Leveraged Loan Insight & Analysis – 9/22/2014

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Besides two weeks with modestly positive inflows, last week marked the 21st week of loan mutual fund outflows which began after the Fed stated interest rate increases would be pushed out. Based on a survey taken by lenders at Thomson Reuters LPC's annual loan conference last week, 60% of lenders believe we will continue to see the same moderate pace of outflows ($1-$2B per month) in the near to intermediate term while 9% believe we could see the pace accelerate further (> $3B per month).September 22 2014 TRHowever, roughly 32% of lenders think that we could see the money stop pouring out in 4Q14 and have a reversal of money coming back in. Despite the $14 billion in retail money that has exited the market since April, demand in the loan market has remained strong given the record pace of new CLO creation. $65 billion in new CLOs were priced in that same time period bringing year to date volume to over $90 billion. While the weakening retail bid has not been enough to reign in frothy structures, lenders indicate they were happy to see pricing widen out given CLOs higher cost of capital. However, sources indicate that investor demand continues to outweigh loan supply and pricing is back on a downward trend once again. Overall leveraged yields ended last week at around 5.55%, down from 5.6% two weeks prior.Underliers

Source: Lipper, a Thomson Reuters Company

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