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Middle market non-sponsored issuance jumps on the back of strong refi activity

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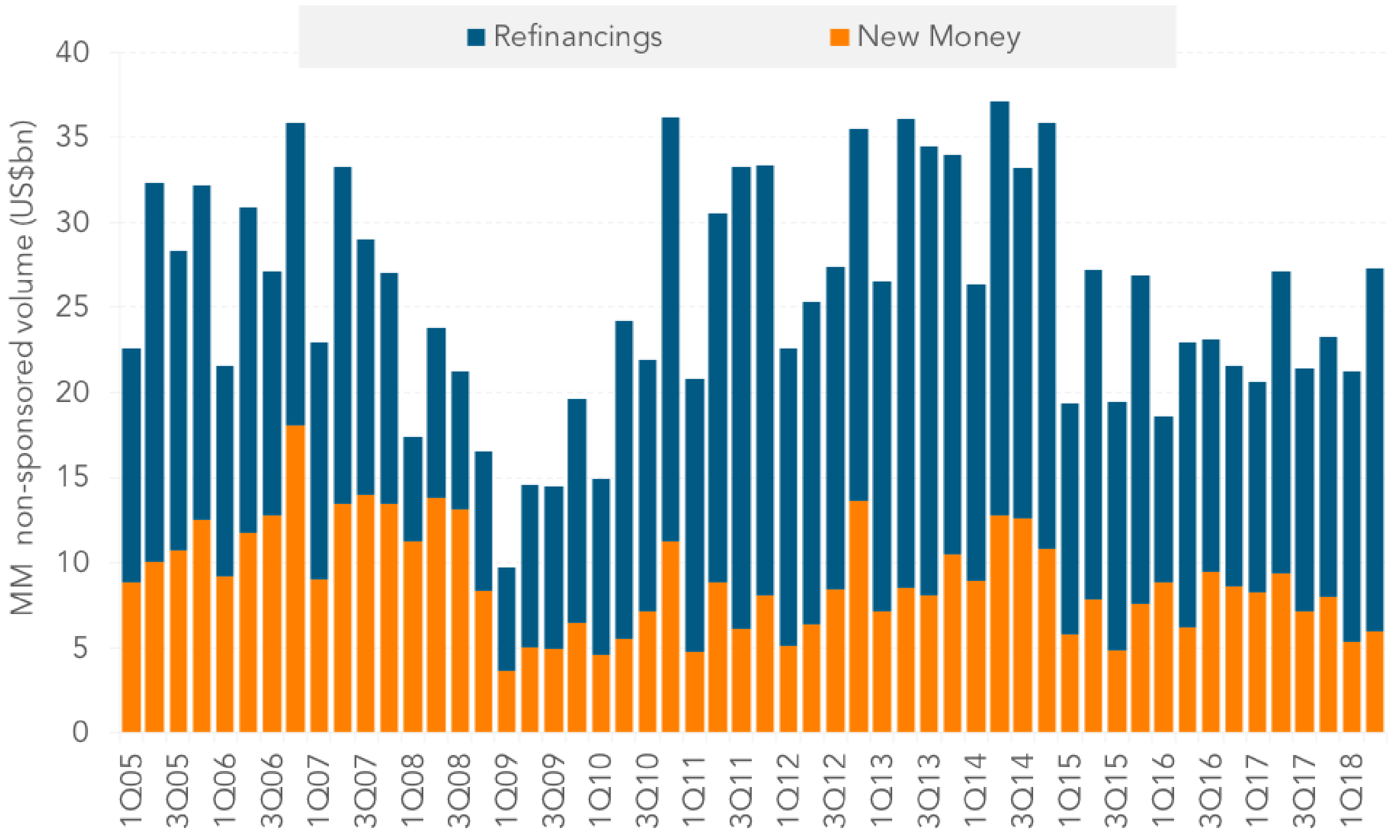

Middle market non-sponsored issuance jumped to US$27.3bn in 2Q18. This was up 29% from 1Q18 and was flat year-over-year. More refinancings drove the increase in loan issuance in this market. At US$21.3bn, non-sponsored middle market refis reached their highest level in three and a half years. Corporate issuers took advantage of strong market conditions to push out maturities and in some cases reduce their costs. Lenders said there was more pricing pressure in 2Q18, especially for larger deals. The average spread for large middle market non-M&A related revolvers tightened roughly 20bp to 201bp in 2Q18. Lending in the new money front was disappointing. While non-sponsored new money issuance of US$5.9bn was slightly up from 1Q18 numbers, it was down 37% year-over-year. Moreover, M&A lending fell for the second quarter in a row to US$2.4bn. One factor behind low middle market corporate M&A continues to be high purchase price multiples. And while issuers are feeling good about the economy, uncertainties cast by the trade war have put many plans on hold. Looking ahead, lenders are optimistic that there will be increased non-sponsored lending in the second half driven mostly by strong refinancing activity. But they are hopeful that there will also be a pickup in new money as fundamentals remain strong and companies pursue growth opportunities.

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