Leveraged Loan Insight & Analysis – 2/1/2016

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January CLO issuance down dramatically year over year

CLO arrangers logged a mere 2 new issues totalling less than US$830 million in January 2016. This was down significantly compared to the year ago period during which over US$5 billion in new CLO vehicles were completed via 9 issues. The slowdown of CLO issuance is not surprising given increased market volatility, more attractive options via the secondary market and challenged CLO arbitrage.

For the moment, the supply/demand dynamics of the loan market seem to be fairly balanced – for high quality leveraged credits. Just north of $31 billion the institutional pipeline is comparable to last year's levels at this time but the vast majority of anticipated 1Q16 volume was originated in 2015. In Europe, the news was not much better – a lone CLO totalling $414 million was completed, while a much anticipated euro-denominated CLO from Blackrock saw pricing delayed amid market uncertainty at the end of last month.

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