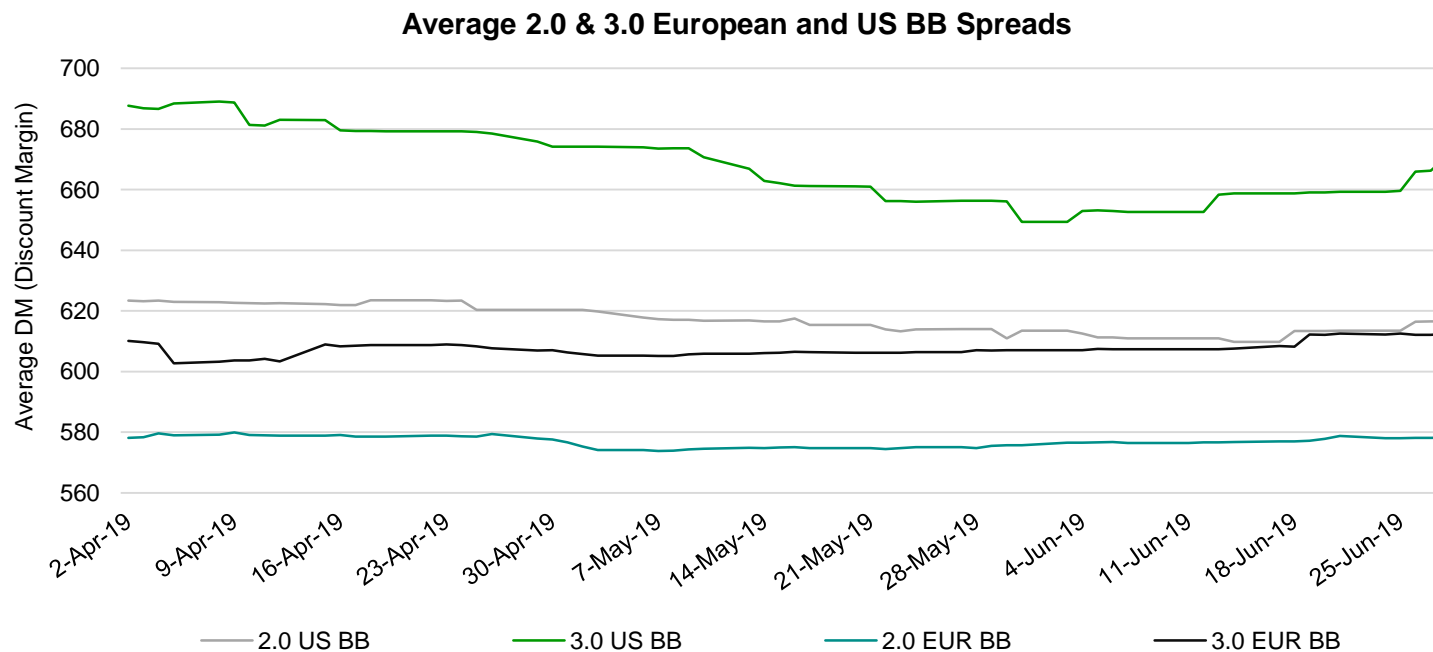
Q2 change in North American and European leveraged loan sector spreads (bps)

		BBB-	BB+	BB	BB-	B+	B	B-	CCC+
Basic Materials	NA	-7	-4	+9	+4	+12	+19	+25	+15
	EU	+5	+8	+21	+16	+23	+32	+55	-3
	Change NA-EU	-11.8	-11.9	-12.1	-12.5	-11.7	-12.4	-29.7	+17.3
Consumer Goods	NA	-10	-7	+6	+0	+9	+16	+22	+12
	EU	+3	+7	+19	+14	+22	+30	+53	-4
	Current NA-EU	-13.3	-13.3	-13.6	-13.9	-13.2	-13.8	-31.2	+15.9
Consumer Services	NA	-44	-41	-28	-34	-26	-18	-12	-23
	EU	-31	-28	-15	-20	-13	-5	+19	-39
	Current NA-EU	-13.1	-13.1	-13.4	-13.8	-13.0	-13.7	-31.0	+16.0
Energy	NA	-78	-74	-62	-67	-59	-52	-46	-56
	EU	-66	-62	-49	-54	-47	-39	-16	-73
	Current NA-EU	-12.1	-12.1	-12.4	-12.7	-12.0	-12.6	-30.0	+17.1
Financials	NA	-36	-32	-20	-25	-17	-10	-4	-14
	EU	-24	-21	-8	-13	-5	+3	+26	-32
	Current NA-EU	-11.8	-11.8	-12.1	-12.4	-11.7	-12.3	-29.7	+17.4
Healthcare	NA	-11	-8	+5	-0	+8	+15	+21	+11
	EU	+2	+6	+18	+13	+21	+29	+52	-5
	Current NA-EU	-13.3	-13.3	-13.6	-13.9	-13.2	-13.8	-31.2	+15.9
Industrials	NA	-33	-29	-17	-22	-14	-7	-0	-11
	EU	-20	-17	-4	-9	-2	+6	+30	-28
	Current NA-EU	-12.4	-12.5	-12.8	-13.1	-12.3	-13.0	-30.4	+16.7
Technology	NA	-30	-26	-14	-19	-11	-4	+2	-8
	EU	-16	-12	+1	-4	+3	+11	+35	-23
	Current NA-EU	-14.3	-14.3	-14.6	-14.9	-14.2	-14.8	-32.2	+14.9
Telecommunication Services	NA	-32	-29	-16	-22	-14	-6	-0	-11
	EU	-20	-17	-4	-9	-2	+6	+30	-28
	Current NA-EU	-11.9	-12.0	-12.2	-12.6	-11.8	-12.5	-29.8	+17.2
Utilities	NA	+67	+70	+83	+77	+86	+93	+99	+88
	EU	+78	+82	+95	+90	+97	+105	+129	+71
	Current NA-EU	-11.6	-11.6	-11.9	-12.2	-11.5	-12.1	-29.5	+17.6

