European CLO Weekly

2025: H1 review & H2 outlook

30 June 2025

Structured Finance
Europe
CLO

Market update: Uptick in both primary & BWIC vol

On the CLO primary, 4 new issue deals and 3 resets priced last week. Loan supply also picked up, including dividend recaps and a €1.25bn LBO-linked TLB. Repricing activity continues, though the loan market has softened a bit due to improved primary supply and loan BWICs from CLO liquidations.

On the CLO secondary, BWIC vol reached almost €360mn Mon-Thurs. CLO single-A to single-B spreads finished the week tighter, especially double-Bs.

Record gross new issuance, lagging triple-A spreads

YTD gross new issuance is at €30bn, the highest H1 volume on record. In addition, reset & refi activity is close to €21bn. Triple-A primary CLO spreads have been lagging behind a bit, with AAAs still mostly in the low to mid 130 bps area. We expect the CLO primary to remain very busy the next few weeks. Post July, whether CLO creation can continue at the same pace or not will depend on whether the loan primary will keep its current momentum. Whilst we leave our gross new issue supply forecast unchanged for now, we increase our reset/refi forecast from €33bn to €45bn.

Loans supply – continued repricings, uptick in recaps

YTD gross Euro leveraged loan issuance is close to €50bn vs. €27bn of net supply. We have seen an uptick in dividend recaps this year as sponsors seek to improve distributions to LPs. Furthermore, YTD loan repricing volume exceeds €70bn, just around €10bn less than 2024 full year repricing volume. With regards to loan refis, we expect activity to remain strong, with many issuers likely to address 2028 and beyond maturities early given currently tight loan spreads and strong demand from CLO warehouses.

Strong BWIC vol in Q1, slower pace in May

On the secondary, BWIC vol had a strong start in Q1, but slowed down in May and for most of June, though picked up again last week. Spreads have bounced back from the April dislocation but remain a bit wider vs. YTD tights. CLO triple-As, triple-Bs, and double-Bs have returned 1.7%, 2.5%, and 3.2% YTD, respectively. From a total return perspective, CLO AAAs have matched IG credit in H1, outperforming IG credit in March when German bund yields surged, though underperforming a bit in April.

Please also see our updated European CLO data handbook (June edition).

For further developments in the European SF markets, please see **European SF Weekly: 1H25: so far, so good** and **European SF Data Addendum: GBP/AUD RMBS and EUR CLO**, both dated 30 June 2025.

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Common Acronyms (link)

Market update

CLO

Activity picked up on the ***European CLO primary market*** this week, with 4 new issue deals – **Carlyle Euro CLO 2025-2**, **Avoca CLO XXXVII**, **Sculptor CLO XIII**, and **Arcano Euro II** – and 3 resets – **Palmer Square European CLO 2021-1**, **Harvest CLO XXXI**, and **CVC Cordatus Loan Fund XXIX**. This brings YTD gross new issue volume to more than €30bn, the highest H1 volume on record. Meanwhile, reset/refi volume is at close to €21bn.

Last week's deals priced as follows:

- Carlyle Euro CLO 2025-2 new issue (S&P/Fitch): (AAA/AAA) 134, (AA/AA) 1995, (A/A) 235, (BBB-/BBB-) 320, (BB-/BB-) 590, and (B-/B-) 900. The deal also has a junior triple-A tranche priced at 170 bps, with 38% par subordination vs. 39% for the senior triple-A tranche.

- Avoca CLO XXXVII new issue (S&P/Fitch): (AAA/AAA) 133, (AA/AA) 190, (A/A) 205, (BBB-/BBB-) 300, (BB-/BB-) 600, and (B-/B-) 900.

- Sculptor CLO XIII new issue (S&P/Fitch): (AAA/AAA) 134, (AA/AA) 200, (A/A) 235, (BBB-/BBB-) 325, (BB-/BB-) 550, and (B-/B-) 875.

- Arcano Euro CLO II new issue (S&P/Fitch): (AAA/AAA) 125, (AA/AA) 205, (A/A) 230, (BBB-/BBB-) 330, (BB-/BB-) 600, and (B-/B-) 875. We note the deal was structured with just 1 year NC/ 2 years RP, hence the tighter AAA pricing.

- Palmer Square European CLO 2021-1 reset (S&P/Fitch): (AAA/AAA) 133, (AA/AA) 195, (A/A) 230, (BBB-/BBB-) 325, (BB-/BB-) 575, and (B-/B-) 850.

