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1-3Q19 Sponsored loan volume off 48%; LBO volume at 3-year low

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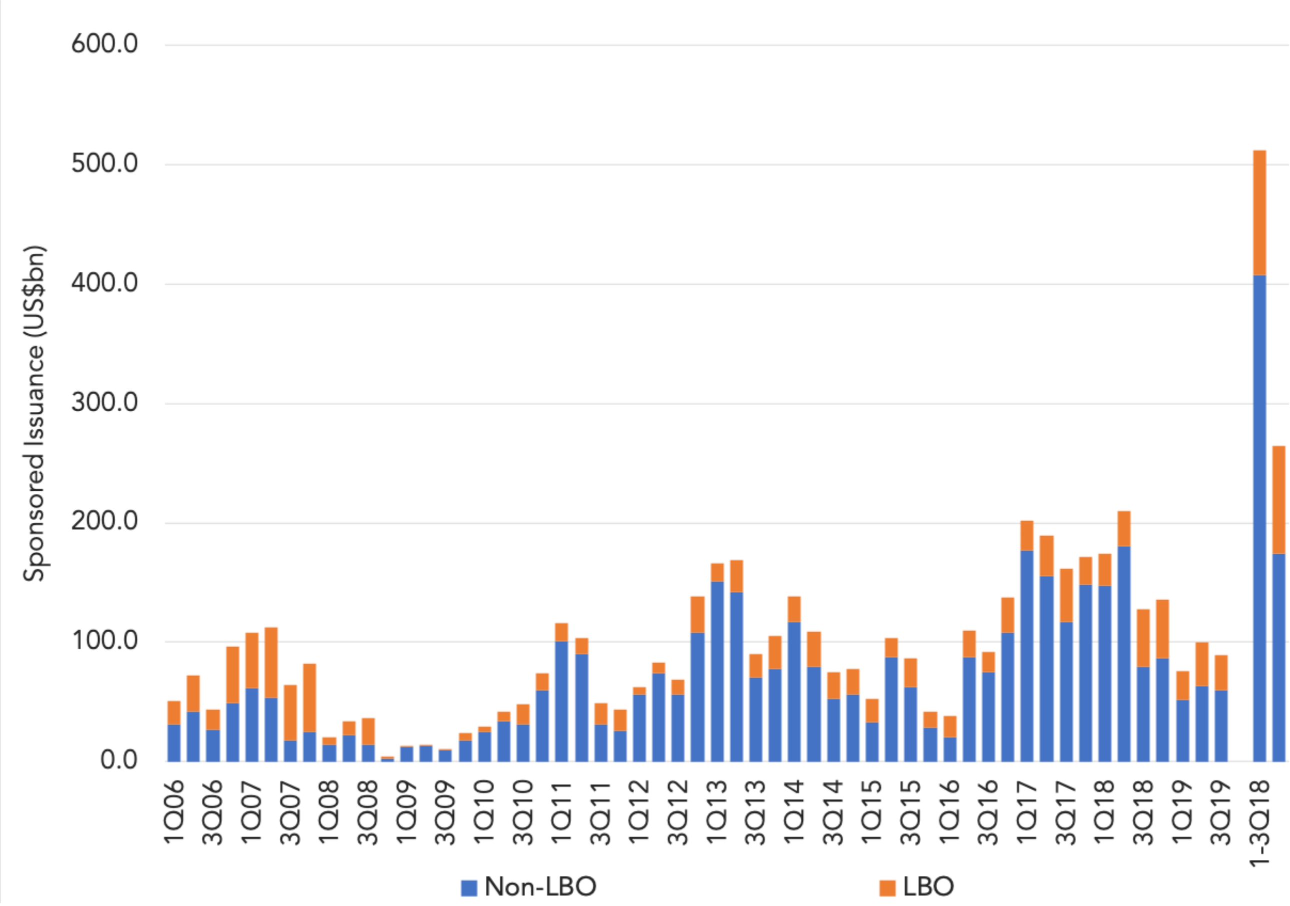

Less than US$90bn in syndicated loan volume backing PE sponsor activity was completed in the US market in 3Q19, the third lowest quarterly total in the last three years, and a 30% drop year over year. In turn, less than US$265bn in sponsored loan issuance has closed since the beginning of the year, a 48% decline year over year and the lowest nine month total since 2016. Both LBO and non-LBO lending activity was down meaningfully, highlighing expansive market bifurcation which favored higher rated BB credits or repeat issuers and performing credits at the lower end of the credit spectrum. At US$173.7bn 1-3Q19 sponsored volume backing non-LBO acitivity represented the lowest nine month total in nine years. Borrowings backing buyout activity similarly were off although not as dramatically – at less than US$91bn, 1-3Q19 LBO loan volume was down 13% year over year. Lenders focused on terms and conditions which protect them against risk of issuer credit deterioration amid rising expectations of a cyclical downturn. Against this backdrop, single B credits faced increased scrutiny and while no deal got stuck in the market, several required tweaks in order to clear.