

# COVID-19: A Look at Distress, CLOs, and Credit Quality

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**S&P Global**

Market Intelligence

# Speakers

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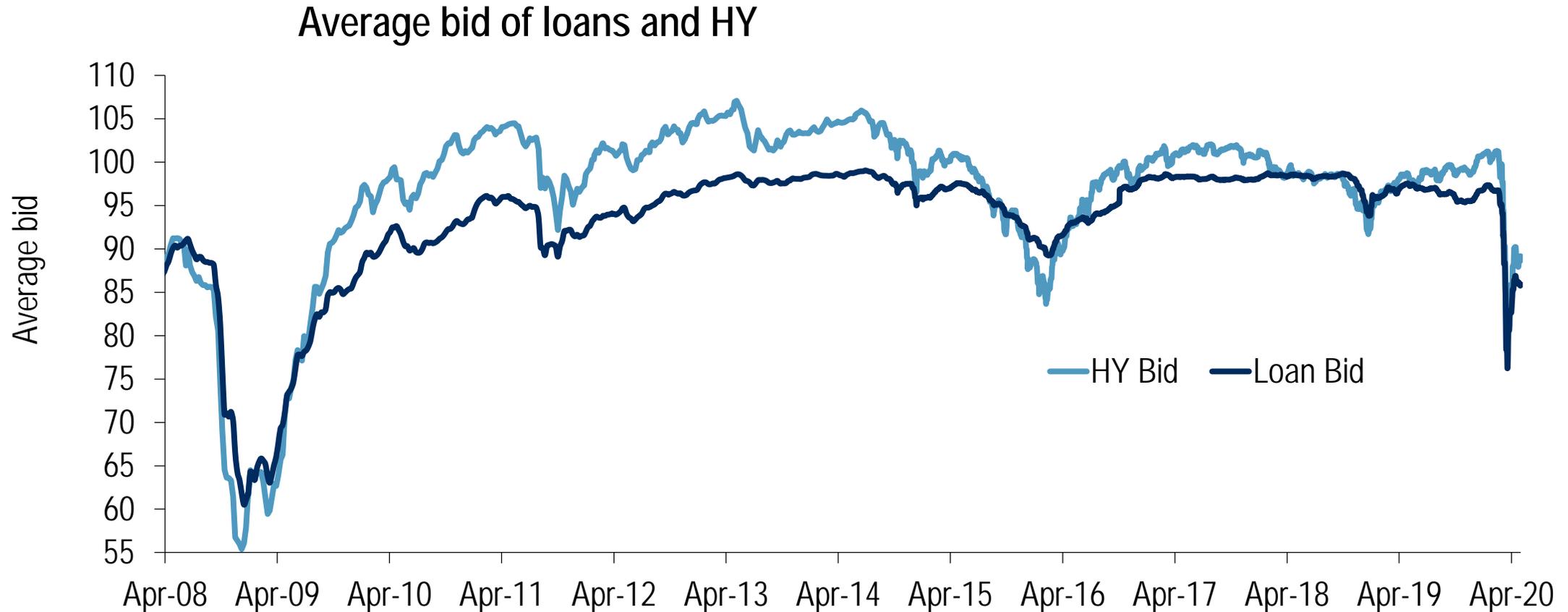


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# Secondary loan prices fall to decade lows



