Leveraged Loan Insight & Analysis – 7/07/2014

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At $244 billion, 2Q14 leveraged loan issuance was down 14 percent from 1Q14 levels and a much higher 31 percent year-over-year. And for 1H14, leveraged lending of $527 billion was down 25 percent compared to 1H13. The decline in loan volume was due to a slowdown in refinancing activity. 2Q14's $141 billion in refinancings was down 24 percent from 1Q14 and a whopping 43 percent from 2Q13's record. Demand dynamics changed as the long term trend of positive flows into loan funds came to a stop with $6 billion in outflows since mid-April. At the same time that yields ticked up, more new money deals cameto market, allowing investors more selectivity and wiping out potential savings for issuers looking to reprice. But demand remains robust and CLO issuance was a record in 2Q14 at $35.7 billion. While refinancings have declined this year, new money issuance is looking much better. At over $200 billion for the first half, new money issuance is up 13 percent from 1H13.For the quarter, leveraged M&A-lending reached $62 billion. 77 percent of the deals were done in April and May with a slowdown in June. However, lenders expect M&A deals to continue to come into market, providing much needed new supply for hungry CLOs.

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