- Harvest CLO XXXI reset (S&P/Fitch): (AAA/AAA) 139, (AA/AA) 205, (A/A) 230, (BBB-/BBB-) 340, (BB-/BB-) 575, and (B-/B-) 915.

- CVC Cordatus Loan Fund XXIX reset (S&P/Fitch): (AAA/AAA) 133, (AA/AA) 195, (A/A) 230, (BBB-/BBB-) 325, (BB-/BB-) 565, and (B-/B-) 910.

New issue CLO triple-A spreads remain in the low to mid 130 bps area, around 12-15 bps wider vs. the YTD tights in late February and around 8-10 bps wider than in March. We attribute the still relatively wide primary triple-A levels to strong gross issuance and reset activity (and hence strong supply of long-dated paper).

The ***CLO pipeline*** remains busy with around 100 warehouses open, and issuance will likely remain strong over the next couple of weeks. The visible new issue pipeline includes deals by debut manager LGT, Fidelity, Five Arrows, and Blackstone, among others. The visible reset/refi pipeline (including potential refis) includes deals by Arini, Carlyle, AB Carval, Hayfin Emerald, and Signal, among others.

On the loan market, primary activity picked up this week, with multiple deals including an LBO deal (Skechers, which issued a €1.25bn TLB in addition to a USD tranche to fund its buyout by 3G Capital), dividend recaps, and loans for general corporate purposes. In addition, this week saw several A&E transactions.

Besides traditional supply from primary, we also note that several CLOs got liquidated in recent weeks, hence creating more supply from loan BWICs.

YTD gross loan issuance is now close to €50bn whilst net supply stands at around €27bn. In particular, we have seen an uptick in dividend recap deals this year as sponsor seek to improve distributions to LP. M&A and LBO activity still remains a bit muted, though we have seen a few LBO-linked new loans in recent weeks.

Meanwhile, despite the uptick in loan issuance, several loans got repriced last week. YTD loan repricing volume stands at €70bn. We expect repricing activity to continue, though possibly either at slightly slower pace than the last 2 weeks or at least only with moderate margin compression on average as the loan market has softened a little bit given the uptick in supply.

On the secondary, the European Leveraged Loan Index (ELLI) marginally declined WoW, closing at 97.72 on Thursday vs. 97.92 the Thursday prior, most likely driven by the aforementioned uptick in loan primary supply and loan BWICs.

CLO BWIC volume increased significantly to around €360mn Mon-Thurs, with more than €150mn of triple-A supply. Overall BWIC vol more than doubled (with auction supply at around €160mn the week prior). Triple-A and double-A spreads finished the week unchanged whilst the rest of the capital structure tightened, especially double-Bs.

H1 2025 review

CLO primary – record new issuance, lagging AAA spreads

We review the European CLO and leveraged loan markets in H1 2025, including primary market activity, net supply, returns, and the secondary market.

Please also see our updated European CLO data handbook (June edition).

