# U.S. new issue CLOs reached US$117bn in 2017 with an additional US$165bn in CLO refis and resets

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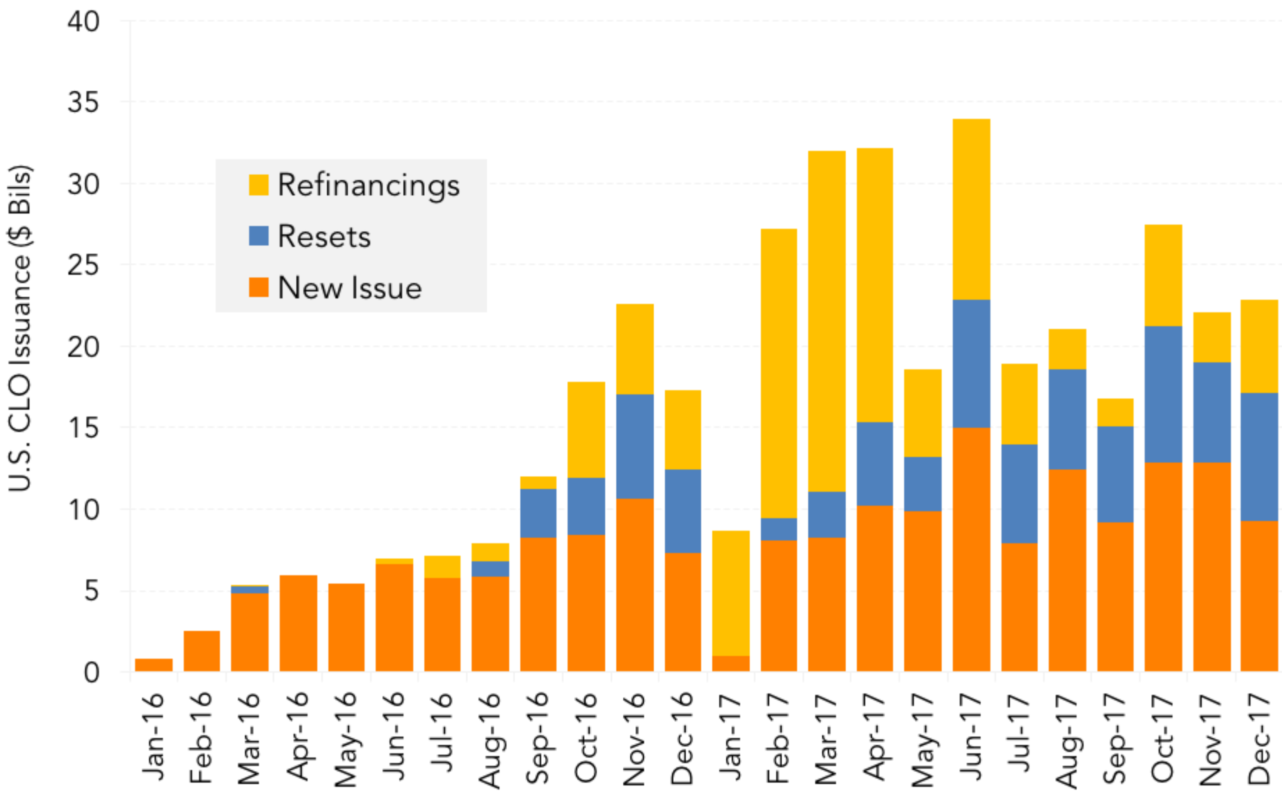


Although loan fund outflows have been more frequent since the fall, US$12.7bn flowed into mutual funds in 2017. Separate managed account money grew as pensions, endowments and family offices along with insurance companies, and sovereign wealth funds allocated money to this asset class. Few would argue that 2017 was the year of the CLO with over a quarter of a trillion dollars in activity. New CLO issuance reached US$117bn in 2017, jumping 62% over the prior year. In addition, US$164.8bn came in the form of refinancings and resets with US$103.8bn in refinancings and US$61bn in resets. With new issuers in the mix and a growing bid from Asian investors, deal activity was unprecedented. Although AAA spreads on new CLO liabilities reached tights in the low 100bp context for select managers, primary market loan spreads also tightened as issuers took advantage of favorable market conditions, to reprice their loans. Looking at 2018, “We haven’t seen times where it (primary market spread on higher quality loans) gets much tighter,” said a portfolio manager. “The market may prove me wrong on that score. I am not applying much judgment just looking at historically what has been the case. Typically when you get to these kind of levels, you see investors struggling for yield and weaker credits getting bid up heavily because people are stretching up the risk curve.”

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