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Leveraged Loan Insight & Analysis – 4/4/2016

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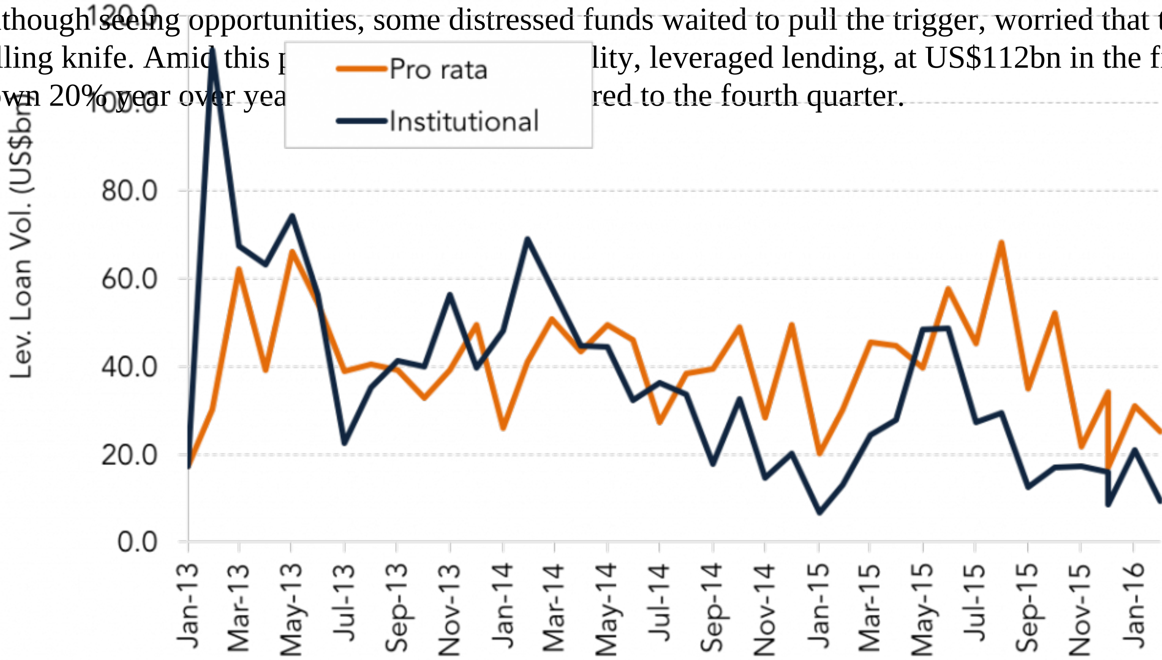
U.S. leveraged lending, at US$112bn in 1Q16, was down 29% from 4Q15

Instability in oil prices and credit concerns in energy and metals and mining, coupled with worries that slowing global growth could impact the U.S., amplified what was already shaky sentiment heading into this year. Although seeing opportunities, some distressed funds waited to pull the trigger, worried that they could catch a falling knife. Amid this p lity, leveraged lending, at US$112bn in the first quarter, was down 20% year over yea red to the fourth quarter.



At US$73bn, leveraged pro rata lending was down 32% from the prior quarter and 24% from 1Q15. Institutional loan issuance hit a four-year low at US$39bn as investors sat on the sidelines or bought loans at sizable discounts in the secondary while arrangers looked for opportunities to clear last year's deals. However, growing confidence in the pace of growth of the U.S. economy, increased stability across global equities, and a surge of inflows into the high yield bond market helped the loan market regain some stability. Although there was less than US$3bn in institutional loan issuance geared toward refinancing in the first quarter, issuers with upcoming maturities as well as higher-quality issuers have emerged heading into the second quarter.

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