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Non-sponsored MM new money picked up in 2016; refinancings dropped

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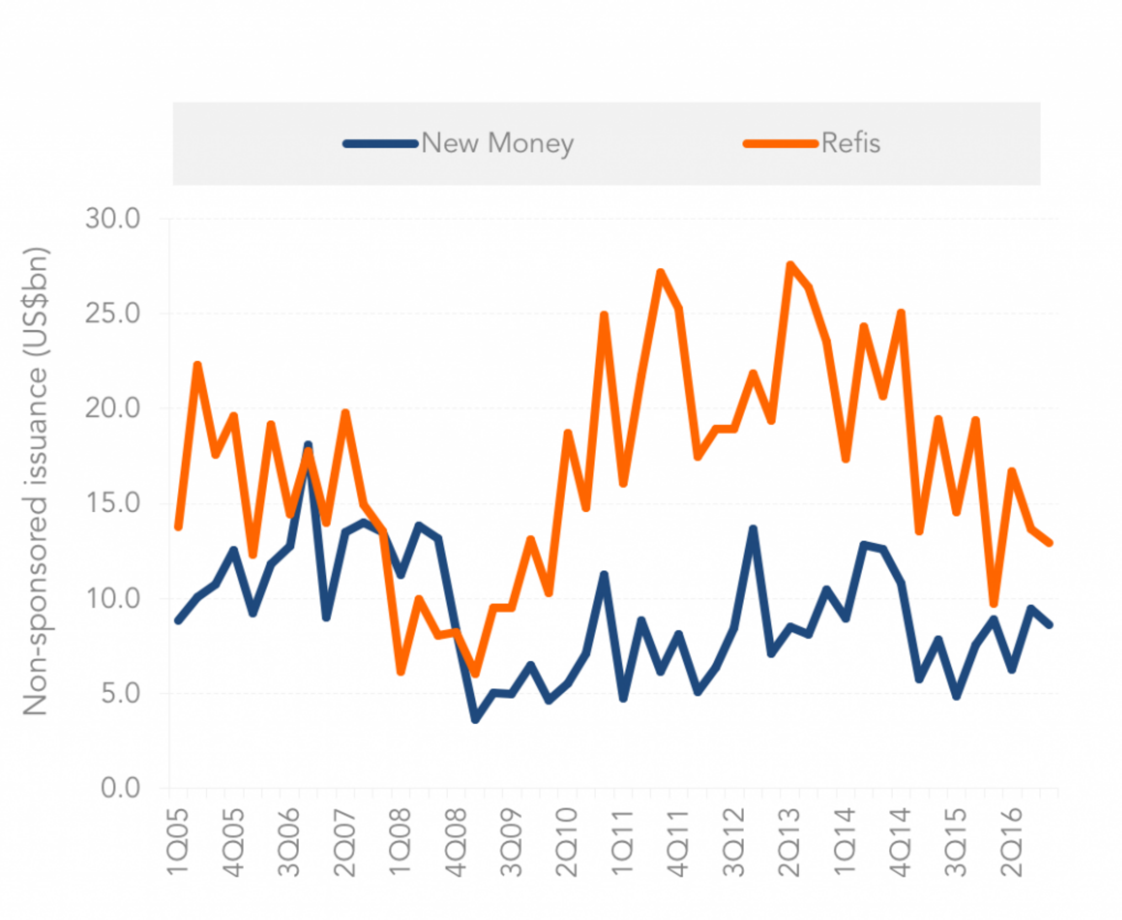

Non-sponsored lending dropped to US$86bn in 2016 from US$93bn in 2015. In contrast with every other major market segment (overall, leveraged, investment-grade, institutional, middle market sponsored) which witnessed a quarter over quarter increase in volume in 4Q16, non-sponsored middle market lending of US$22bn, was down 7%. Refinancings, the main driver of volume since the credit crisis, were down 21% in 2016 to US$53bn. Most of the refinancings were done in previous years and there was not that much in the form of opportunistic refinancings as pricing has somewhat stabilized in this market. On the other hand, new money lending was up in 2016, the only piece of good news in otherwise dire figures. Non-sponsored new money issuance jumped 22% to US$33bn in 2016, but it was still far away from 2014's US$45bn. The increase was mostly due to upsizings as issuers took advantage of banks' willingness to up their hold levels to increase their credit lines. M&A activity remained at low levels in 2016. At US$8.2bn, M&A lending was down from US$9.2bn in 2015. There were too many uncertainties throughout the year and for those companies that were looking to expand through M&A, the gap between buyers' and sellers' expectations was too wide.