# Fed rally spurs partial rebound

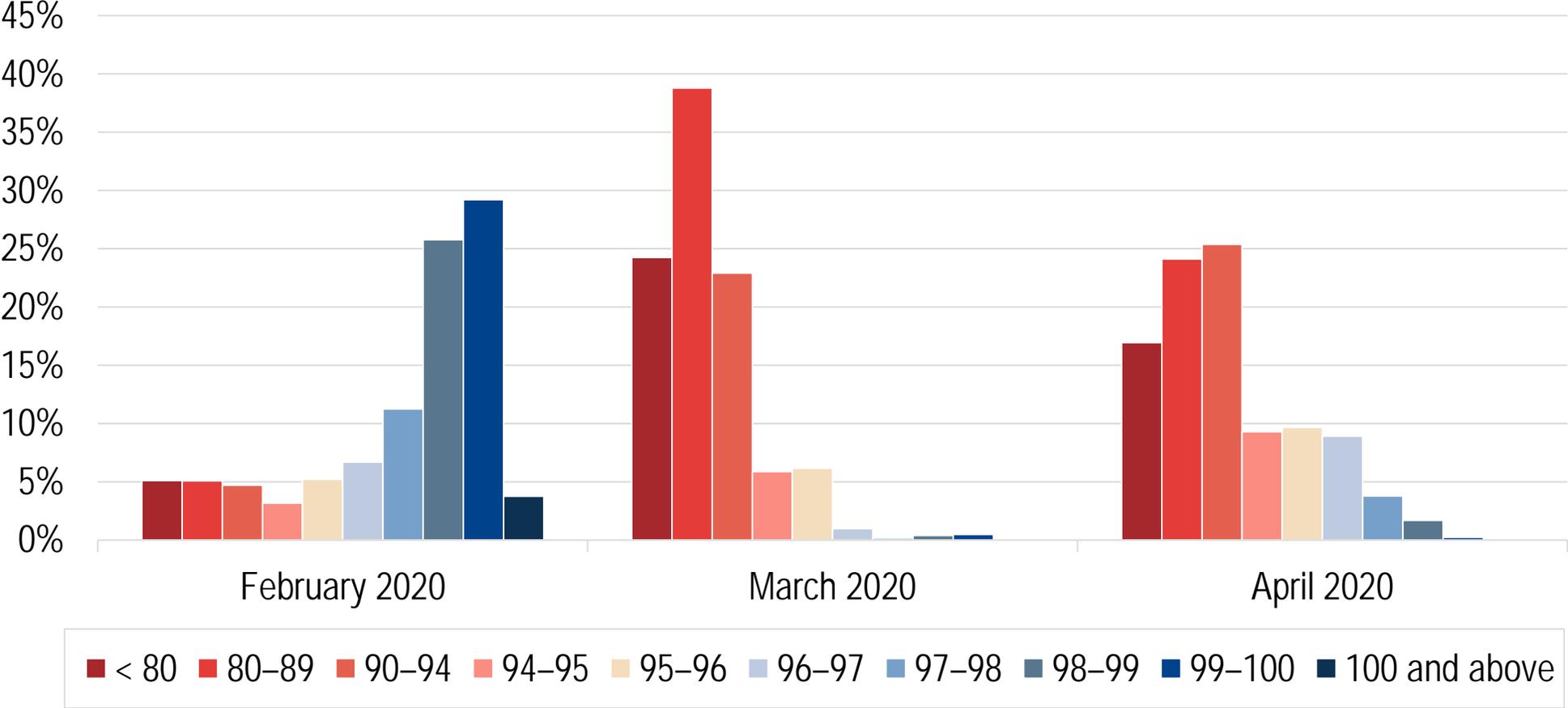
## Weighted average bid of US loans



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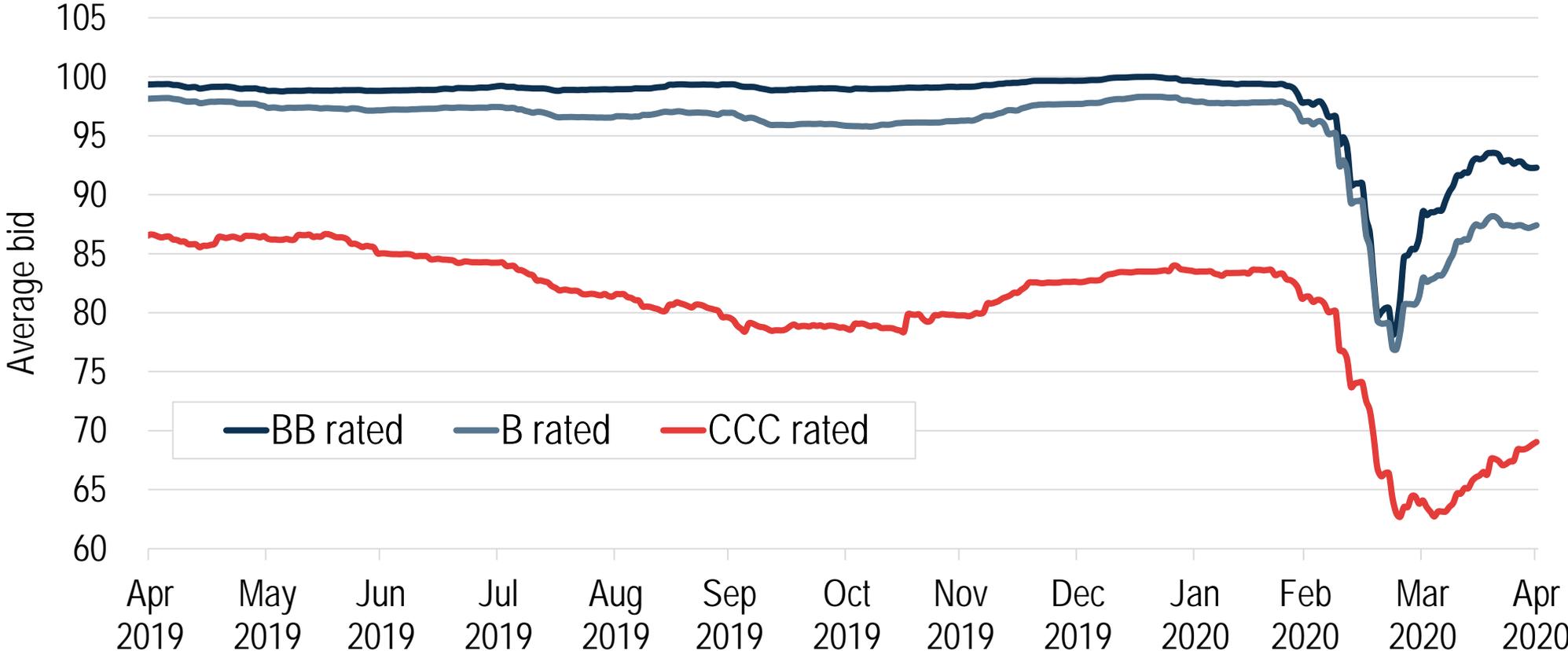
# Par void continues

Breakdown of the S&P/LSTA LL Index by bid price



# Low quality loans lag

## Average bid of outstanding loans by S&P Global loan rating



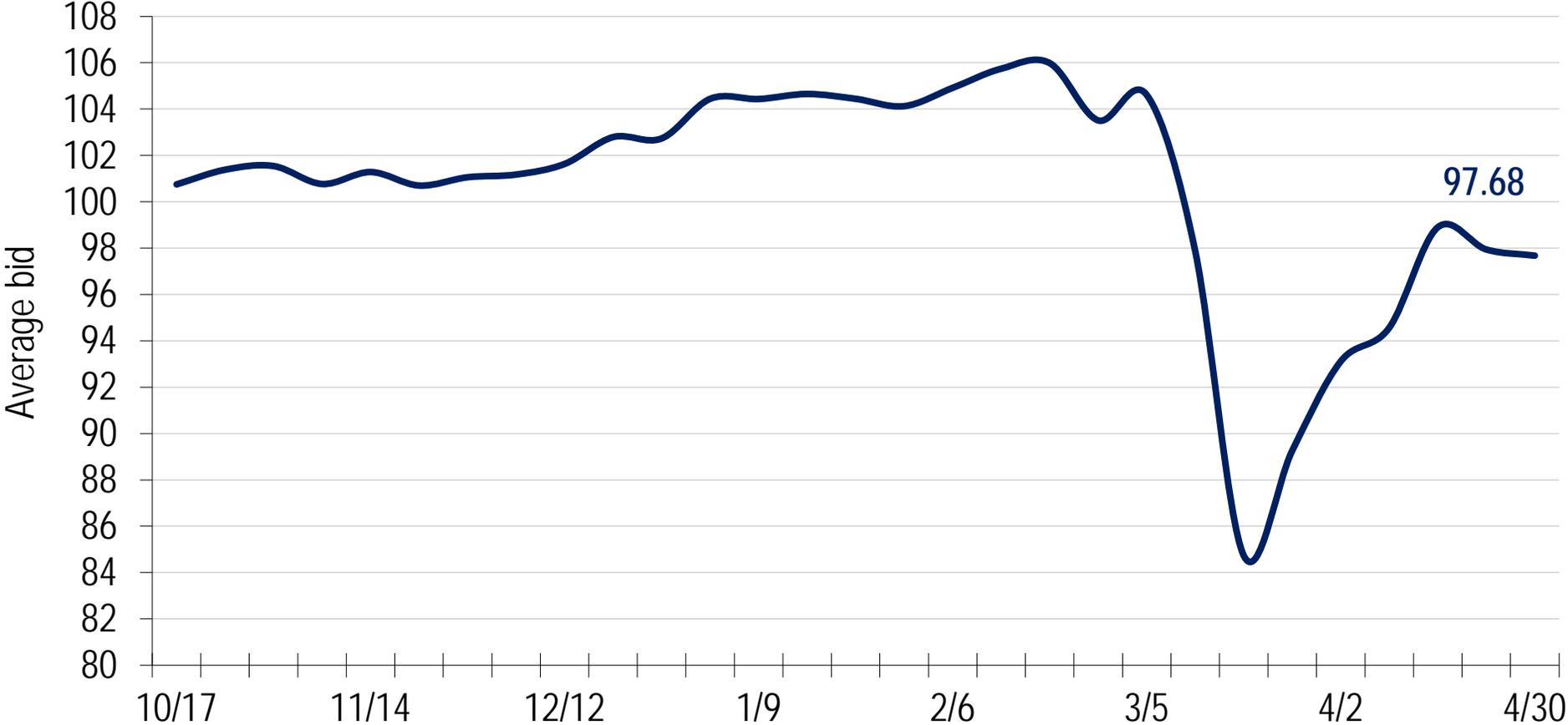
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# Lockdown impacts sectors differently

S&P/LSTA LL Index returns by sector			
	April	March	Cumulative
Oil & Gas	9.10%	-31.95%	-25.76%
Nonferrous Metals/Minerals	4.53%	-26.70%	-23.38%
Retailers (except food & drug)	2.22%	-19.13%	-17.33%
Leisure Goods/Activities/Movies	2.66%	-16.89%	-14.68%
Lodging & Casinos	5.99%	-14.60%	-9.49%
Surface Transport	0.91%	-14.02%	-13.24%
Automotive	3.27%	-13.83%	-11.01%
Utilities	5.19%	-9.88%	-5.20%
Ecological Services & Equipment	3.47%	-5.93%	-2.67%
Cable & Satellite Television	2.04%	-4.71%	-2.77%

