S&P Global Ratings: New Secondary Market Research Focuses On Leveraged Loans

NEW YORK, Jan. 25, 2024 /PRNewswire/ -- To provide transparency on the dynamics and health of secondary markets, S&P Global Ratings is introducing new proprietary secondary markets research analyzing pricing data for leveraged loans. The first edition, "Secondary Markets: Leveraged Loans Appear Confident For 2024", is available today on RatingsDirect and spglobal.com/ratings/PrivateMarkets.

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Utilizing S&P Global Market Intelligence Loan Pricing Data and Loan Reference Data, this bi-weekly publication provides data-driven insights on loan secondary market pricing based upon seniority (first lien vs. second lien) and currency (US Dollar vs. Euro-denominated).

Decreased liquidity and slowing market dynamics have made it more important to assess secondary markets as an indicator of market health--especially when considering the viability of an exit strategy in an environment with higher-for-longer interest rates, slower economic growth, and volatile geopolitics.

Despite challenging credit conditions, leveraged finance markets continue to be resilient and adaptable. According to our proprietary analysis:

- The average bid on loans is currently at a nearly two-year high after better-than-expected macroeconomic developments last year.
- Levels of distressed loans are well off 2023 highs and have continued to improve through mid-January 2024.
- Tightening bid/ask spreads indicate that secondary market liquidity strengthened in 2023, but is little changed in recent weeks.

"The behavior of pricing, the average bid, the bid/ask spread, and the share of loans in distress, provides real-time insight into market sentiment. Our myriad approach to aggregating the data provides a multi-faceted perspective on liquidity risk in the market," said Ruth Yang, Global Head of Private Markets & Thought Leadership at S&P Global Ratings.

Yang added, "As our research shows, market conditions remained challenging last year as credit headwinds persisted. But leveraged loan market participants seem to have gained confidence that they can navigate challenging credit conditions. Improvements in market sentiment have been warranted, but we continue to see the balance of risks tilted to the downside, with room for volatility to return to the secondary markets in 2024."

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