

---

### Monthly US loan market update: June 2024

Loans gained 0.27% in June, raising year-to-date returns to 4.44%.<sup>1</sup> Returns were comprised of 0.72% in coupon income, offset by a 0.44% decline in principal return.<sup>1</sup> Secondary prices declined as demand from loan investors cooled from the multi-year highs reached in May. As a result, the percentage of loans trading above par decreased to 43%, vs. the mid-month high of 66% reached in May. With a still significant portion of the market trading above par, repricing activity has remained elevated; however the \$379 billion of repricing activity year-to-date (representing nearly 30% of the asset class)<sup>2</sup> has only lowered the average spread in the loan market by 12 basis points (bps) to 386bps.<sup>1</sup> Together with 3-month SOFR above 5.3%, the average loan market coupon remains near historic highs at 9.2%.<sup>1</sup>

With loan prices and returns softening slightly, fixed rate portions of US credit outperformed loans for the month, with high yield returning 0.88% and investment grade returning 0.67% in June.<sup>3</sup> Within loans, “CCCs” (0.45%) led the way in total return during the month, followed by “Bs” (0.36%) and “BBs” (0.32%).<sup>1</sup> The average price in the loan market ended the month at 95.68.<sup>1</sup> At their current average price, senior secured loans provide a 9.36% yield inclusive of the forward curve.<sup>1</sup>

---

### Fundamentals

- While recent economic data around consumer spending, confidence and housing has moderated slightly, corporate earnings estimates continue to be strong and inflation data continues to support maintaining current monetary policy in the near-term.
- The trailing 12-month par-weighted default rate fell from 1.08% to just 0.92% in June. While Oxea Group defaulted during the month, Diebold Nixdorf, Genesis Care, Lucky Bucks, and Cyxtera Technologies all rolled out of the calculation.<sup>4</sup> The pocket of distress in the market (i.e., the percentage of loans trading below \$80) was relatively flat, down from 4.47% to 4.42%.<sup>4</sup>

---

### Technicals

- Technicals remained supportive of loan prices in June amid active, though slower, CLO origination, retail and institutional interest and persistently low net new supply. In combination, these allowed loan prices to ease slightly.
- CLO volume softened in June, with gross issuance of \$38.0bn across 84 deals (including \$27.0bn of refinancings and resets) down from \$44.7bn across 97 deals in May.<sup>2</sup> Liability spreads grinded tighter, supporting new issuance which remains, even with slower issuance in June, on a record pace year-to-date.
- Retail mutual funds and ETFs inflows also eased in June. These funds recorded \$1.0bn of inflows in June, down from \$3.8bn in May, bringing year-to-date inflows to \$12.1bn.<sup>2</sup>
- Primary activity was muted versus May, but still generated the second highest monthly volume on record with new issue remaining dominated by repricing and refinancing activity rather than net new supply. Gross issuance of \$149.6bn declined 8% versus May.<sup>2</sup> This figure was comprised of \$54.1bn and \$84.4bn of refinancings and repricings, respectively, leaving \$11.1bn of net new supply, flat month over month.<sup>2</sup>

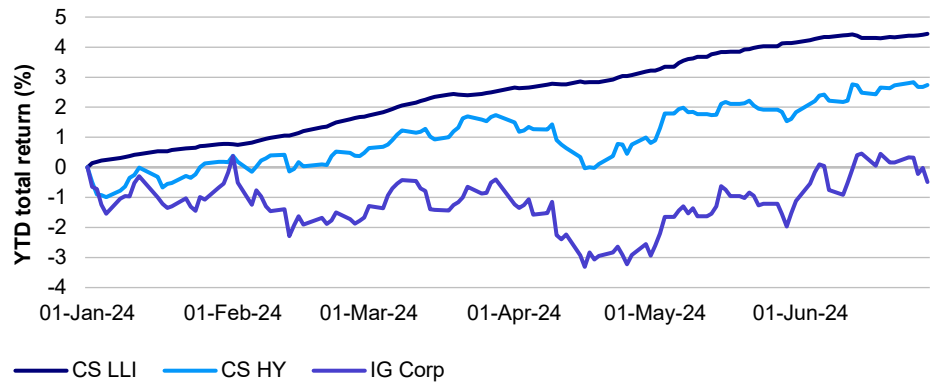
### Past performance is not a guarantee of future results.