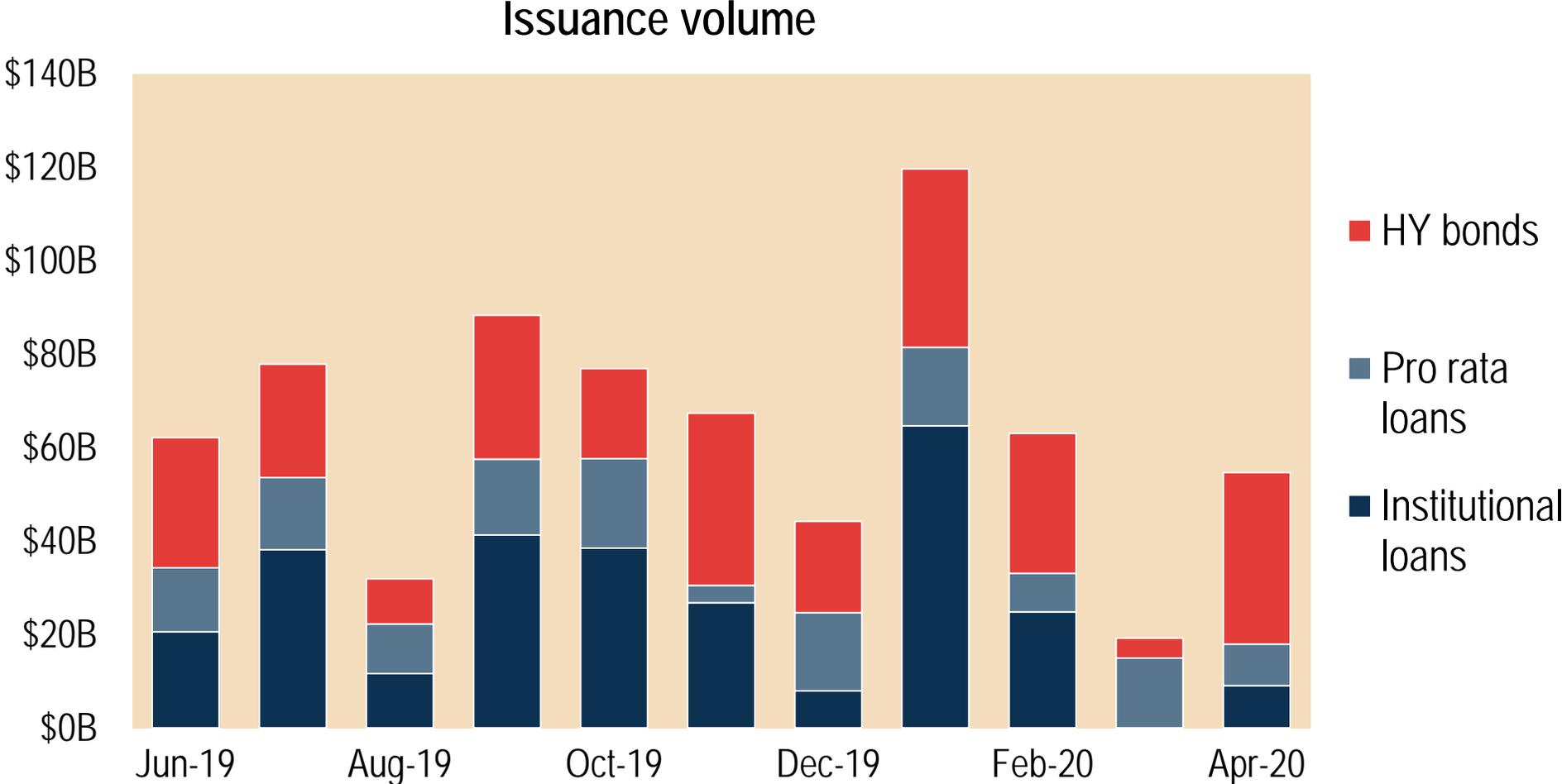
# HY secondary rallies strongly following crash

## Average high-yield flow-name bid



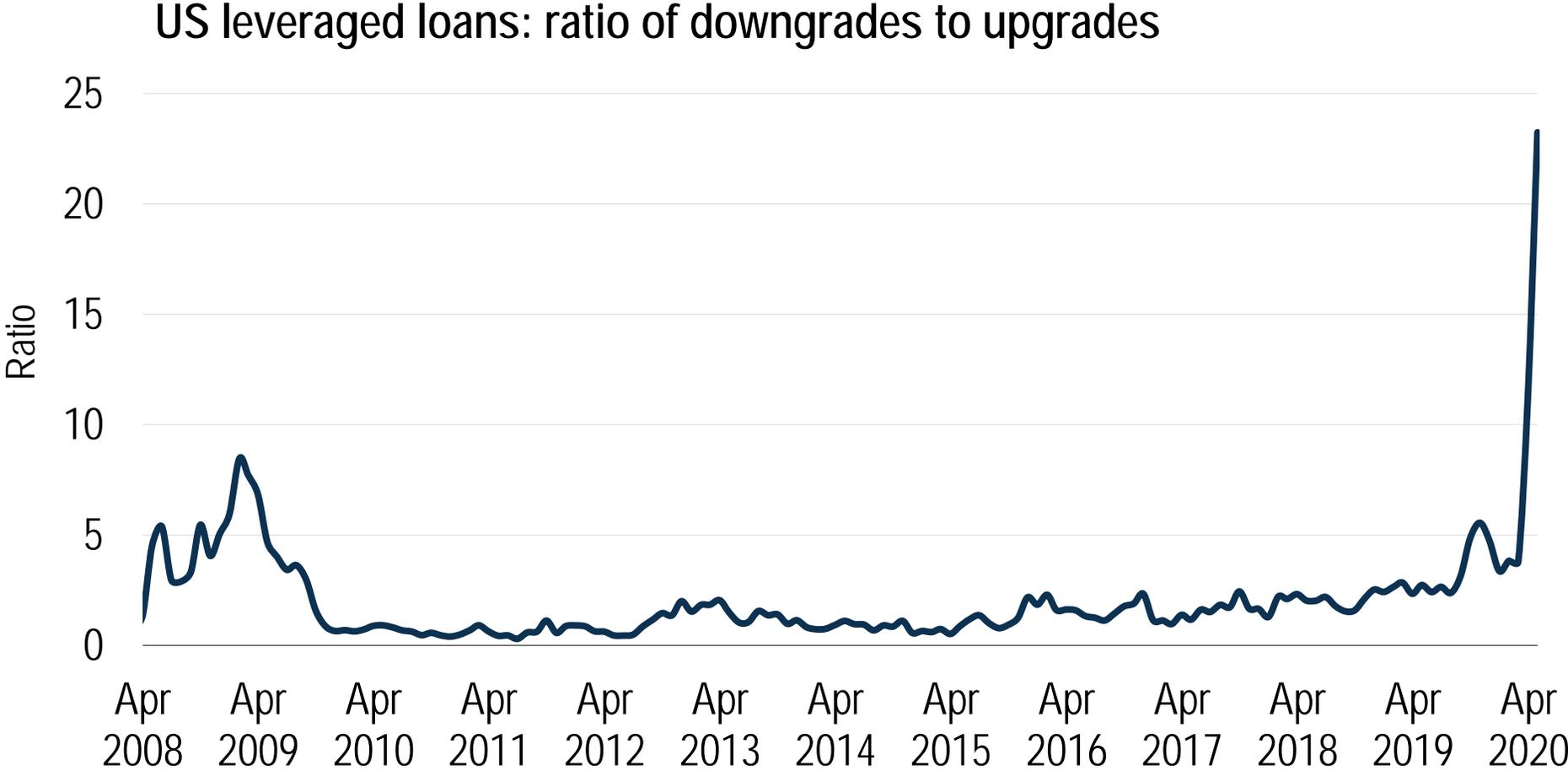
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# High yield primary takes the lead



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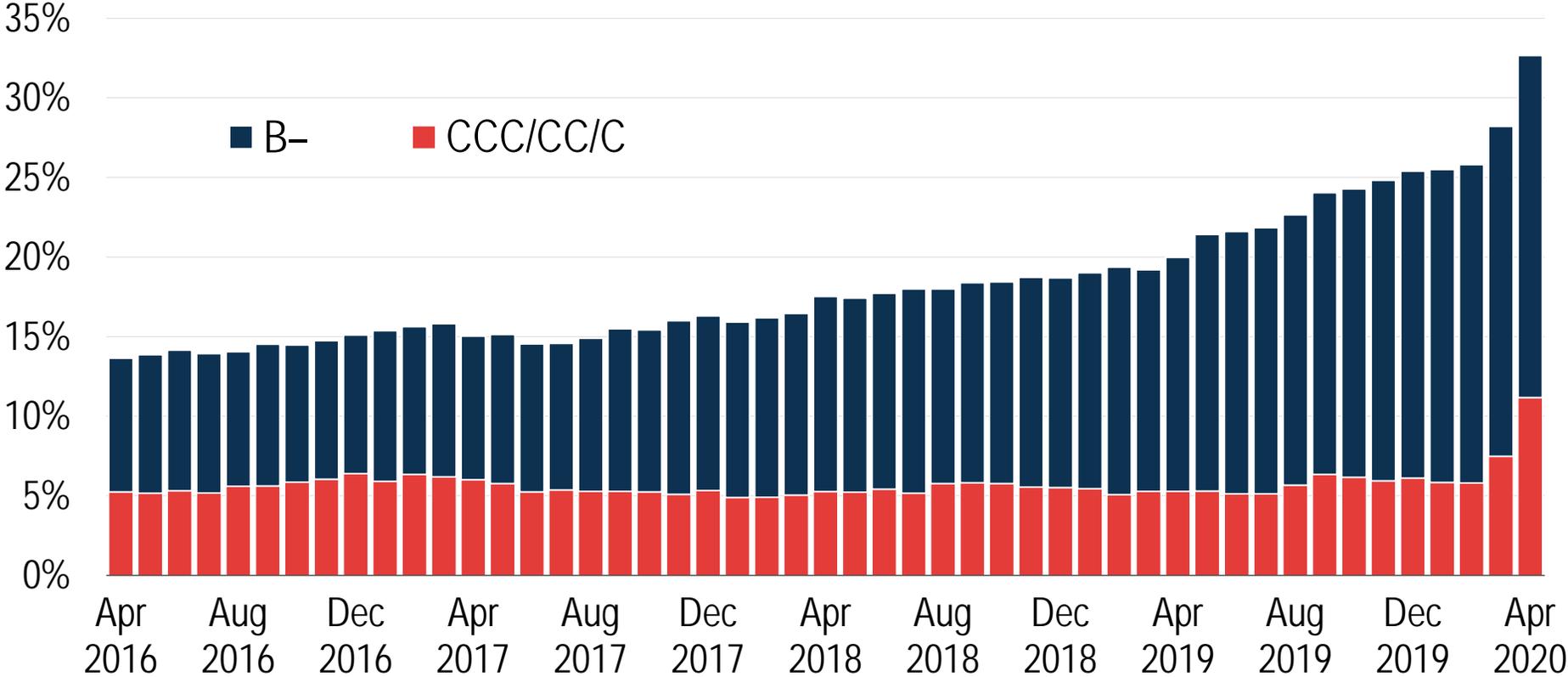
# Ratio of downgrades to upgrades at record high



