

CLOs: Risks and Opportunities

THE LEAD | April 29, 2021

News reached us from Mars of the first powered Earth aircraft to fly on another planet. Ingenuity, a helicopter with four foot wide blades (and carrying a small swatch from the original Wright Brothers bi-plane), hovered at ten feet for 30 seconds then came back down.

“What the Ingenuity team has done,” a NASA official said, “is give us the third dimension.”

Here on Earth CLOs? are also three-dimensional. Their capital structures start with the least risky, lowest-spread debt at the top of the cash flow waterfall, to more risky, higher-spread liabilities and equity at the bottom. There are also active primary and secondary markets for these investments, with spreads depending on market conditions...

?? Read Apr 19 2021 newsletter: [here](#)

?? Chart of the Week: [here](#) (by S&P Global Ratings, US CLO and Leverage Finance Update Q2 2021)