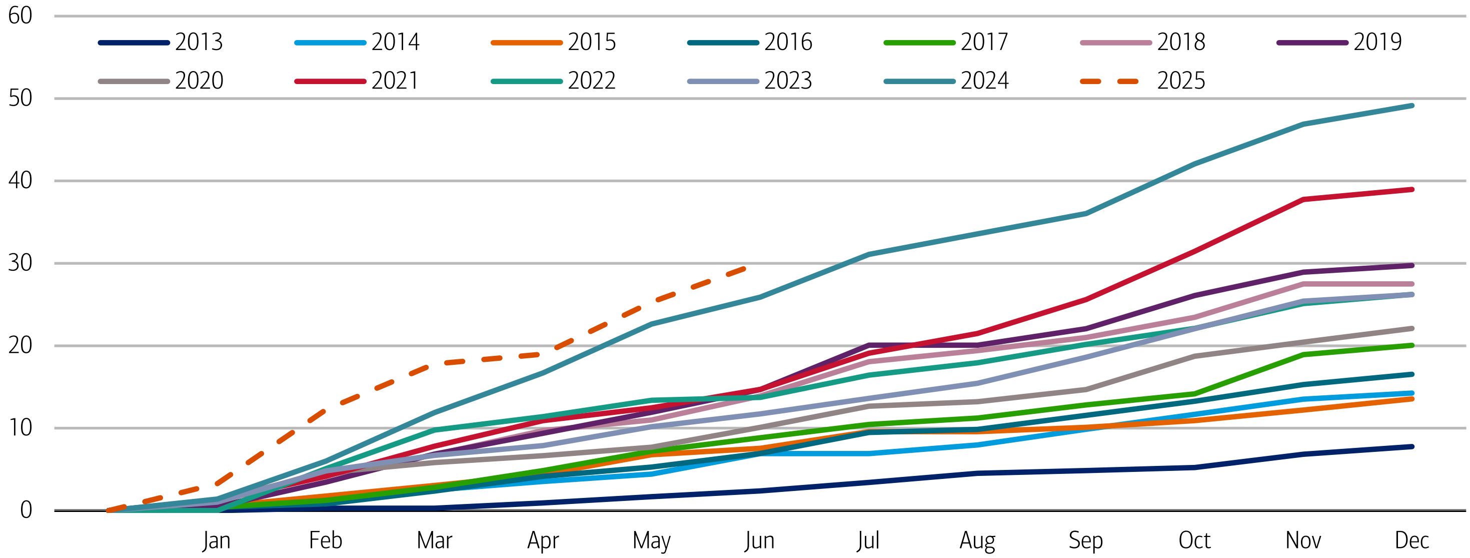
Record gross new issuance

European CLO gross new issuance is at €30bn YTD (as of 26 June 2025), the highest on record. This compares to H1 gross new issue volumes of €26bn, €12bn, €14bn, and €15bn in 2024, 2023, 2022, and 2021, respectively. In fact, YTD gross new issuance is higher than the full year figures for 2022 or 2023.

Activity was particularly strong in February - with around €9bn of gross new issuance – and weak in April with around €1.2bn given the temporary dislocation caused by the US tariffs announcement.

Exhibit 1: Cumulative European CLO gross new issuance, in bn EUR

YTD gross new issuance is the highest on record despite the temporary slowdown in April



Source: BofA Global Research, Bloomberg, IGM

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Almost €21bn in reset & refi activity YTD

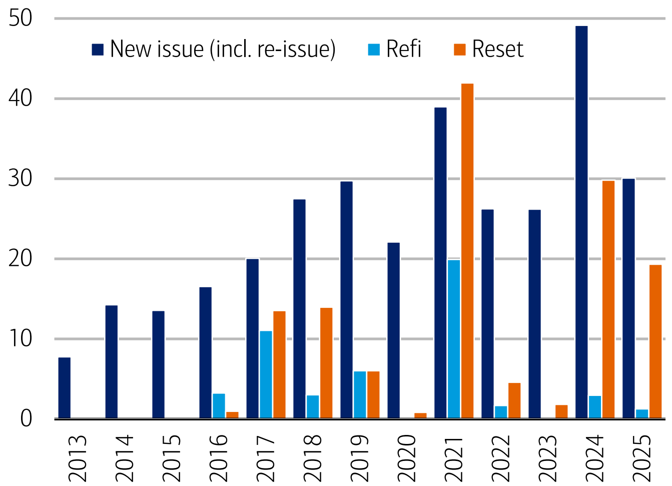
CLO refi & reset activity is at almost €21bn YTD (as of 26 June 2025), skewed heavily towards resets. Reset & refi activity was the strongest in March, reaching almost €7bn (of which close to €6bn was resets). Similar to new issue supply, resets slowed down sharply in April, and activity then quickly recovered in May.

Resets can be broadly categorized into 3 groups this year: (1) 2022 & 2023 vintage deals where resetting the deal led to a significant cost reduction in the deal's WACC, (2) 2021 vintage deals where the reset may not have lowered the WACC necessarily but prevented the deal from exiting the RP, and (3) older vintages (e.g., 2017 and 2018) of which deals had already started to amortize, but the equity holders chose to reset & upsize the deal rather than liquidate (in some cases most likely due to low equity NAV).

The 2023 vintage accounted for the highest proportion of resets, at 35%. This is followed by the 2017 and 2018 vintages at 12% and 11%, respectively. We note many of the older vintage deals (including some of the 2017 & 2018) vintage deals had previously gotten reset already (mostly in 2021), and hence the high share of 17% for

2021 when looking at which year deals had priced most recently rather than the original vintage year.

