
From: jeffrey E. <jeevacation@gmail.com>
Sent: Tuesday, January 6, 2015 2:18 AM
To: Daniel Sabba
Subject: Re: Fw: Fwd:(BFW) CLO: Market on Stronger Footing in 2015 as Questions Linge

looking froward to the back test of propsoed trades

On Mon, Jan 5,=2015 at 10:07 PM, Daniel Sabba <[REDACTED]> wrot=:

Classification: Public

Collateralized loan obligation trading commentary.

----- Original Message -----

From: "Daniel Sabba (DEUTSCHE BANK SECURI)" [REDACTED]
Sent: 01/06/2015 02:02 AM GMT
To: undisclosed-recipients:
Subject: Fwd:(BFW) CLO: Market on Stronger Footing in 2015 as Questions Lin=e

--- Original Sender: RICHARD RIZZO, DEUTSCHE BANK SECURI ---

----- Original Message -----

From: RICHARD RIZZO (DEUTSCHE BANK SECURI)
At: Jan 5 2015 12:20:42

(BFW) CLO: Market on Stronger Footing in 2015 as Questions Linger
- see attached

From my viewpoint - still unclear picture of direction of CLO spreads=and issuance

Positives for CLO market

- Q1 historically brings out buyers while new issue takes time to get going=- this has been historically been good for existing CLO spreads.

- Risk retention is now on table and visible - may have effect of reducing =upply now, also good for spreads.
- Lower long US rates and increasing likelihood of Fed hikes in short term =ates should help CLO debt in relative attractiveness vs loans and CMBS and=other debt products
- Volcker compliance extensions for banks on AAA CLOs mean not likely=to see massive AAA CLOs for sale in 2015 .
- With loan spread easing and 2.0 AAA/AA CLOs not widening much (some not=C2 at all) in Q4, the new issue 'arb' appears to be alive. =A0 This can be viewed as positive or negative for CLO spreads though.=br>

Negatives

- Volcker is not solved/extended for dealer market making. Dealers may or may not be able to bid/offer CLOs that are not compliant after July 2015 - ie AAA and equity tranches in deals with bonds are most problematic.
- Macro and geopolitical pressures are numerous with the most direct impact on CLOs loans being oil related issuer stress and highly negative retail loan outflows.
- We may get large new issue supply this January vs other years as many deals originally for Nov/Dec 2014 were pushed to 2015 during Q4 turbulence.

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CLO: Market on Stronger Footing in 2015 as Questions Linger
 2015-01-05 15:16:23.880 GMT

By Christopher DeReza

(Bloomberg) -- CLO market set to start 2015 on notably stronger ground than last year, when activity paused amid

uncertainty over Volcker rule, which was finalized in Dec. 2013.

- * Only \$2.5b priced in January 2014
- * Effort of getting new deals Volcker compliant "didn't turn out to be as much of a hurdle as people thought," Kevin Egan, a senior PM at Invesco, said during phone interview
- * Egan also said:
 - * There's clarity on what managers have to retain (given final retention rule published in Federal Register Dec. 24); there's ambiguity on what form assets will take, as "a lot of vehicles and structures are being
 - * Managers may try to print deals before rule takes effect
- remainder of stack unaffected
- * Oil prices overall won't have "tremendous" impact; 1 or 2 companies on investors' radar for bankruptcy
- * While leverage has risen, 1Q through 3Q levels "are" pretty much flat" after 4 yrs of steady increases
- * While leverage has risen, 1Q through 3Q levels "are" pretty much flat" after 4 yrs of steady increases
- * Month-by-month issuance, according to data compiled by BofAML analysts Chris Flanagan, Ryan Asato, Collin Chan, as of Dec. 19
 - * Month, BSL, Middle-Market, Total
 - * Jan., \$2.55b, \$0, \$2.55b
 - * Feb., \$7.686b, \$731m, \$8.417b
 - * March, \$11.41b, \$309m, \$11.719b
 - * April, \$10.823b, \$1.682b, \$12.505b
 - * May, \$10.912b, \$403m, \$11.315b

- * June, \$12.524b, \$559m, \$13.083b
- * July, \$13.994b, \$0, \$13.994
- * Aug., \$10.949b, \$358m, \$11.307
- * Sept., \$7.006b, \$713m, \$7.719m
- * Oct., \$10.048b, \$1.078b, \$11.126b
- * Nov., \$10.525b, \$761m, \$11.286
- * Dec., \$8.301b, \$407m, \$8.708m
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- * 2014 BSL, middle-market issuance, as of Dec. 19, totals \$123.729b; compares with \$81.94b in 2013
- * 2014 BSL, middle-market issuance, as of Dec. 19, totals \$123.729b; compares with \$81.94b in 2013=
- * While issuance in 2015 is expected to be lower, forecasts of \$70b to \$110b are still described as strong

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