This document is intended only for Professional Clients, Qualified Clients and Sophisticated Investors in Continental Europe only (as defined in the important information); in Hong Kong for Professional Investors, in Japan for Qualified Institutional Investors; in the Philippines for Qualified Buyers; in Taiwan for Qualified Institutional Investors only; in Singapore for Institutional Investors, in New Zealand for wholesale investors (as defined in the Financial Markets Conduct Act), in Australia for Sophisticated or Professional Investors, and in the USA for Institutional Investors. In Canada, this document is intended only for 1) accredited investors and ii) permitted clients as defined under National Instrument 45-106 and 31-103 respectively. In Chile, Panama and Peru, the document is for one-to-one institutional investors only. It is not intended for and should not be distributed to, or relied upon, by the public.

## Market opportunity

Despite the modest pullback in loan prices during June, the asset class continues to outperform fixed rate credit year-to-date as shown in Figure 1 below. This extends a pattern of loan outperformance versus high yield over the 1 year, 3 year, and 5 year time horizons, including within the BB, B, and CCC ratings cohorts.<sup>5</sup> Given the elevated base rate, shortage of net new issue supply, and stable credit fundamentals, loans remain on track to deliver another year of exceptional returns, particularly with the outlook for policy rate reductions moving further out on the horizon.

**Figure 1: Year-to-date stable asset class performance**



Source: Credit Suisse, Barclays, Bloomberg as of June 30, 2024. **Past performance is not a guarantee of future results.** CS LLI represents the Credit Suisse Leveraged Loan Index, CS HY represents the Credit Suisse High Yield Index, and IG Corp represents the Bloomberg US Corporate Bond Index.

## Relative yield

	\$ Price	Yield to worst (%)	Average Spread	Duration (years)
5 Year Treasuries	99.13	4.38	—	4.45
10 Year Treasuries	99.26	4.40	—	7.90
Bloomberg US Aggregate Bond Index	89.96	5.00	T + 0.49	6.13
Bloomberg US Corporate Bond Index	91.38	5.48	T + 0.94	6.92
Bloomberg US Corporate High Yield Index	93.07	7.91	T + 3.33	3.14
Credit Suisse Leveraged Loan Index	95.68	9.36	T + 3.86	0.25

Source: Barclays, Credit Suisse and Bloomberg L.P. as of June 30, 2024. Loan "yield to worst" incorporates the SOFR forward curve.

- 1 Credit Suisse Leveraged Loan Index as of June 30, 2024.
- 2 JP Morgan as of June 30, 2024.
- 3 Credit Suisse Leveraged Loan Index and Bloomberg as of June 30, 2024. High yield represented by Credit Suisse High Yield Index; investment grade represented by the Bloomberg US Corporate Bond Index.
- 4 PitchBook Data, Inc. as of June 30, 2024.
- 5 Barclays Research, June 7, 2024

## About risk

The value of investments and any income will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested.

Many senior loans are illiquid, meaning that the investors may not be able to sell them quickly at a fair price and/or that the redemptions may be delayed due to illiquidity of the senior loans. The market for illiquid securities is more volatile than the market for liquid securities. The market for senior loans could be disrupted in the event of an economic downturn or a substantial increase or decrease in interest rates. Senior loans, like most other debt obligations, are subject to the risk of default.

## Important information

This document is intended only for Professional Clients in Continental Europe (as defined below), Dubai, Guernsey, Ireland, the Isle of Man, Jersey and the UK; in Hong Kong for Professional Investors, in Japan for Qualified Institutional Investors; in the Philippines for Qualified Buyers; in Taiwan for Qualified Institutional Investors only; in Singapore for Institutional Investors, in New Zealand for wholesale investors (as defined in the Financial Markets Conduct Act), in Australia for Sophisticated or Professional Investors, in the USA for Institutional Investors, and in Israel for Qualified Clients/Sophisticated Investors. In Canada, this document is intended only for 1) accredited investors and ii) permitted clients as defined under National Instrument 45-106 and 31-103 respectively. In Chile, Panama and Peru, the document is for one-to-one institutional investors only. It is not intended for and should not be distributed to, or relied upon, by the public.

For the distribution of this document, Continental Europe is defined as Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Spain, Switzerland, and Sweden.

