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Market Survey: Will new issue CLOs reach US$140bn this year?

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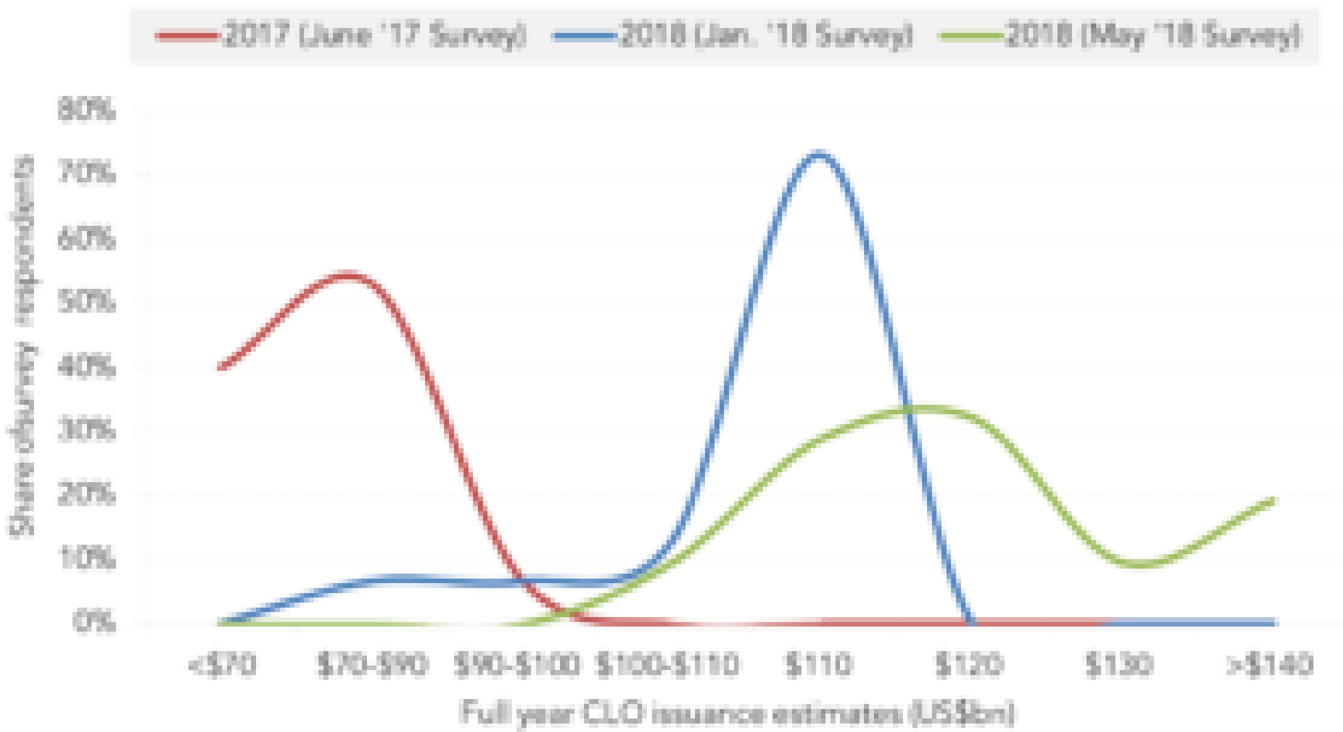

Roughly one third of the CLO managers, arrangers, and investors across the stack surveyed by Thomson Reuters LPC said CLO issuance will be US$110bn this year, while another third said US$120bn and 10% said new issue CLOs will reach US$130bn, which would be a record year. One fifth said it will exceed US$140bn this year. That would be a game changer. Nearly all respondents agreed that the court ruling means more supply and more opportunities for managers, larger, smaller, and new entrants as well as for investors. Over US$55bn in new CLOs have printed so far this year compared to roughly US$40bn at this time last year. The outlook was somewhat mixed although leaning toward refinancing for CLOs picking up from a lower baseline and resets/re-issues keeping up the pace, which has been fast and furious. Depending on the manager and vehicle structure, risk retention capital is expected to be used as intended without a wave of forced unwinds. Selling of holdings is generally expected to happen over time in an orderly fashion and not be signficant enough overall to put major pressure on spreads.

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