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# Ratings mix of leveraged loans weakens

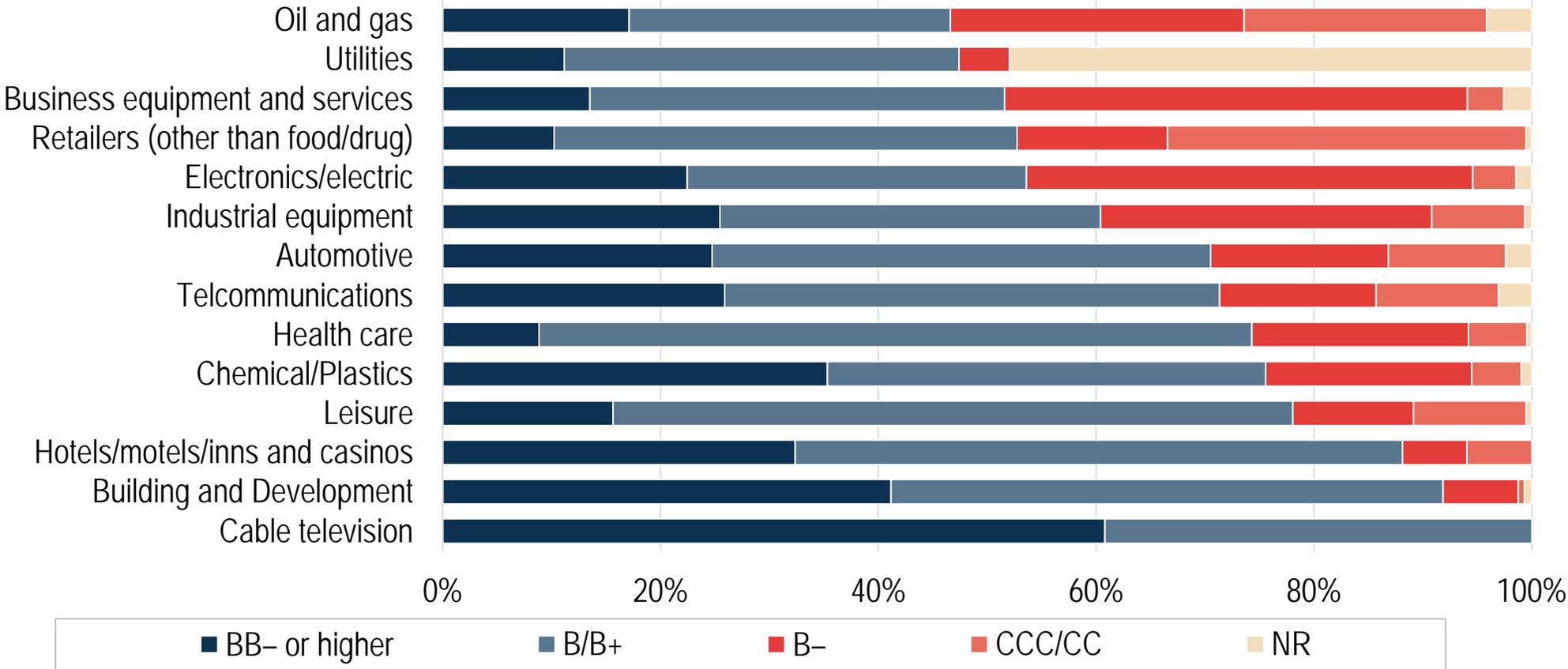
US leveraged loans outstanding, by S&P Global issuer rating



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# Industry breakdown by rating

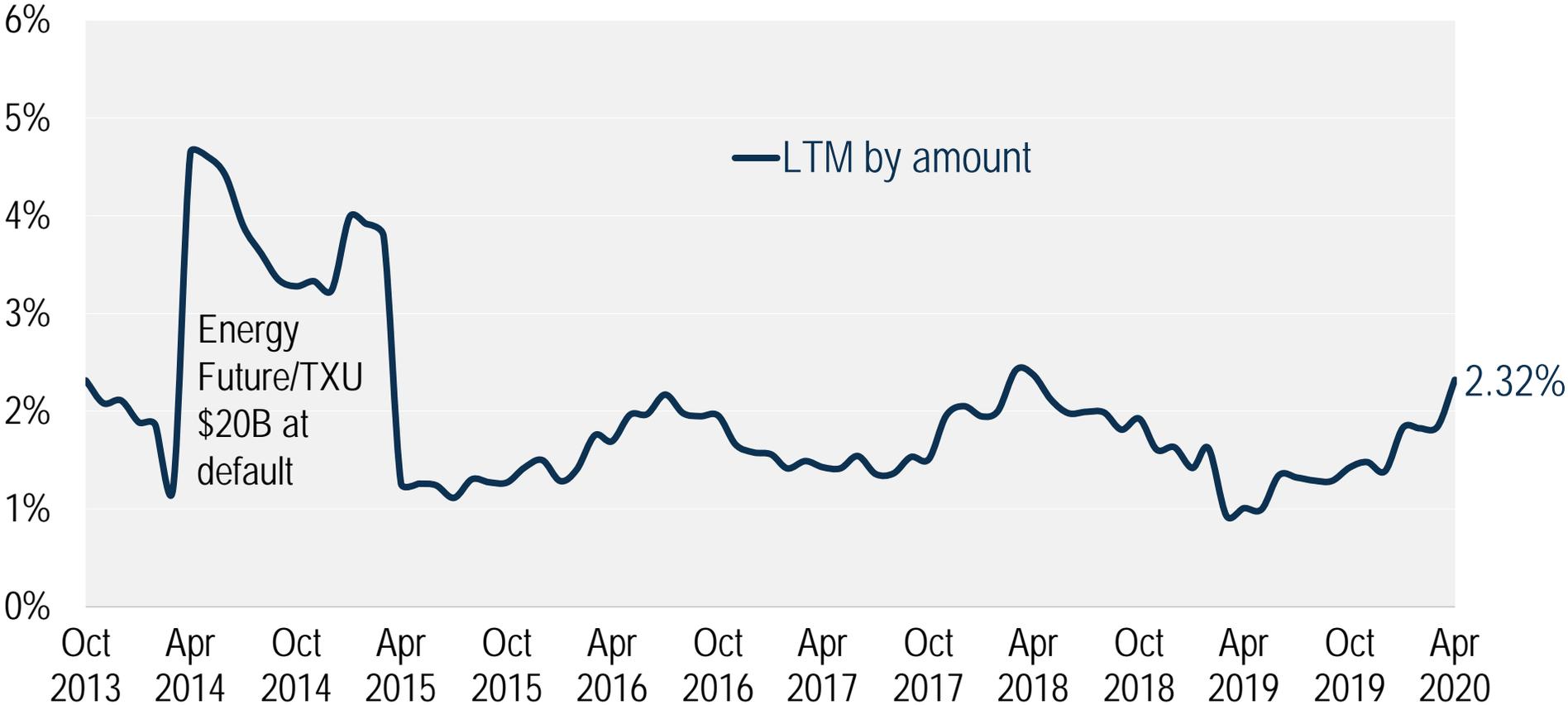
## Industry breakdown by S&P corporate rating



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# Default rate tips towards historical average