All data provided by Invesco unless otherwise noted. All data is US dollar and as of June 30, 2024, unless otherwise noted. By accepting this document, you consent to communicate with us in English, unless you inform us otherwise.

This document is written, unless otherwise stated, by Invesco professionals. The opinions expressed herein are based upon current market conditions and are subject to change without notice. This document does not form part of any prospectus. This document contains general information only and does not take into account individual objectives, taxation position or financial needs. Nor does this constitute a recommendation of the suitability of any investment strategy for a particular investor. Neither Invesco Ltd. nor any of its member companies guarantee the return of capital, distribution of income or the performance of any fund or strategy. Past performance is not a guide to future returns. This document is not an invitation to subscribe for shares in a fund nor is it to be construed as an offer to buy or sell any financial instruments.

As with all investments, there are associated inherent risks. This document is by way of information only. Asset management services are provided by Invesco in accordance with appropriate local legislation and regulations.

This document is marketing material and is not intended as a recommendation to invest in any particular asset class, security or strategy. Regulatory requirements that require impartiality of investment/investment strategy recommendations are therefore not applicable nor are any prohibitions to trade before publication. The information provided is for illustrative purposes only, it should not be relied upon as recommendations to buy or sell financial instruments.

## Israel

This document may not be reproduced or used for any other purpose, nor be furnished to any other person other than those to whom copies have been sent. Nothing in this document should be considered investment advice or investment marketing as defined in the Regulation of Investment Advice, Investment Marketing and Portfolio Management Law, 1995 ("the Investment Advice Law"). Investors are encouraged to seek competent investment advice from a locally licensed investment advisor prior to making any investment. Neither Invesco Ltd. nor its subsidiaries are licensed under the Investment Advice Law, nor does it carry the insurance as required of a licensee thereunder.

This article is issued:

- in **Australia and New Zealand** by Invesco Australia Limited (ABN 48 001 693 232), Level 26, 333 Collins Street, Melbourne, Victoria, 3000, which holds an Australian Financial Services License number 239916.
- Issued in **Belgium, Denmark, Finland, France, Ireland, Italy, Luxembourg, the Netherlands, Spain, Sweden, and Norway** by Invesco Management S.A., President Building, 37A Avenue JF Kennedy, L-1855 Luxembourg, regulated by the Commission de Surveillance du Secteur Financier, Luxembourg.
- in **Canada** by Invesco Canada Ltd., 120 Bloor Street East, Suite 700, Toronto, Ontario M4W 1B7.
- in **Germany and Austria** by Invesco Asset Management GmbH, An der Welle 5, 60322 Frankfurt am Main, Germany.
- in **Hong Kong** by Invesco Hong Kong Limited 景順投資管理有限公司, 45/F, Jardine House, 1 Connaught Place, Central, Hong Kong.
- in **Japan** by Invesco Asset Management (Japan) Limited, Roppongi Hills Mori Tower 14F, 6-10-1 Roppongi, Minato-ku, Tokyo 106-6114; Registration Number: The Director-General of Kanto Local Finance Bureau (Kin-sho) 306; Member of the Investment Trusts Association, Japan and the Japan Investment Advisers Association.
- in **Singapore** by Invesco Asset Management Singapore Ltd, 9 Raffles Place, #18-01 Republic Plaza, Singapore 048619.
- in **Switzerland** by Invesco Asset Management (Schweiz) AG, Talacker 34, 8001 Zurich, Switzerland.
- in **Taiwan** by Invesco Taiwan Limited, 22F, No.1, Songzhi Road, Taipei 11047, Taiwan (0800-045-066). **Invesco Taiwan Limited is operated and managed independently.**
- Issued in the **UK, Guernsey, Jersey, the Isle of Man, and Israel** by Invesco Asset Management Limited, Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire, RG9 1HH, United Kingdom. Authorized and regulated by the Financial Conduct Authority.
- in the **US** by Invesco Senior Secured Management, Inc., 225 Liberty Street, New York, NY 10281.
- in **Dubai** by Invesco Asset Management Limited, Index Tower Level 6 - Unit 616, P.O. Box 506599, Al Mustaqbal Street, DIFC, Dubai, United Arab Emirates. Regulated by the Dubai Financial Services Authority.