Buyout loan issuance has slowed

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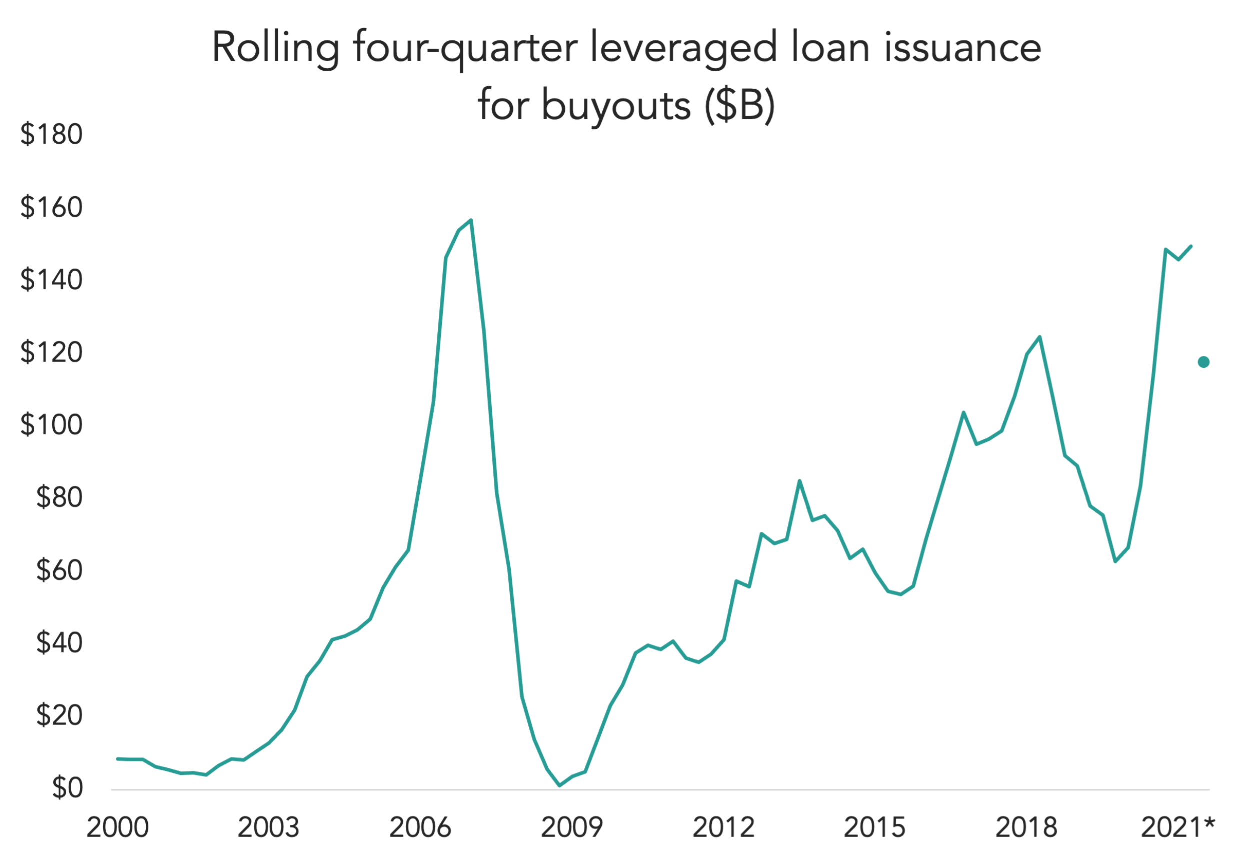

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Leveraged loan issuance slowed noticeably in Q2, according to PitchBook's latest *Quantitative Perspectives: US PE enters a new regime*. While still north of historical levels, the rolling sum fell to almost $118 billion in the second quarter, down from almost $150 billion just a quarter ago. Prior to Q2 2022, that figure was above $140 billion for three straight quarters. The pickup in deal activity led to a surge in outstanding value in the leveraged loan market, which has now passed $1.4 trillion in the US alone.

Credit quality of the overall leveraged loan market has softened since 2017. More than 64% of outstanding loans are now a single B, quite a bit higher than 2017, when only 45% of outstanding loans had that rating. What's more, the financing costs for single B-rated loans have jumped from 4.3% to 5.9%, driven by increases in benchmark interest rates and credit spreads. Taken together, this suggests an elevated risk for companies if a downturn is around the corner. As the note points out, "it will be much more difficult to mitigate the impact of a continued increase in financing costs on companies that have already undergone a buyout, especially in the event of a recession."

(Past performance is no guarantee of future results.)