CLO trend Q2 2019

Overall pace of CLO market picks up in Q2; new issue spreads set the tights

- AAAs settle in the 120-M130s for 2 to 3 year reinvestments versus the 130s-M140s for 4 to 5 year reinvestments.
- New issue prints have shown strength in the last few weeks, bifurcated largely by portfolio and manager quality.
- US YTD issuance hovers at ~\$62bn from 125+ deals, while Europe YTD issuance is ~€13.1bn from 31 deals.
- Q2 2018: issuance in the US was ~\$66bn from 120+ deals, and ~€13.3 from 32 deals in Europe.

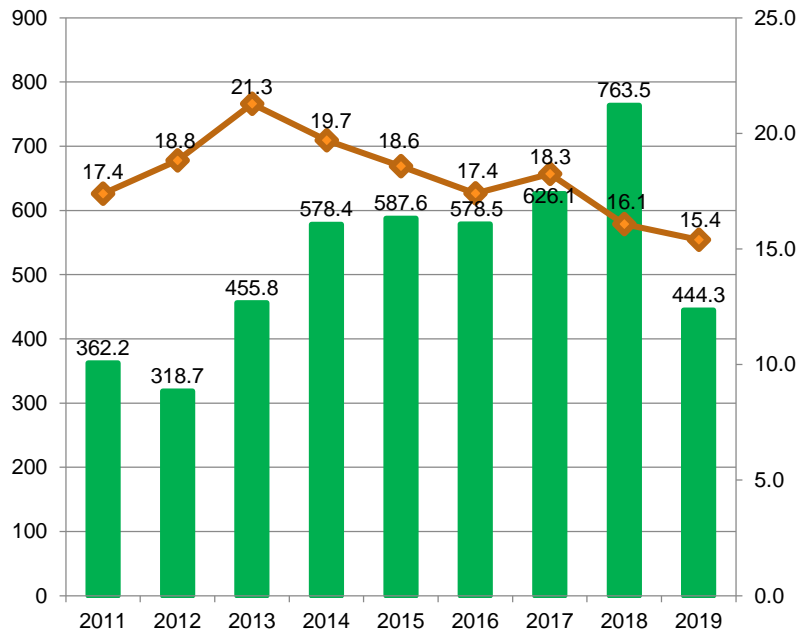


Top tier managed bonds widened out slightly ~15-20 bps towards the end of June, while lower tier bonds edged out further to trade in the H600s/L700s DM. Europe continues to hold well, with 2.0 BBs trading inside of 600 and 3.0s in the M620s, converging on the tighter end of the US 2.0 BBs. Arbitrage concerns and the lack of loan supply around good quality credits are continual themes in both markets, though whether these headwinds pose a real threat to CLO creation remains to be seen.

