

## Leveraged Loan Sales Drop 57% as Losses Deepen

BY RICHARD BRAVO

Leveraged-loan issuance in the U.S. fell 57.5 percent in the third quarter with losses mounting amid a faltering economy.

New issue sales fell to \$50.6 billion from \$119 billion in the three-month period ended June 30, according to **S&P's Leveraged Commentary and Data**. Year-to-date issuance of \$310.8 billion outpaces last year's \$233.4 billion figure. Losses on the outstanding securities deepened more than nine times from the second quarter to 4.8 percent in the three months ending Sept. 30, according to the S&P/LSTA U.S. Leveraged Loan 100 Index.

Investors pulled \$6.47 billion from funds that buy floating-rate bank debt after the Federal Reserve pledged to keep benchmark rates near zero until mid-2013 to revive the world's largest economy, according to **EPFR Global**. Investors fled from riskier assets as concern increased that Europe's failure to contain the region's debt crisis and a possible default by Greece would lead to a global economic downturn.

"When the market backing up and investor demand softens, volumes fall as opportunistic issuers avoid the market," said **Andy O'Brien**, co-head of syndicated and

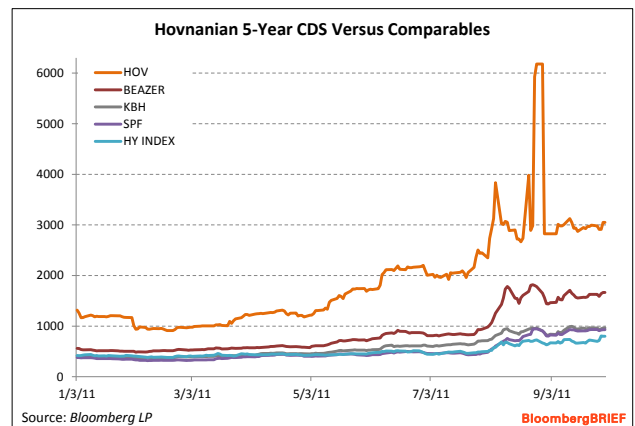
## Hovnanian Default Odds Soar After Swap Offer

BY MARY CHILDS AND SAPNA MAHESHWARI

Investors are wagering an effort by **Hovnanian Enterprises** to slash interest payments by almost 10 percentage points on as much as \$220 million of bonds won't spare it from default.

CDS tied to Hovnanian debt imply 90 percent odds the company will default within five years, up from 86 percent before its announcement on Sept. 28, according to **CMA**. The company is offering to exchange senior unsecured notes with coupons as high as 11.875 percent and maturities from 2014 for 2 percent senior secured bonds due 2021.

Hovnanian, which has had negative Ebitda for the past



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- Pharmaceutical Product Development, a clinical research company, agreed to be bought by Carlyle Group and Hellman & Friedman for \$3.9 billion in cash. Credit Suisse, JPMorgan, Goldman and UBS have committed to financing.
- Triple C bonds flared 45 basis points to 1,450 Sept 30, widest since Sept. 7, 2009, according to BAML, whose High Yield Master II Index also hit a two-year high.
- A measure of banks' reluctance to lend to one another in Europe increased, with the Euribor-OIS spread widening to 83 from 81 on Sept. 30.

## Bloomberg Barometer

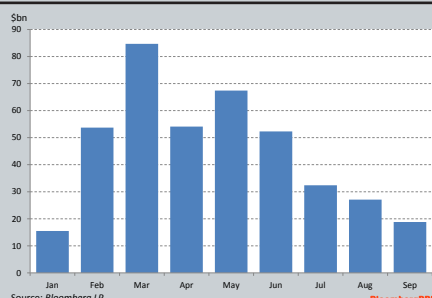
### DEALS IN THE PIPELINE *PREL <GO>*

SYNDICATED LENDING	SIZE (M)	TENOR	PRICE
Compass	\$275	5 YRS	L+525-550
Endurance	\$305	5 YRS	L+650
Action Nederland	€ 375	7 YRS	L+425
Raet	€ 300	TBD	L+400

HIGH YIELD BONDS	SIZE (M)	TENOR	LEADS
Mannkind	\$370	6NC3	Global Hunter/Knight
Piaggio & C	\$75	10 YRS	TBD
Codere	\$400	TBD	TBD
Valeant Pharma	\$1,000	TBD	TBD

### U.S. LEVERAGED LOAN VOLUME DWINDLES

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Leveraged-loan issuance in the U.S. fell 31 percent in September to \$19 billion. Last month was the slowest for loan sales since January, which saw \$15 billion in volume. The outstanding securities lost 4.8 percent in the three months ending Sept. 30, according to the S&P/LSTA U.S. Leveraged Loan 100 Index. Investors withdrew \$6.47 billion from funds that buy floating-rate bank debt, said EPFR.

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