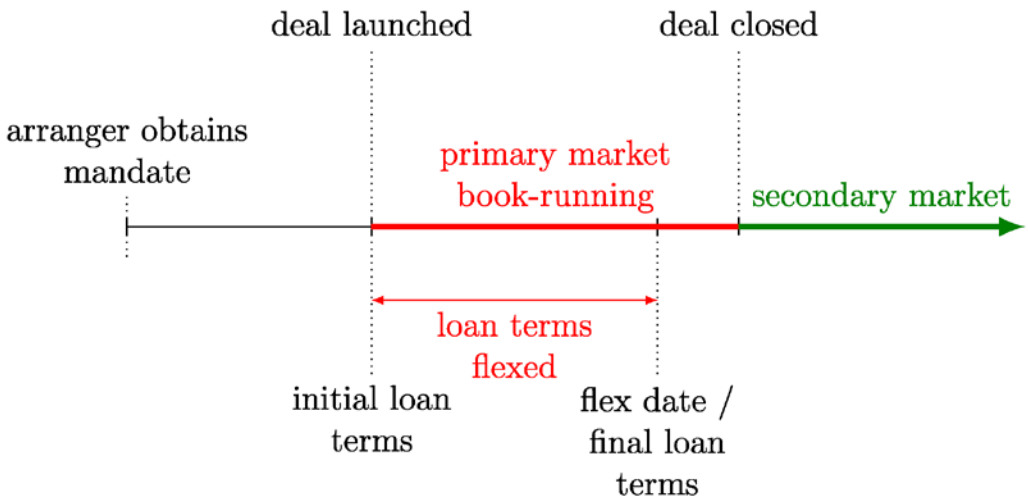
Online Appendix to *Chicago Fed Letter* No. 446

Table A: Effect of Individual Cross-Currency Bases on the Effective Spread Flex of Syndicated Loans

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Δ CIP Deviations	-2.742***									
	(1.007)									
Δ AUD Cross-Currency Basis		-0.953								
		(0.637)								
Δ CAD Cross-Currency Basis			-0.226							
			(0.838)							
Δ CHF Cross-Currency Basis				-1.115***						
				(0.383)						
Δ EUR Cross-Currency Basis					-0.724*					
					(0.403)					
Δ JPY Cross-Currency Basis						-0.966***				
						(0.333)				
Δ GBP Cross-Currency Basis							0.0858			
							(0.621)			
Δ NOK Cross-Currency Basis								-1.157		
								(0.754)		
Δ NZD Cross-Currency Basis									1.369**	
									(0.584)	
Δ SEK Cross-Currency Basis										-0.773
										(0.614)
Δ VIX (log)	-26.81***	-29.04***	-30.17***	-33.89***	-26.21***	-25.11***	-27.59***	-35.24***	-24.41***	-38.42***
	(6.888)	(6.984)	(6.923)	(8.600)	(6.914)	(6.928)	(6.918)	(8.377)	(7.351)	(8.399)
Δ US Corp AAA-BBB Spread	73.60***	86.84***	80.03***	87.25***	79.68***	74.50***	88.48***	91.91***	89.62***	78.00***
	(21.85)	(21.61)	(20.38)	(23.66)	(21.67)	(21.34)	(21.89)	(22.36)	(21.91)	(21.92)
Δ US Term Spread	7.832	7.710	19.26	9.206	11.92	13.45	13.37	13.87	16.00	32.96**
	(12.18)	(12.55)	(12.11)	(12.93)	(12.17)	(12.03)	(12.37)	(13.01)	(12.65)	(13.18)
Δ Economic Conditions Index	-16.15*	-14.54	-14.83	-18.04	-16.06*	-14.81	-13.63	-13.76	-18.10*	-12.34
	(9.694)	(9.851)	(9.901)	(11.45)	(9.735)	(9.779)	(9.747)	(10.80)	(10.41)	(10.99)
Δ US Libor	69.60	55.15	80.23*	36.31	67.00	73.16	55.40	55.90	60.38	54.53
	(47.41)	(45.86)	(47.49)	(61.68)	(47.40)	(47.46)	(45.91)	(54.37)	(50.22)	(52.53)
Δ 2-Year Treasury	-23.57	-28.72	-27.04	-37.01*	-23.54	-23.83	-26.61	-25.75	-30.27	-35.15*
	(18.06)	(18.31)	(18.25)	(21.35)	(18.06)	(18.04)	(18.23)	(20.61)	(18.95)	(20.61)
Δ Broad Dollar	4.402***	5.527***	5.459***	5.998***	4.865***	4.672***	5.881***	6.147***	5.515***	6.155***
	(1.433)	(1.496)	(1.504)	(1.729)	(1.455)	(1.458)	(1.456)	(1.697)	(1.592)	(1.686)
Δ 1-Year Treasury Basis	-0.740***	-0.317	-0.355	-0.687**	-0.570**	-0.662***	-0.416*	-0.507*	-0.337	-0.555**
	(0.249)	(0.242)	(0.232)	(0.278)	(0.237)	(0.244)	(0.239)	(0.272)	(0.247)	(0.276)
Industry	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Purpose	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Lead Agent	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	2796	2644	2704	2188	2796	2763	2774	2272	2557	2188
R^2	0.143	0.148	0.142	0.157	0.141	0.142	0.139	0.156	0.141	0.152

*Note: This table shows the effect of the change in different 5-year U.S. dollar LIBOR cross-currency bases over the syndication period on the effective spread flex of leveraged loans to U.S. borrowers, using macroeconomic and financial variables as well as loan-level variables and different fixed effects as controls. CIP deviations stands for the average 5-year U.S. dollar LIBOR cross-currency basis against the 9 major currencies for which individual results are shown in columns 2-10. The loan level control variables are omitted from the table. The dependent variable is the effective spread flex in basis points, calculated as the spread flex plus original issues discount (OID) flex divided by four. This table includes only loans that have a flex date. The sample period is from 2009 to 2019. 2018 has been omitted. Robust standard errors are in parentheses. *, **, and ***denote significance at the 10%, 5%, and 1% level. For more details regarding the methodology, see Meisenzahl, Niepmann, and Schmidt-Eisenlohr (2020).*

Figure A: The Syndication Process and Time Line



Note: The syndication process, illustrated in the figure, starts with borrowers soliciting bids including pricing and risk-sharing provisions from arrangers. The borrower awards the mandate to the preferred arranger. The arranger then proposes a facility agreement that includes all initial loan terms such as the interest rate, the original issue discount, covenants, and repayment options and uses this agreement to market the loan to investors. The marketing or book running takes place in at least one round. In each round, the arranger proposes a facility agreement including all loan terms such as the pricing to investors. If, given proposed loan terms, there is sufficient demand, the loan is originated at those terms. If the demand from the loan is higher or lower, then there is another round. Based on demand that realized with the last set of loan terms, the arranger "flexes," that is, adjusts the terms accordingly. For instance, if demand was low, then the arranger may increase the interest rate spread or decrease the loan amount in the next round. The process continues until the syndicate is assembled and final loan terms are fixed. Then the loan is originated. After the borrower received the funds, the loan starts trading in the secondary loan market.