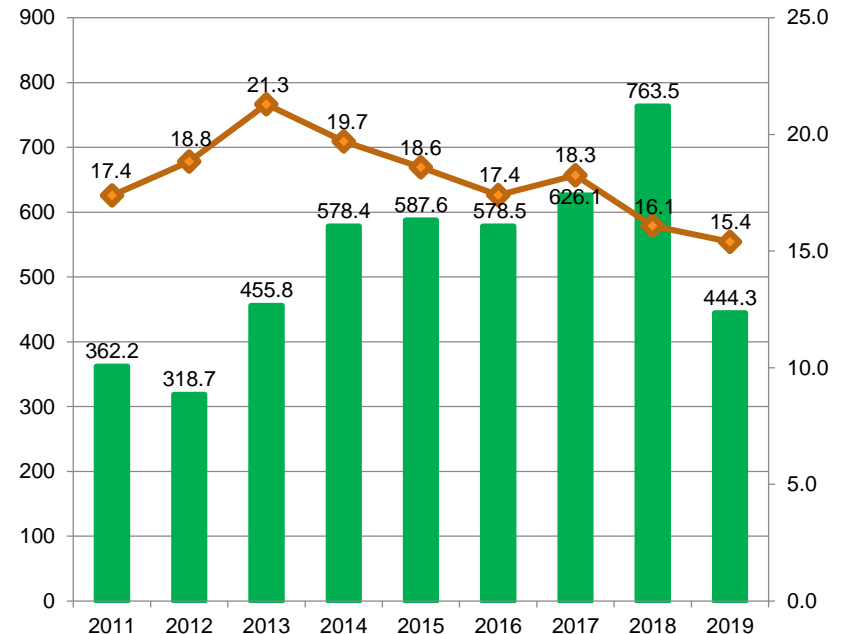
Trade settlement volume – 2019

(excluding “When Issued” Trades)

Average T+ Time and LSTA Secondary Par Settled Notional



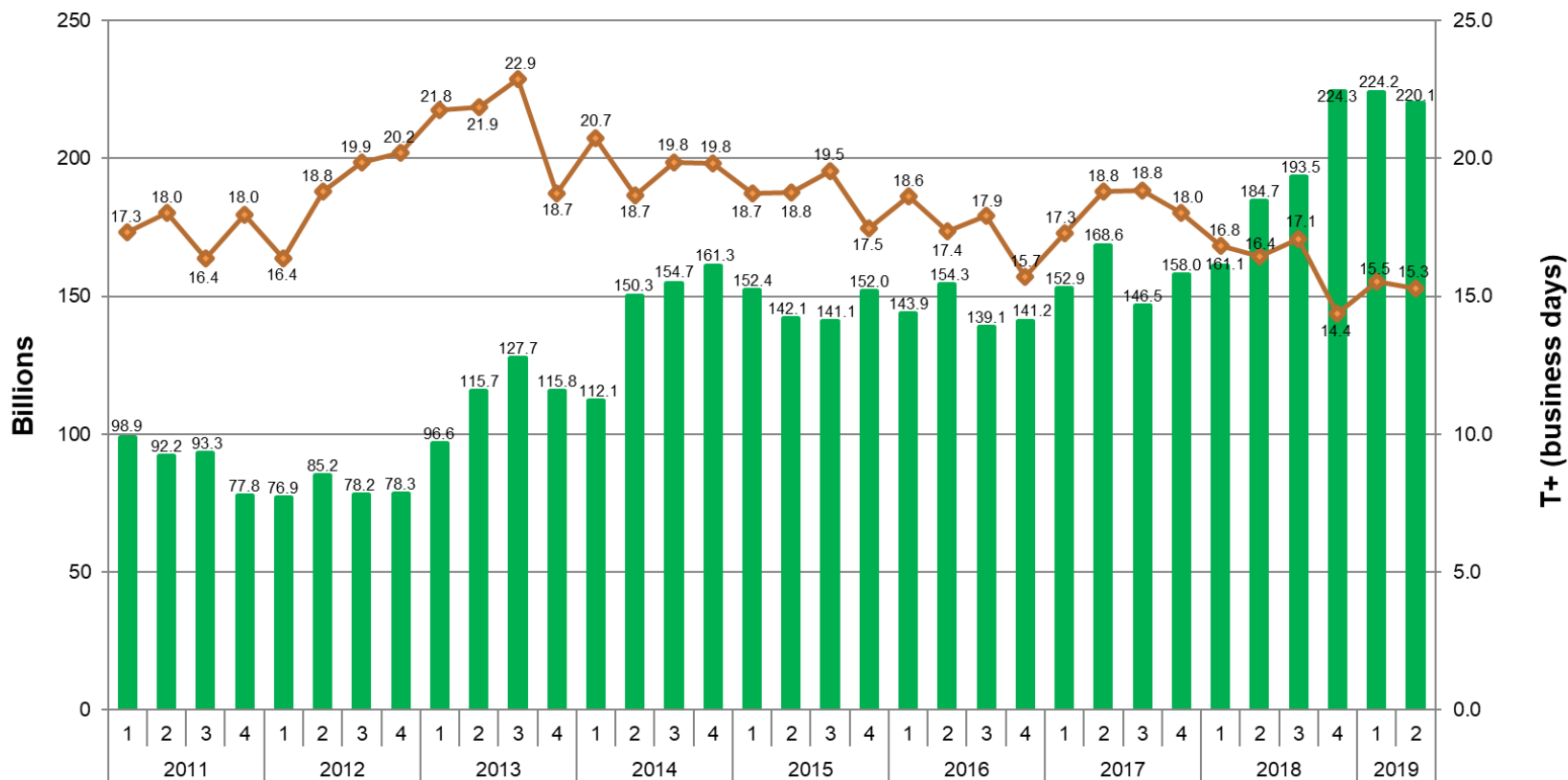
Average T+ time and LSTA Secondary Par Settled Allocations



Trade settlement efficiency 2019

(excluding "When Issued" Trades)

LSTA Secondary Par Settled Notional by Quarter



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