Exhibit 2: Annual European CLO gross NI, refi & reset vol, in bn EUR
YTD gross new issuance is already above full year 2022 & 2023 supply



Source: BofA Global Research, Bloomberg, IGM

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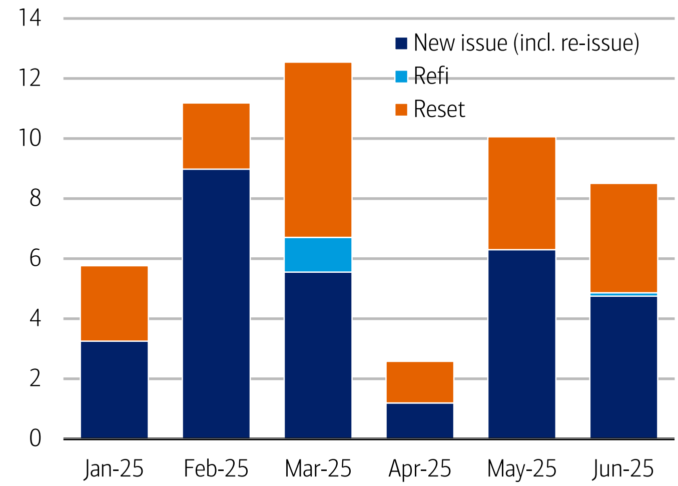
Exhibit 3: Monthly European CLO issuance in 2025, in bn EUR
Activity decline in April but quickly recovered



Source: BofA Global Research, Bloomberg, IGM

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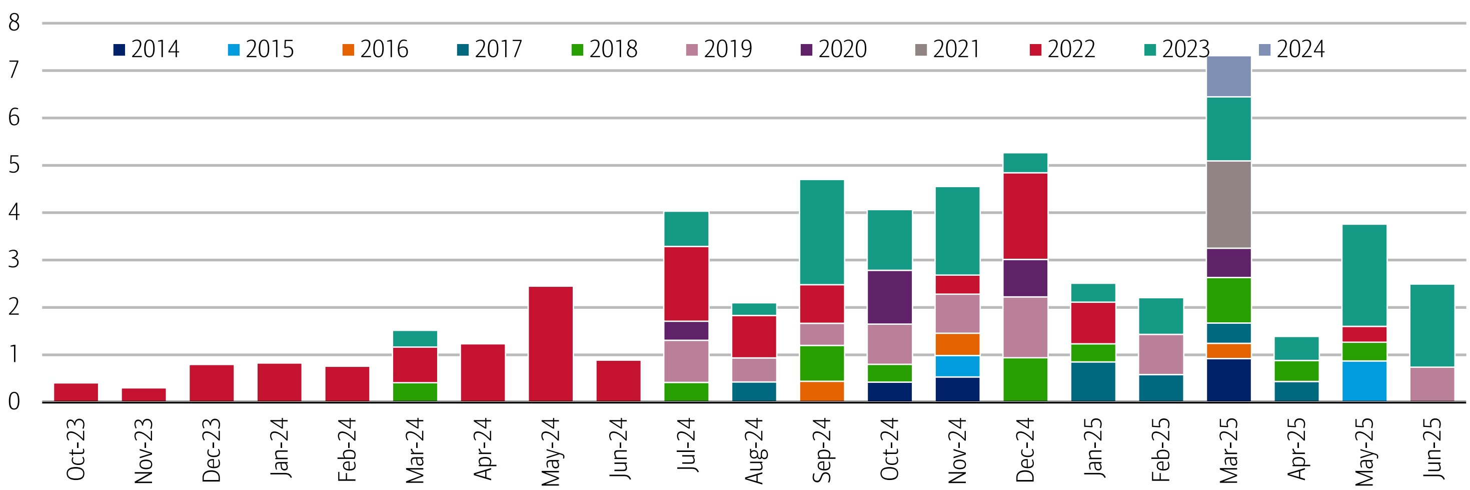
Exhibit 4: European CLO reset & refi activity by vintage since October 2023, in bn EUR
Resets have focused on 2023 vintage deals in May and June, though we also saw many resets from older vintages this year, especially in March



