Figure 1.13. Developments in the Leveraged Loan Market in the United States and Europe

The amount of leveraged loans is almost as large as that of high-yield bonds. Nonbanks have taken a larger role in financing highly indebted firms.

1. High-Yield Bond versus Leveraged Loan Debt Outstanding (Billions of US dollars; billions of euros)

2. US Leveraged Loan Investor Base: Banks versus Nonbanks (Percent of primary market issuance)

The share of proceeds used to fund acquisitions and shareholder enhancements is large.

3. Leveraged Loan Issuance by Use of Proceeds (Percent)

US bank holdings of collateralized loan obligations remain relatively small.

4. US Bank Holdings of Collateralized Loan Obligations (Billions of US dollars; percent)

Collateralized loan obligations have enjoyed a stable bid from asset managers and banks ...

5. US CLO Year-End 2018 Investor Base (Percent of new CLO issuance)

... as attractive currency-hedged returns have maintained a strong bid from foreign banks.

6. US and EU AAA-rated CLO Spreads Hedged to the Japanese Yen (Basis points)

Sources: Bloomberg Finance L.P.; Citi; Federal Reserve Y-9C Reports; S&P Leveraged Commentary & Data; SNL Financial; and IMF staff calculations.

Note: For panel 2, institutional investors include finance companies, insurance companies, hedge funds, distressed debt funds, loan mutual funds, and collateralized loan obligations (CLOs). Panel 5 is based on estimates from Citi. JGB = Japanese government bond; JPY = Japanese yen; LBOs = leveraged buyouts; M&A = mergers and acquisitions.