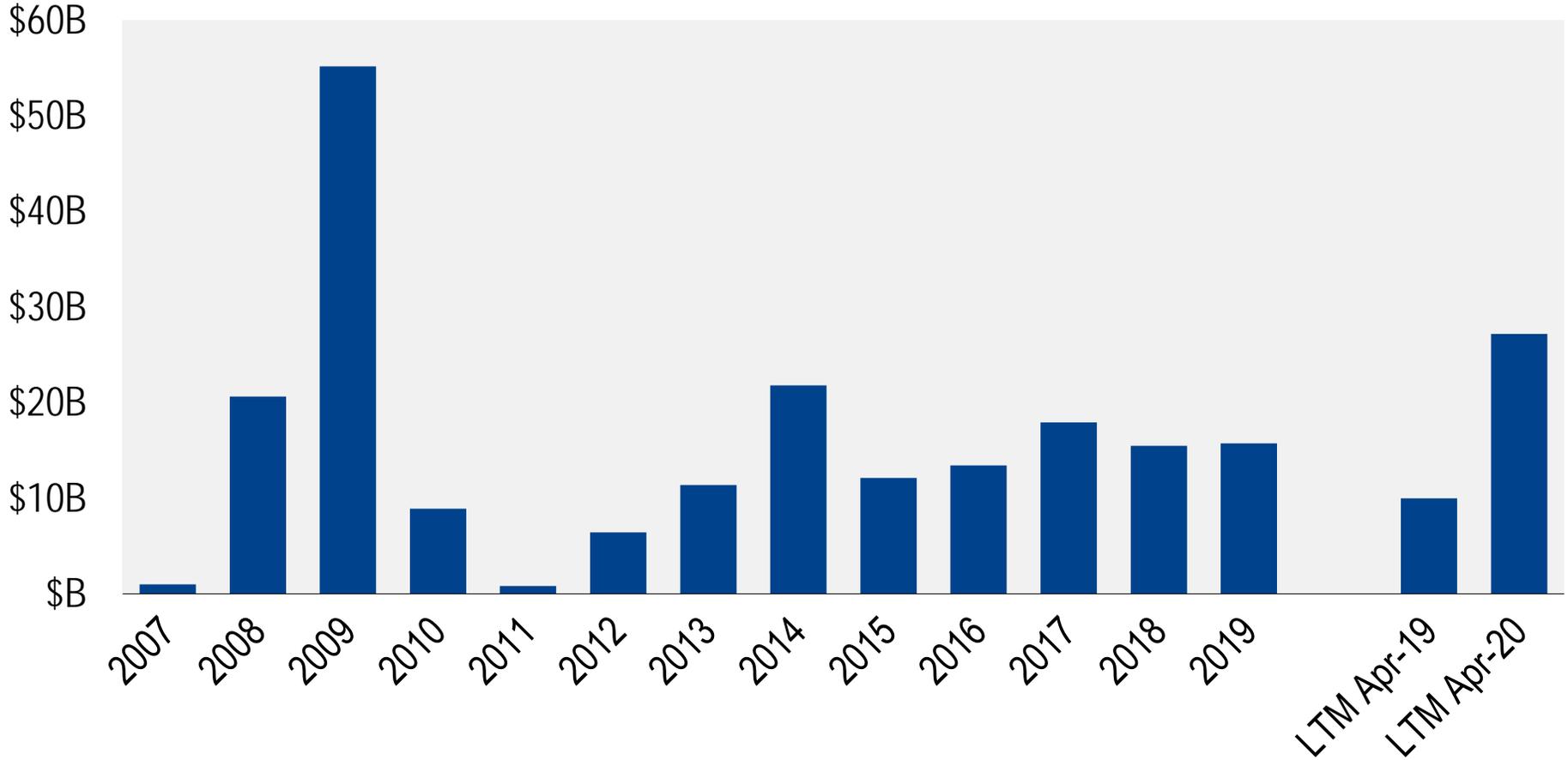
## US leveraged loan default rate



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# LTM default volumes far outpace 2019

## US leveraged loan defaulted amount in S&P/LSTA LLI



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# S&P/LSTA LL Index: then and now

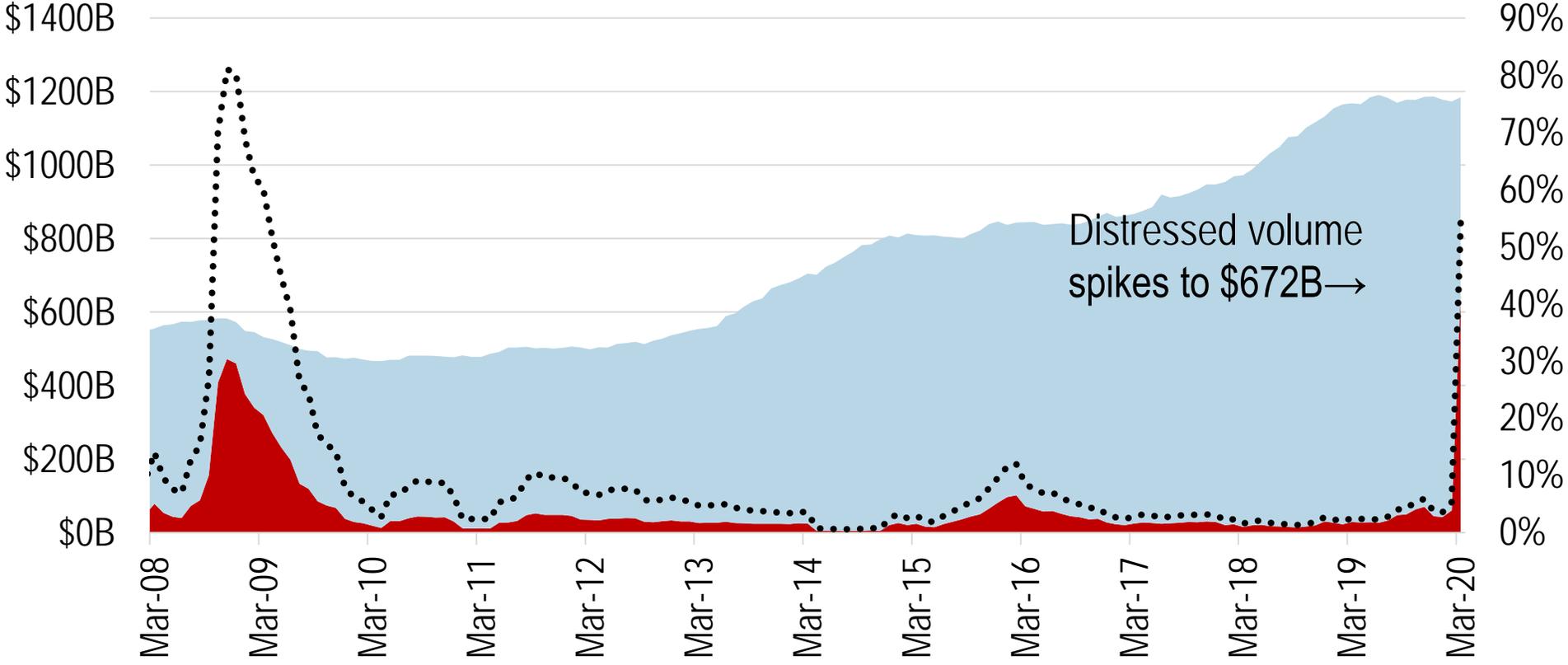
S&P/LSTA LL Index		
	Mar 2020	YE 2008
Total par outstanding	\$1.191 trillion	\$594 billion
Issuer count	1,173	825
U.S. domiciled borrowers' share	85%	93%
European domiciled borrowers' share	9%	5%
BB rated share	24%	47%
B rated share	58%	31%
CCC/CC rated share	8%	5%
Covenant-lite share	82%	15%
Weighted average bid price	76.35	61.74
Share priced below 80	54%	80%
Share priced at par or higher	0%	0%
Weighted average nominal spread	L+345	L+266
Discounted spread to maturity	L+1066	L+1641
LTM downgrade/upgrade ratio	3.39	3.20
Average facility size (par outstanding)	\$818 million	\$524 million