Source: BofA Global Research, Bloomberg, IGM

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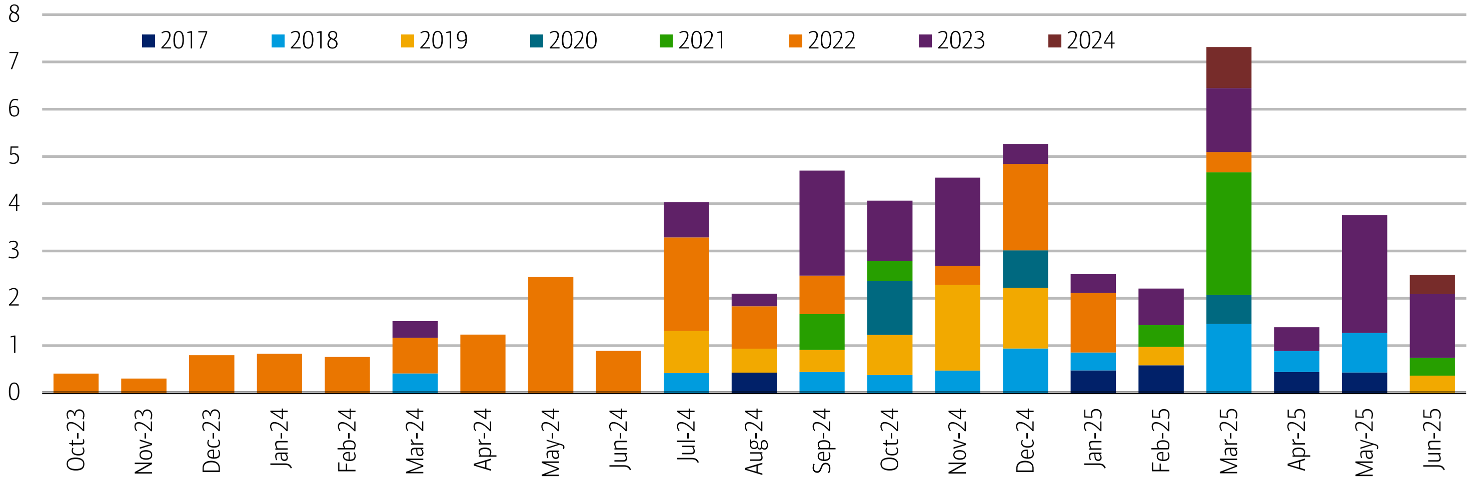
Exhibit 5: European CLO reset & refi by most recent pricing year since October 2023, in bn EUR
Many older vintage deals have been reset more than once by now



Source: BofA Global Research, Bloomberg, IGM

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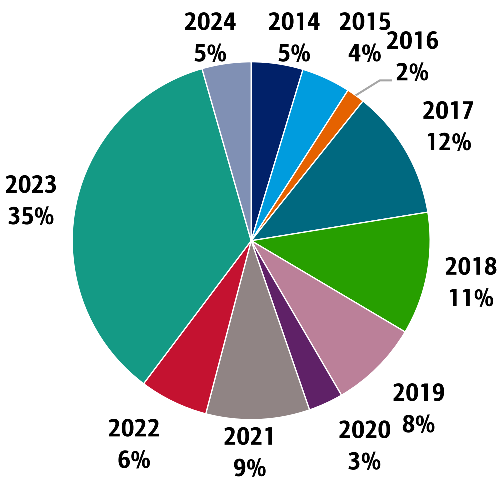
Exhibit 6: YTD reset & refis, by vintage
35% of resets/refis have been 2023 vintage deals this year



Source: BofA Global Research, Bloomberg, IGM

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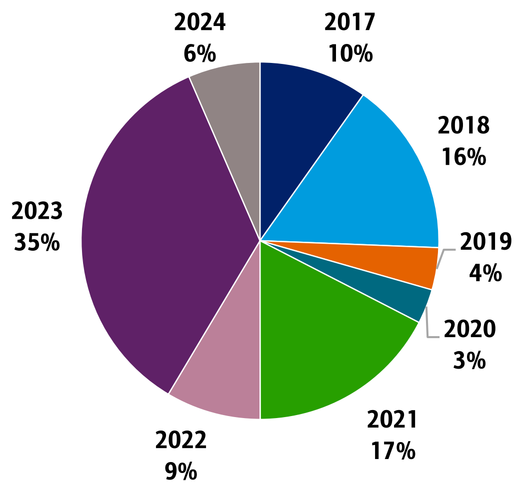
Exhibit 7: YTD resets & refis, by year last priced
Around 17% of resets & refis this year had last been priced in 2021



Source: BofA Global Research, Bloomberg, IGM

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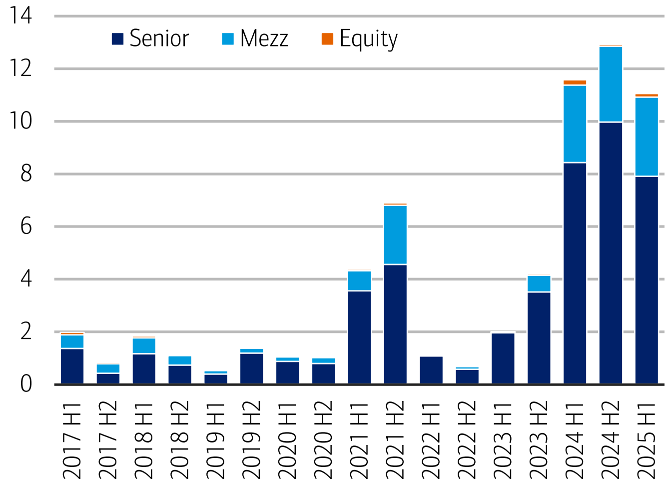
YTD CLO net supply is the second strongest H1 figure on record

