Beach Blanket Bingo

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How many readers remember this classic Frankie Avalon/Annette Funicello beach party vehicle from 1965? We think any movie with Buster Keaton, Don Rickles, and Linda Evans (as Candy Kane) in the same cast deserves special mention in a summertime column devoted to odd pairings.

We also couldn't help wondering what an updated version of that romp would be like, all about the frolicking fun that passes for the capital markets in August 2014.

Opening scene: interest rate waves catch unwary investors sans swim suits. Headlines show the ten-year Treasury sinking to a year-plus low of 2.35%, throwing sand in the faces of high-yield investors who for months predicted moves in the opposite direction.

Then, to the theme from Jaws, high-yield money – a whopping $7 billion! – races from the water in the largest such exodus in history. Seems default risk linked to overseas turmoil trumps hopes that the strengthening US economy would lift all issuers' boats.

Cut to panicked public equity and debt markets doing cannonballs from the high-board. As always happens, private credit bystanders get soaked. The broadly syndicated loan market sees deals either pulled or repriced, with larger fish stranded in shallow water.

Watch as dodgy markets force arrangers to downsize the originally-contemplated $7.4 billion in term loans for Charter Communications to $3.5 billion, as part of its Comcast asset purchase, with the balance to be structured later.

Then there's the $9 billion merger of Cerberus' controlled Albertsons with Safeway. The jumbo $3.6 billion TLB clears the market, albeit with some fund-friendly changes to pricing and structure.

Not all deals make it. Styrolution, the €1.6 billion cross-border acquisition financing, gets thrown back into water until market conditions improve.

But at least the loan market party keeps going, in some form. With junk investors sailing to safer havens, the banzai bond pipeline is effectively closed for the summer.

Meanwhile, as the tide of large cap liquidity goes out, middle market transactions find calm waters in the kiddie pool. Zest Anchors, Element Materials Technology, and United Site Services all look likely to clear the market with only modest modifications.

As the final movie credits roll, we're left to contemplate one moral to the story: the under-sized, buy-and-hold crowd can float while the muscular, trade-first-ask-questions-later folks sometimes flop.