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Chart as of 30.04.2020

# Loan volume below 80 exceeds '08 crisis levels

Breakdown of the performing loans in S&P/LSTA LLI

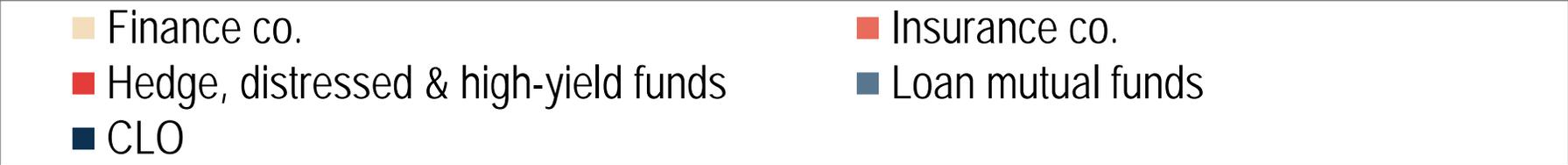
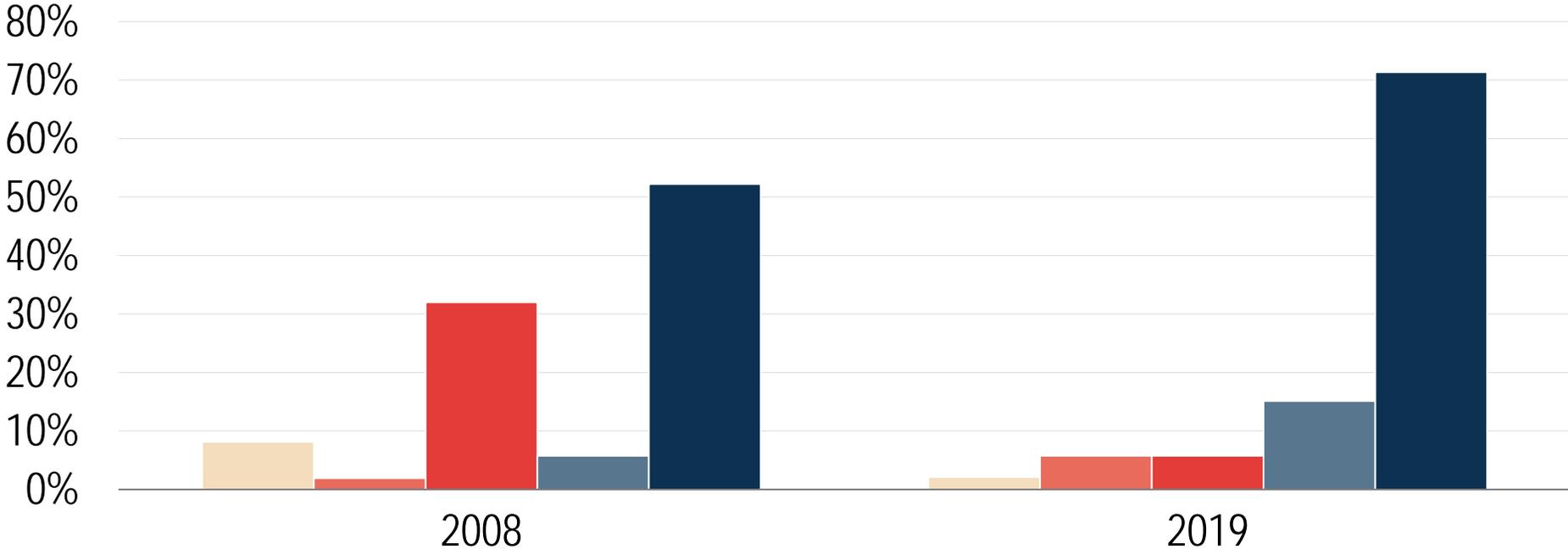


■ Distress amount (left axis) 
 ■ Non-distress amount (left axis) 
 ⋯⋯ Distress ratio (right axis)

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# Loan investor base transition

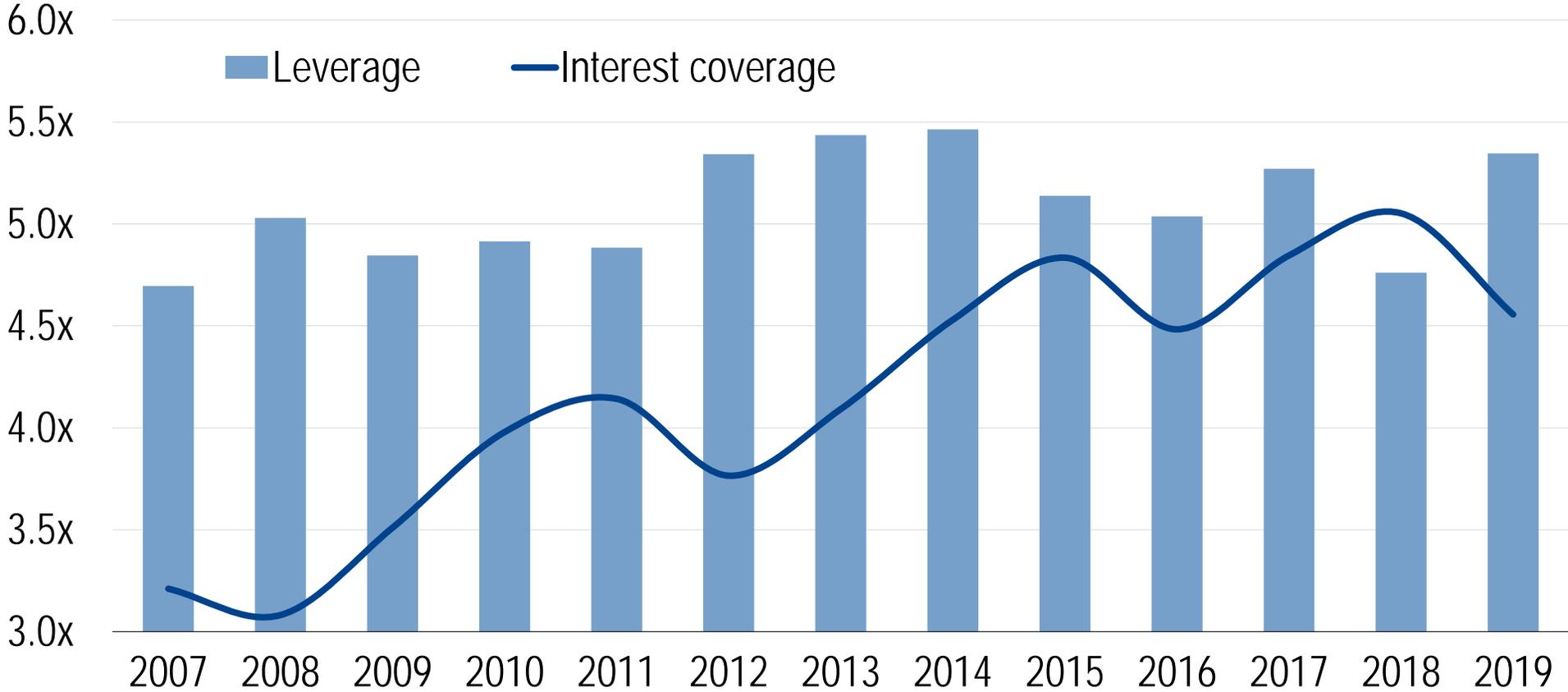
Primary institutional market by investor type (ex-banks)



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# Leverage creeps higher, interest coverage falls