CLO net supply has been notably weaker than gross issuance given amortization and liquidations. **We estimate CLO net supply to be at €15bn YTD**, and amortization & liquidations at more than €11bn. We note our net supply figures are based on closing date whereas gross supply is based on pricing date, and some deals priced have not closed yet (hence the gap between gross and net supply exceeding €11bn).

At €15bn, YTD net supply is the second strongest H1 supply on record, only behind H1 2021 when net supply exceeded €18bn. However, H2 net supply was stronger in 3 years than H1 2025, including 2018, 2019, and 2021.

Meanwhile, European CLO volume outstanding is getting close to €270bn. Of this, **76% of volume is inside the RP, 22% outside the RP, and 2% static**. The current approximately 24% outside RP & static share compares to around 26-27% throughout 2024. Whilst still high vs. pre-2022, the decline in the out-of-RP & static share has been driven by more deals getting reset (e.g., out-of-RP deals re-entering the RP) as well as more deleveraged deals getting liquidated.

Exhibit 8: European CLO amortization & liquidations, in bn EUR
YTD principal repayments have been around €11bn, with strong loan refi activity and continued CLO liquidations



Source: BofA Global Research, Intex

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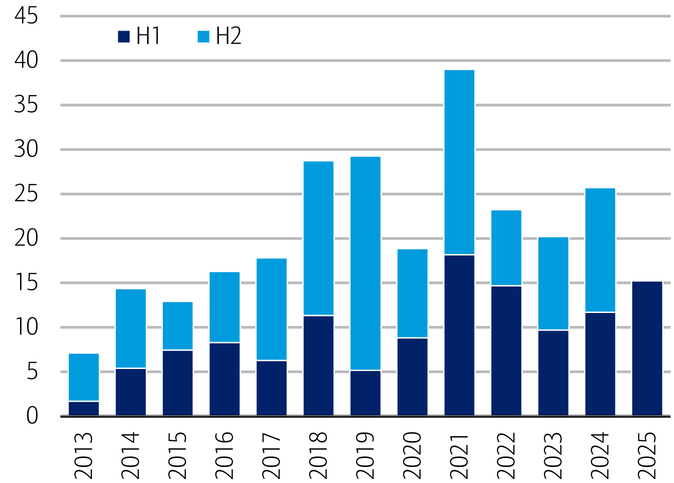
Exhibit 9: European CLO net supply, in bn EUR
CLO net supply YTD is the second highest H1 figure on record, only behind H1 2021



Source: BofA Global Research, Intex

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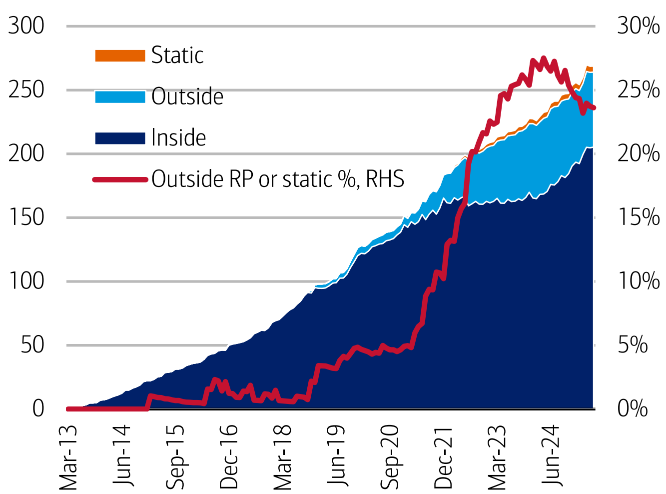
Exhibit 10: CLO vol outstanding over time, by RP status, in bn EUR
22% of the CLO market is outside the RP & less than 2% is static



