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Leveraged Loan Insight & Analysis – 2/13/2017

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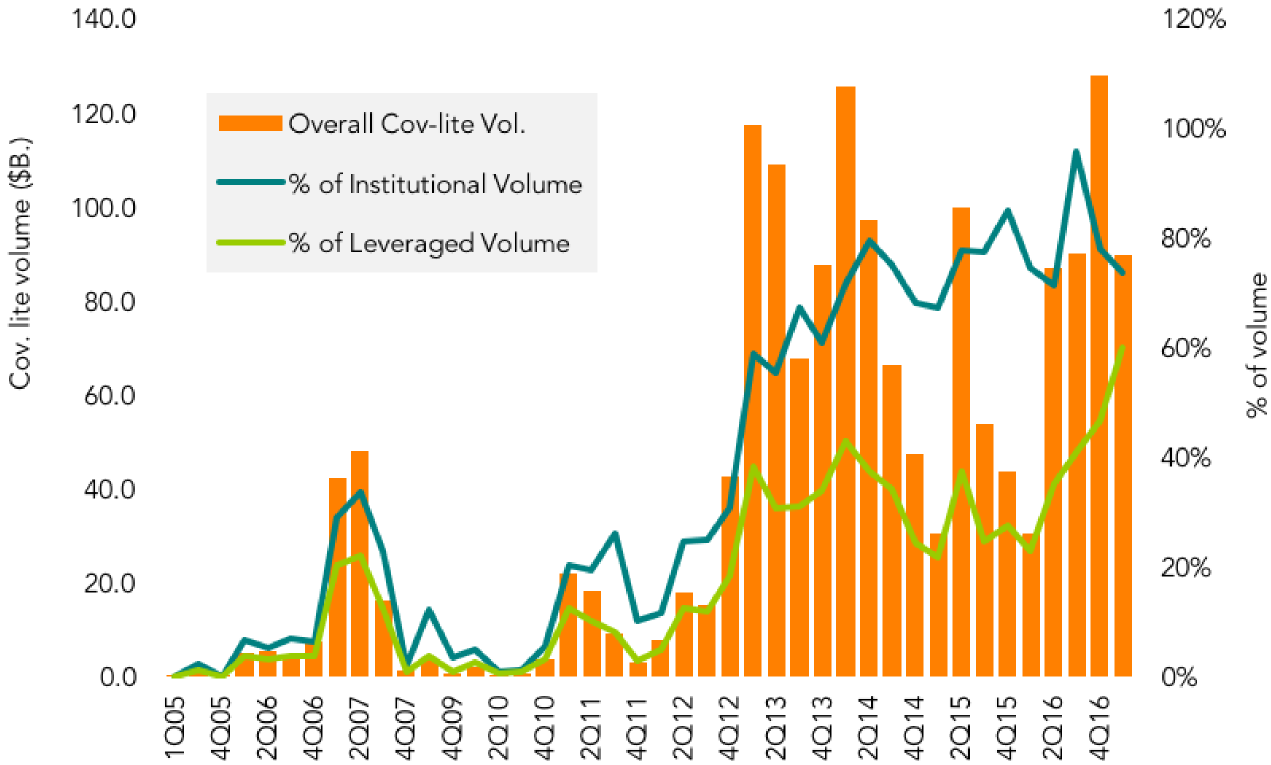
Covenant-lite volume will likely hit another record high in 1Q17



Covenant-lite loan volume has already reached US$90bn in 1Q17 with two more months still left to go this quarter. With another US$35bn still in process, 1Q17 will likely be a brand new record high for covenant-lite issuance. Covy-lite volume had just hit a brand new record high last quarter at US$128bn, smashing the previous record set in 1Q14. These robust volumes are largely taking place during big refinancing waves like in the current environment. Large inflows into retail loan mutual funds and hungry CLOs trying to stay invested coupled with a new money supply drought has led to a supply/demand imbalance and issuer friendly conditions. Only 16% of the cov-lite issuance is coming from new money deal activity. Even the middle market is being affected. Middle market covenant lite volume has reached US$1.45bn, just shy of the US$1.6bn tracked in 4Q16 and 3Q16.

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