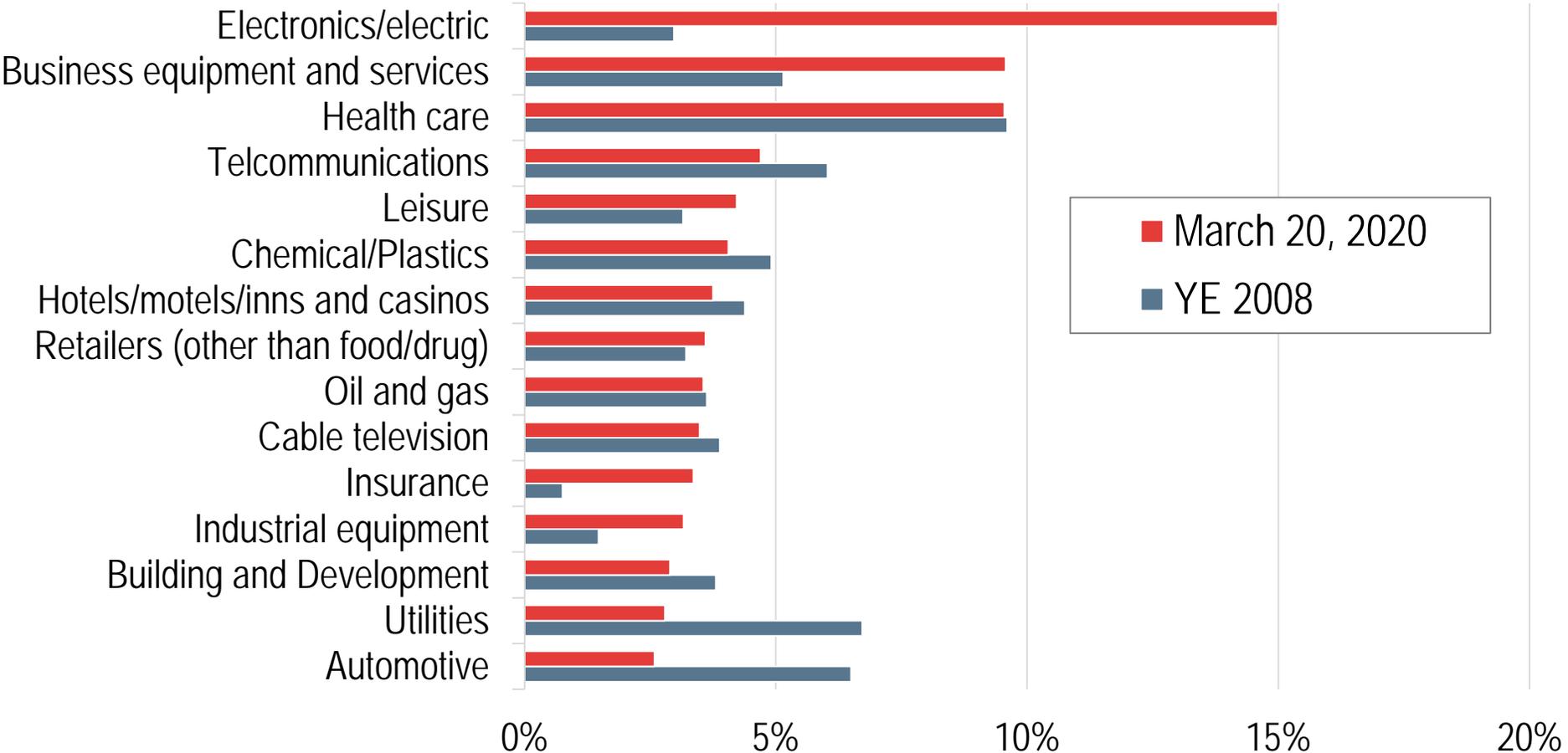
## Credit statistics – outstanding US leveraged loans



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# Sector shifts: current landscape vs '08

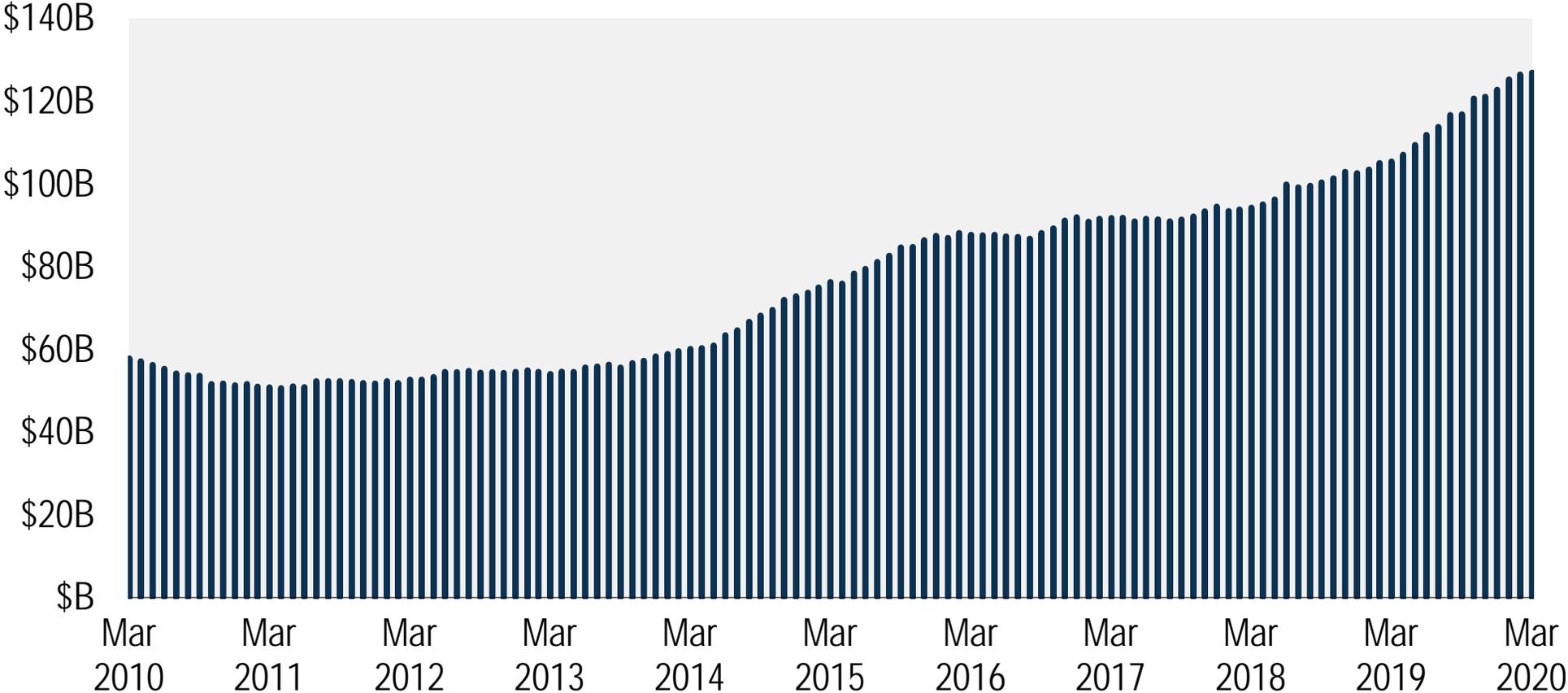
Share of largest 15 industries in the S&P/LSTA LLI



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# Default amount needed to reach 2008 peak

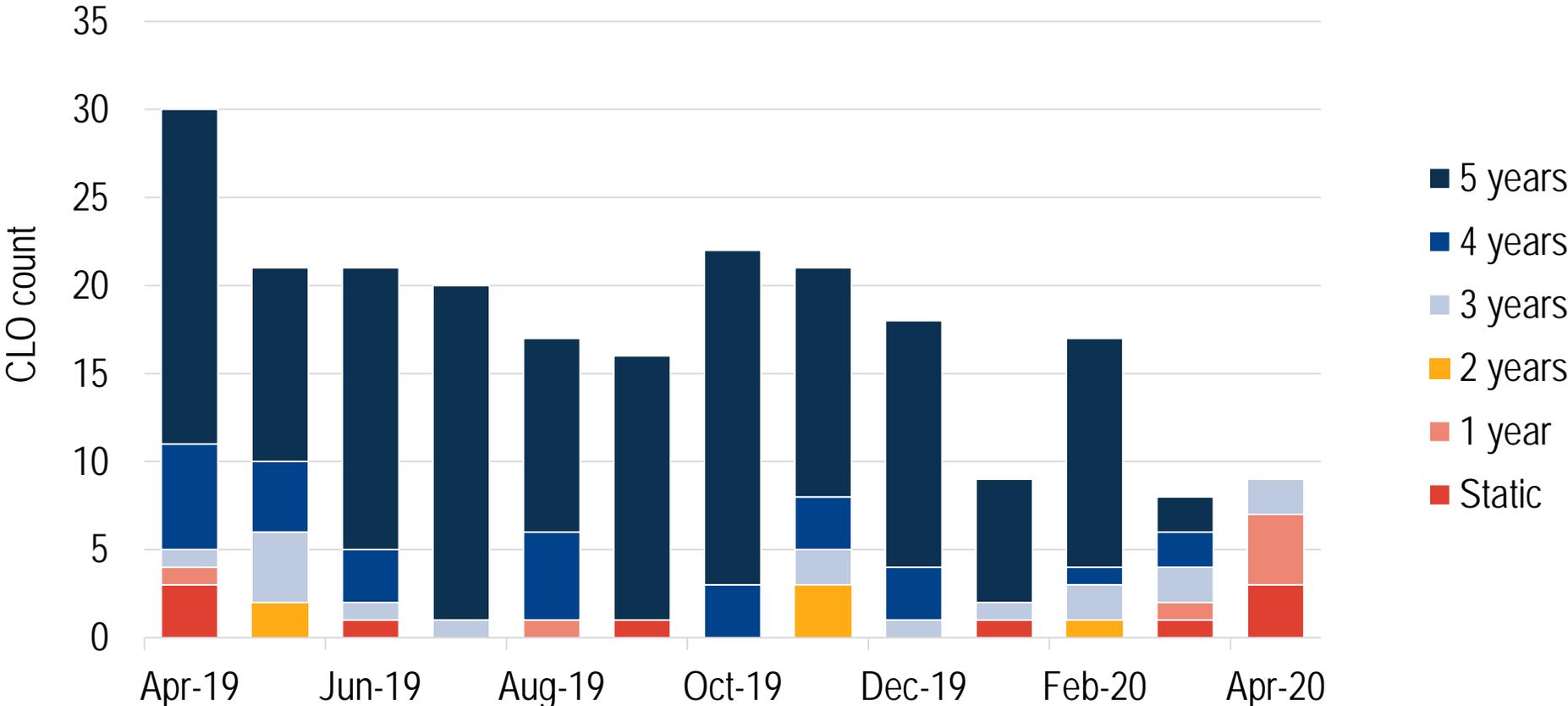
Defaulted amount needed to generate 10.8% default rate