Source: BofA Global Research, Intex

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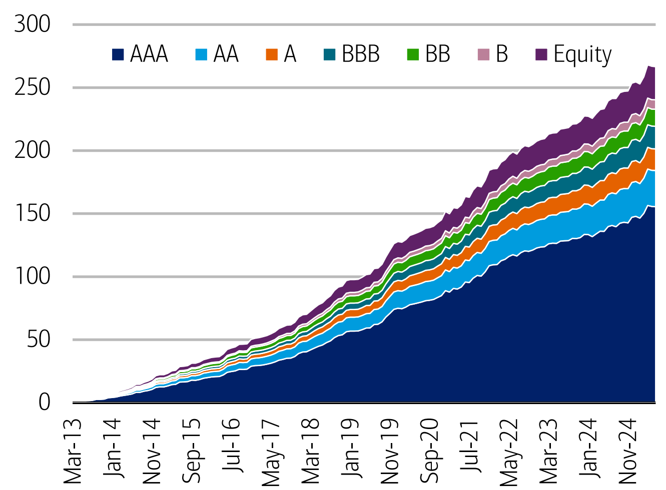
Exhibit 11: CLO volume outstanding, by rating bucket, in bn EUR
The European CLO AAA market size is close to €160bn



Source: BofA Global Research, Intex

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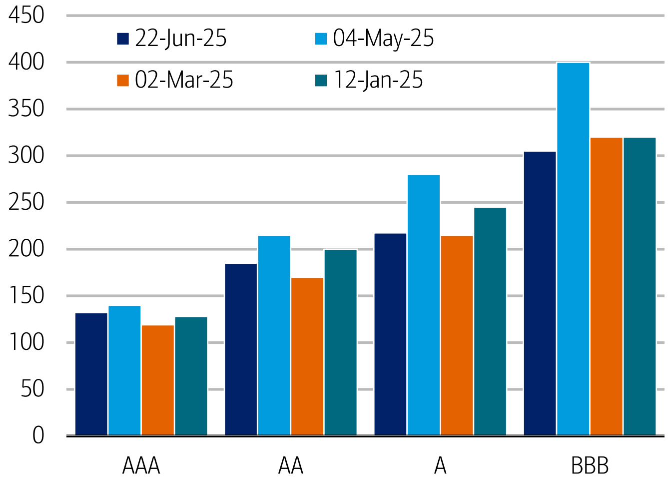
Primary pricing – Triple-A spreads lagging behind

CLO primary spreads tightened at the start of the year, reaching their YTD tight in late February. Spreads then softened a bit in March following the surge of German bund yields. Primary activity was very subdued in April following the tariffs announcement but had resumed by late April already.

CLO primary spreads are now comparable to March again, except for triple-A spreads, which have been lagging behind. There remains a meaningful gap of 20-25 bps between triple-As on the primary vs. secondary. Investor demand has been strong for the mezzanine part of the capital structure, which would explain the faster recovery for mezz vs. senior spreads. Manager tiering has slightly increased on the CLO primary including for triple-A, likely due to strong supply and hence a broad range of profiles to choose from.

Exhibit 12: Euro CLO IG median new issue spreads, by end of week
Triple-A spreads are still around 12-15 bps wider than in late February and have been lagging behind a bit



Source: BofA Global Research, Bloomberg, IGM

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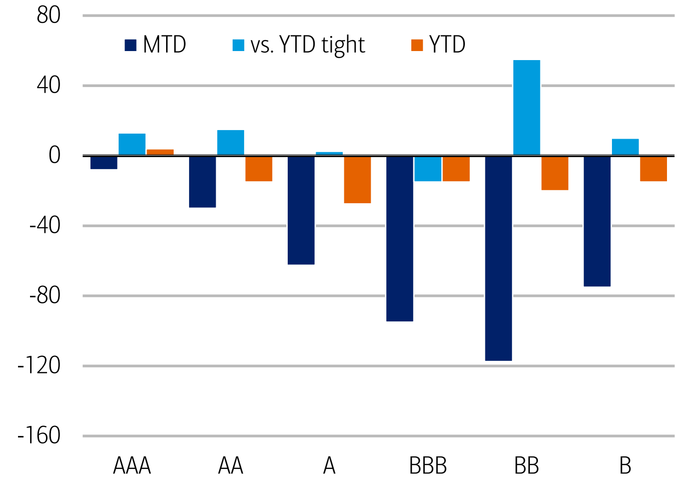
Exhibit 13: Euro CLO new issue spread changes
Triple-A spreads are marginally wider than at the start of the year whereas the rest of the capital structure is a bit tighter YTD on average



