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Non-sponsored middle market lending increased to US$102bn but new money collapsed

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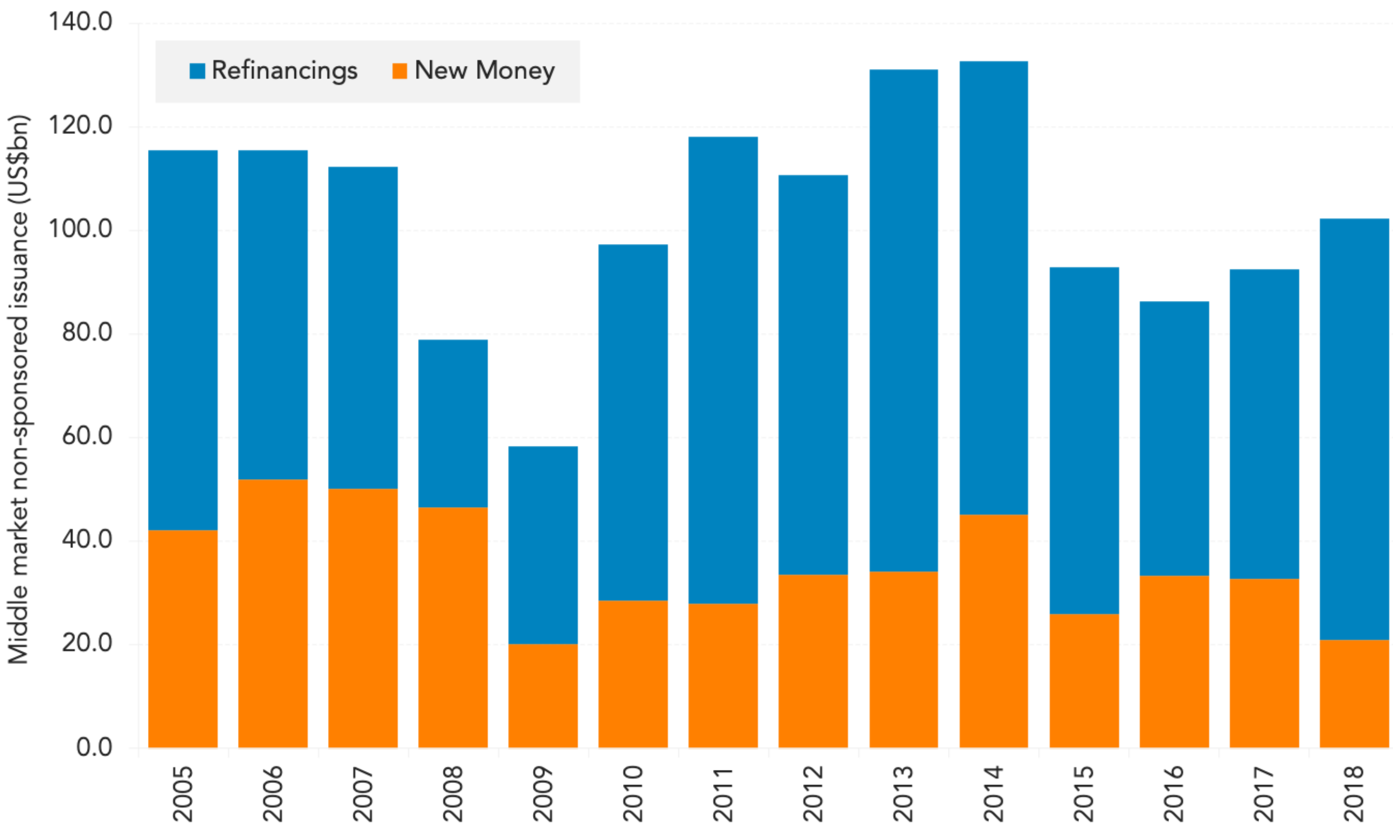

The non-sponsored market continued to tread along in 2018. Issuance was up for the second year in a row to US$102.3bn, but that was still far from 2014's record and was driven by increased refi activity. Refinancing volume of US$81.3bn, was up 36% from 2017, recording its highest level since 2014. New money lending on the other hand was extremely disappointing at US$21bn, the lowest in 9 years. 2018 began with optimism as a business friendly administration and the new tax laws would certainly inspire issuers to finally pull the trigger on acquisitions and invest in future growth leading to increased lending. But this didn't materialize. Non-sponsored M&A issuance declined each quarter of 2018 to a total of US$10.7bn for the year after reaching a post-crisis high of US$13bn in 2017. But while M&A declined, it drove more than half of total new money; its highest share in at least 13 years, as low capital expenditures was one of the main reasons behind lackluster new money lending. Looking ahead, some bankers are cautiously optmistic as they are seeing some M&A opportunities in the non-sponsored market and expect companies with loans coming due in 2020-2021 to tap for increased lines that will carry them through if there is a recession.

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