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# CLO primary re-opens with static and short-dated deals

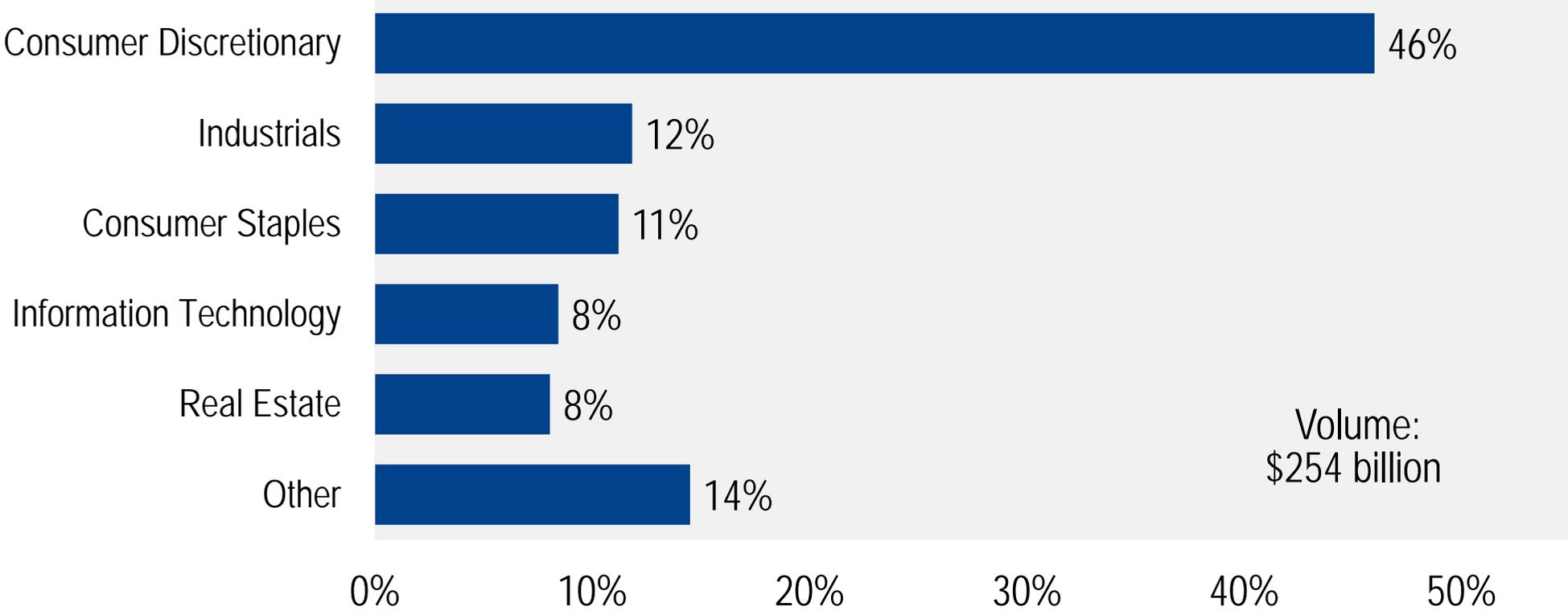
U.S. CLO count by reinvestment period



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# RC drawdowns by industry

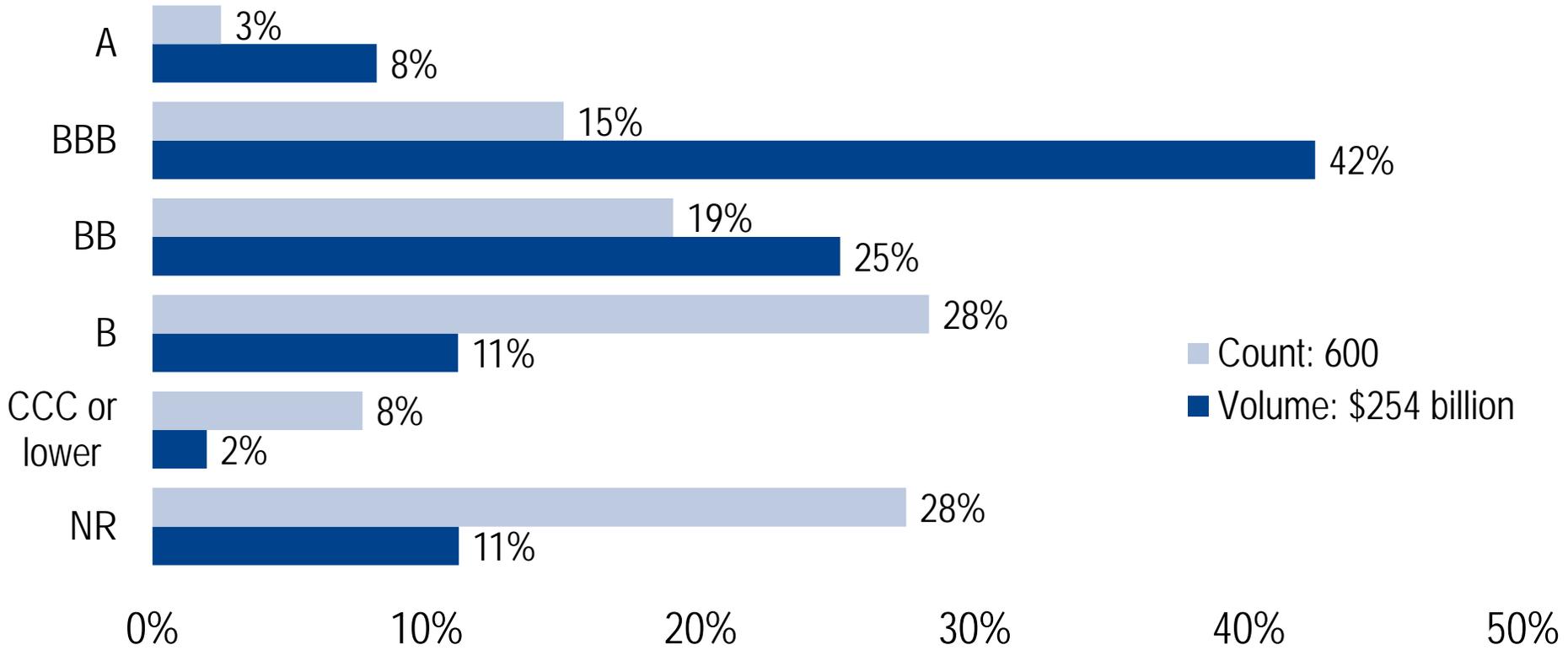
## US revolving credit drawdowns since March 5 – by industry



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# RC drawdowns by rating

US RC drawdowns since March 5 – by corporate credit rating



# Q&A

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