Leveraged Loan Insight & Analysis

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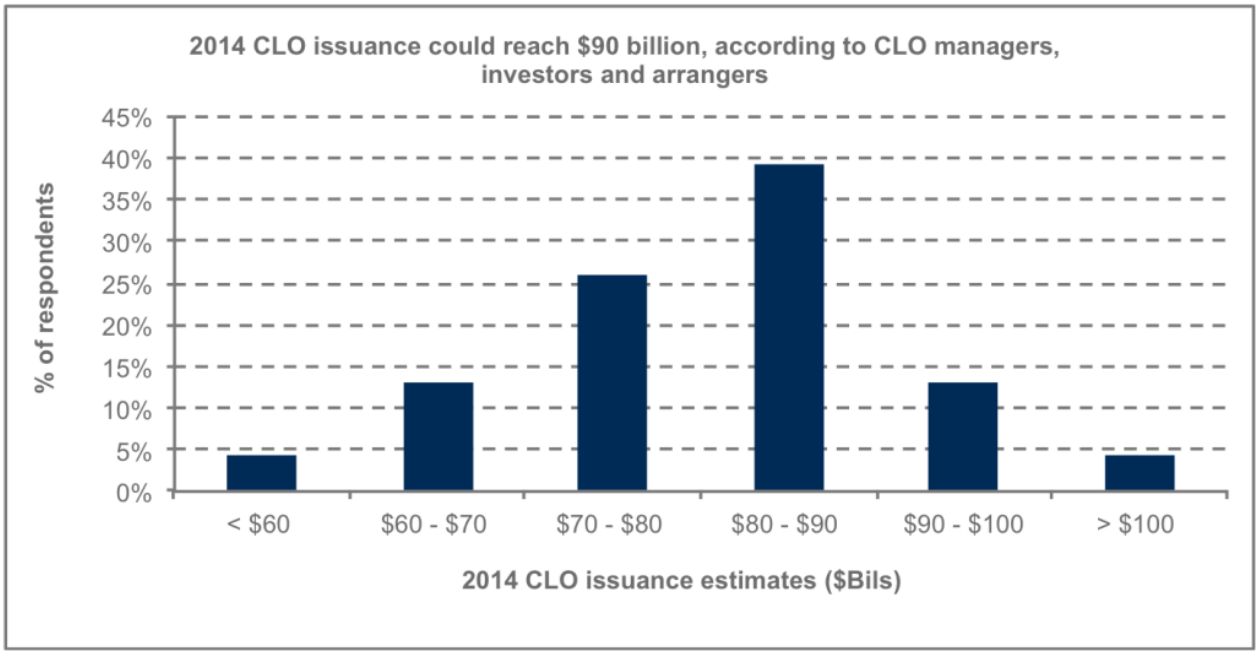

2014 CLO issuance sits well over $50 billion so far this year. With more than $10 billion in CLOs pricing in each of the last three months, analysts dialed up their expectations for issuance for the year. And they aren't alone. According to TRLPC's mid-year survey, 40 percent of CLO managers, arrangers, and investors surveyed say CLO issuance could reach $80-$90 billion this year. Which of course doesn't seem far fetched if the current pace keeps up. In fact, nearly twenty percent of respondents think CLO issuance could reach $100 billion or more this year. New CLOs are Volcker compliant and AAAs remain at higher spreads, making them attractive to investors relative to other asset classes. These factors along with the development of a curve are contributing to the growing breadth and depth of the AAA investor base. However, risk retention along with the Volckerization of non-compliant deals loom large. Banks will look to amend deals, removing bond buckets and considering springing securities baskets or give up manager control provisions or ultimately divest AAA notes of non-Volcker compliant CLOs. Any CLO notes bought or sold after December 31, 2013 are not eligible for the 2017 extension and would have to be divested by banks by 2015.

Source: Thomson Reuters LPC's Mid-Year CLO Survey

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