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Leveraged Loan Insight & Analysis – 4/17/2017

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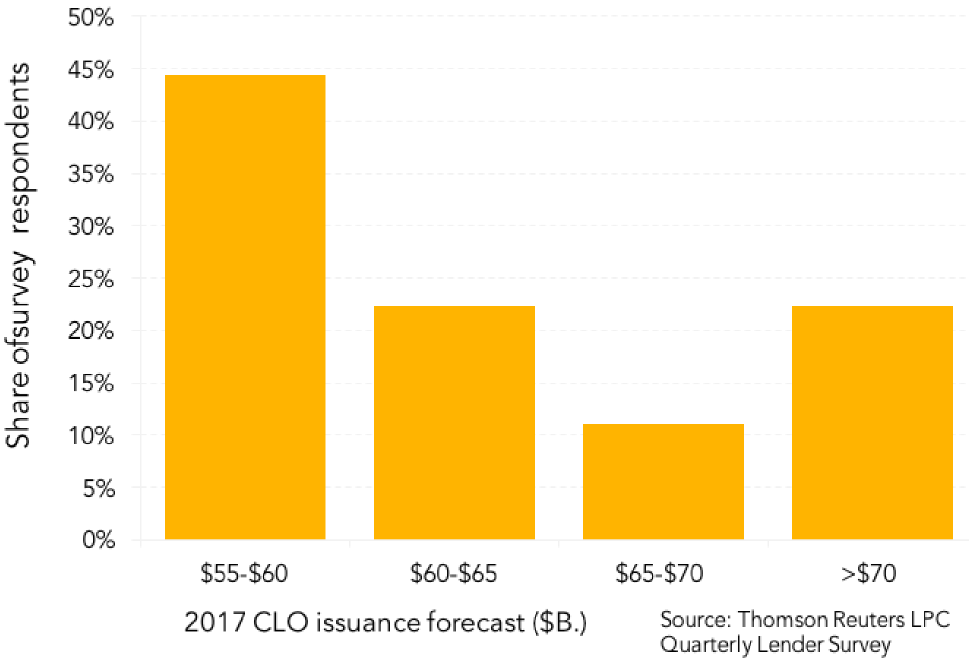
CLO issuance is on track to meet or exceed market forecast in 2017



One third of loan arrangers, CLO arrangers and managers surveyed by Thomson Reuters LPC expect CLO issuance could reach or exceed $70bn this year. But challenges remain including a lack of new issue supply and complying with risk retention. Amidst the ongoing loan repricing wave, spreads on CLO AAA liabilities have also been tightening but equity returns remain challenged. With $17.38bn recorded in the first quarter, CLO issuance could meet those expectations as more shops are completing their first deals under new programs in order to be compliant with risk retention. But 44% of respondents expect that it may slow down, reaching only $55bn to $60bn by year-end. $4.6bn in CLOs have printed in April and 44% of respondents surveyed expect issuance could reach $20bn this quarter, no one expects it to go higher and the remainder expect it to fall in the $12bn to $15bn range. Meanwhile, over $55bn in CLOs have refinanced this year with another $8.3bn in resets. The pace of refinancings is expected to slow as more eligible CLOs get refinanced but the pace of resets could pick up, according to TRLPC's current CLO manager, investor, and arranger survey.

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