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YTD volume up 77%; October falls just 15.3% YoY

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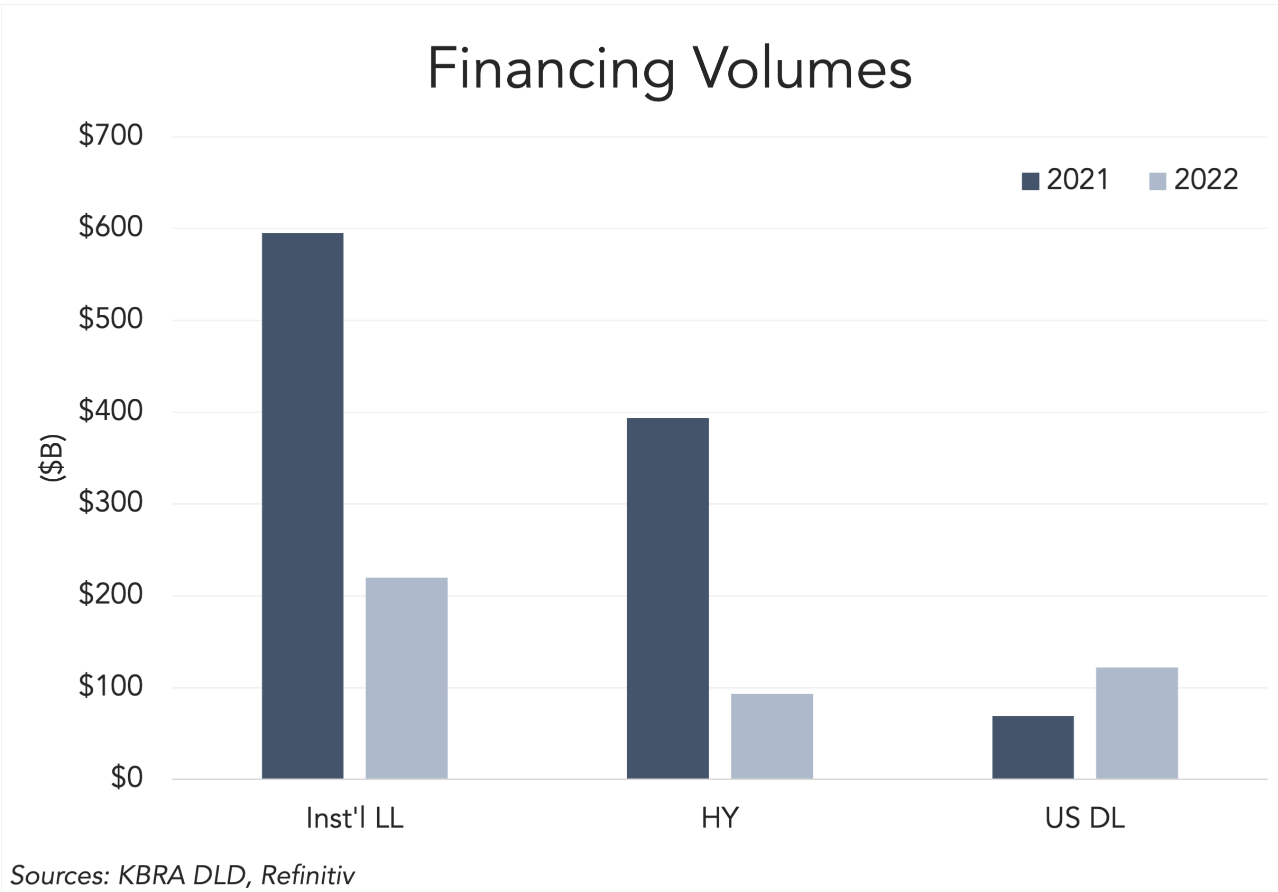

U.S. direct lending is thriving in 2022, with year-to-date volume up 77%, according to *KBRA DLD*. Volume recorded through October totaled $122 billion, up from $69 billion through the same period last year.

By contrast, U.S. leveraged loan and high yield volumes have tanked under steep interest rate hikes. Institutional leveraged loan volume is down 63% this year, while high yield is off 76%, according to *Refinitiv*.

With liquid credit spinning off kilter, sponsors are increasingly turning to private lenders to obtain financing. Direct lending in the U.S. has matured to the point where underwriters can absorb multi-billion dollar underwrites— *KBRA DLD*'s tally of >=$1B private loans now totals over $100 billion.

Borrowing costs are competitive, if not better than liquid credit, where secondary prices and hung deals have turned the primary into the Wild West for terms. The sponsors behind **Climate Technologies** just executed a private $2.6 billion first-lien term loan after first shopping the deal to the CLO market where managers demanded a discount in the mid-80s.

On a monthly basis, U.S. direct lending slowed 15.3% over the $6.5 billion *KBRA DLD* recorded in October 2021. The decline deepened from the 5.6% decline in September (YoY), but remains modest relative to liquid markets.

Looking ahead, the fourth quarter does not promise the same surge of originations that flowed through 4Q21, however, there is business moving through the pipeline. Purchase price multiples are trending in the buyer's favor, and as Climate Tech shows, lenders are being presented with new opportunities to fill in for the CLO market.

In a recent interview with *Bloomberg*, **Blue Owl Capital**'s co-founder Marc Lipschultz said, "We are seeing, in our private credit world, the best risk-return opportunities we've seen since the inception of our business."

(Note: The U.S. direct lending market is roughly $1 trillion in size. KBRA DLD's dataset is limited to our proprietary collection efforts, however the data moves in lockstep with broader trends in the market.)