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Leveraged Loan Insight & Analysis -11/14/2016

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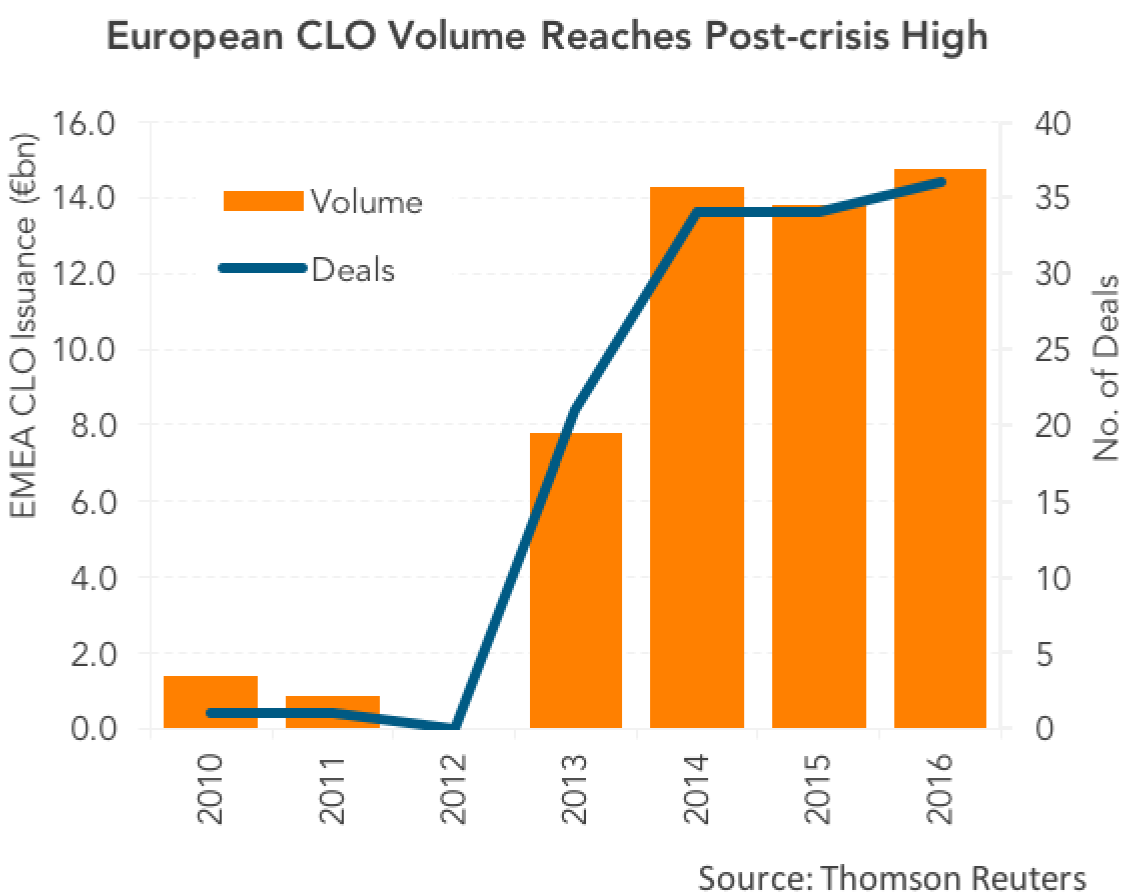
European CLO Issuance

Issuance of European CLOs has reached a post-crisis high as jumbo investments in senior tranches have anchored issuance. European CLOs have seen year-to-date issuance of €14.7 billion across 36 deals, compared with the previous post-crisis high of €14.3 billion in 2014, when 34 deals were completed. First quarter issuance was low on the back of broader market volatility, allowing only two CLOs to price in January and February. Issuance quickly picked up with five CLOs pricing in March.



The second and third quarters saw 11 CLOs each, while the fourth quarter has so far seen seven CLOs come to market. A common trend has been the entrance of large investors into the senior tranches, with some senior tranches being sold to just a single investor. Japanese banks, French insurance firms and JP Morgan's Chief Investment Office have all purchased large chunks of European CLO tranches, helping to anchor those deals and drive senior spreads to their tightest since before the financial crisis. The latest CLO to price, Credit Suisse Asset Management's Cadogan Square VIII saw AAA spreads of just 96bps, compared to CSAM's last CLO which priced seven months ago with AAA spreads of 150bps. Investors hunting for yield could keep senior spreads low in the European CLO market for a while.

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