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Whiplash Strikes

Leveraged loan market caught up in coronavirus fears

February began with repricings, ambitious refinancings and large M&A deals in Europe’s leveraged loan market. It ended with plunging secondary prices and cancelled repricings as the global credit markets seethed with coronavirus fears.

- Deals worth EU6.46b launched to syndication, based on data compiled by Bloomberg. That’s roughly half of January’s bumper crop and a decent tally given how fast conditions deteriorated in the final week.

- The window for repricings slammed shut. Companies that were fortunate with their timing repriced EU4.45b of loans during February, following the EU11.1b in January, but three borrowers had to pull their requests in the final week.

- Including new and repriced debt, single-B rated loan spreads declined again to 371bps in the three months to end-February. Given the drastic change of tone, companies that achieved those tight spreads now look enviable. But their loans are vulnerable to weakness in secondary alongside those with clear virus-related risk.

**Avg. Single B All-in Spreads**

EUR 1L institutional loans. Single B and unrated issuers.

*Monthly data subject to revisions.*
EUR/GBP 1L/2L institutional loans. Excludes repricings.

HY corporate bonds.

Monthly data subject to revisions.
EUR/GBP 1L/2L institutional loans. Excludes repricings.

Monthly data subject to revisions.
EUR 1L institutional loans. Single B and unrated issuers.

Avg. Single B All-in Spreads

Avg. All-in Spreads

Facilities Flexed Wider/Tighter

Second-Lien Volume

EUR/GBP 1L institutional loans.

EUR/GBP 2L institutional loans. Excludes repricings.

Monthly data subject to revisions.
Includes anchored, syndicated and short-dated transactions.

Includes deals that had no single B tranche; the average is higher if these deals are excluded (196bps for May).
EUR/GBP 1L/2L institutional loans (excludes repricings) and HY corporate bonds.

FRN corporate bonds.

Monthly data subject to revisions.
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