Source: BofA Global Research, Bloomberg, IGM

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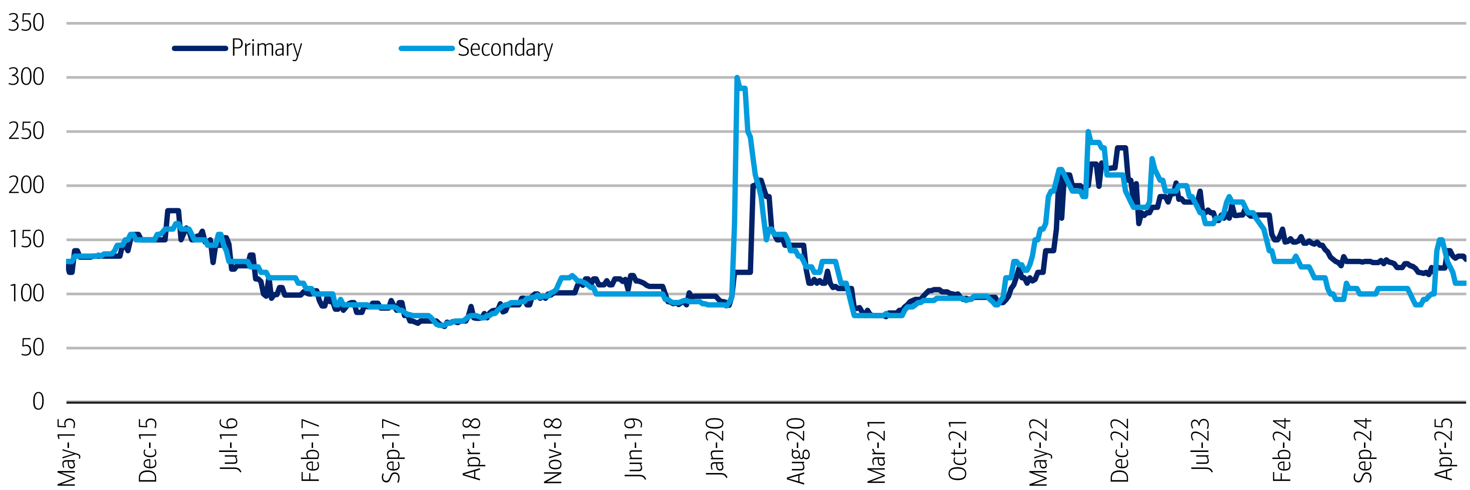
Exhibit 14: Euro CLO triple-A primary vs. secondary spreads
The primary/secondary triple-A gap has been wider than usual over the last 18 months



Source: BofA Global Research, Bloomberg, IGM

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What to expect in H2

Despite the already heavy new issue & reset supply YTD, the CLO primary pipeline remains strong, and we expect the next few weeks at least to remain busy.

New issuance – scope for an upside surprise?

- In our Year Ahead report in November 2024, we put down €48bn as our new issue forecast. Whilst we expected H1 to be busy, the level of issuance has admittedly surprised us to the upside, and we have already reached €30bn. That means we are just €18bn away from our forecast.

- We have around 26 weeks left for this year, and if we assume limited activity in August and the second half of December, that still leaves us with 20 weeks. Another

€18bn of supply would be equivalent to around 45 deals, or slightly more than 2 deals per week (excluding August and the second half of December), which wouldn't be an unusual pace.

- In fact, given the busy pipeline, the high number of warehouses open, and the long list of potential debut managers, we think it is possible that we might exceed our full year forecast.

- However, at this stage, we think there is not sufficient clarity with regards to future loan supply. Loan primary supply has rebounded from its early April pause in recent weeks and several loan BWICs from CLO liquidations have provided additional building material for CLO warehouses. But the loan pipeline looks much less certain post August, and therefore we think there's the risk that insufficient loan supply and worsening arbitrage will slow CLO new issuance down in H2. Hence, we leave our gross new issue forecast unchanged for now, but may update it in the next few months depending on loan supply and changes in new issue WACC.

We increase our reset/refi forecast to €45bn

- With regards to resets, there remain around €31bn of CLOs that are callable already or will become callable before the end of the year with triple-A coupon spreads greater than or equal to 140 bps.

- In addition to around €31bn of callable deals in-the-money for a reset, there are older vintage deals that have already started deleveraging and that may not be in-the-money technically, but where the majority equity holders may still opt for a reset. This may particularly be the case for deals with deflated CLO equity NAV where a liquidation would cause a low IRR to be crystalized.

- In our Year Ahead report from November 2024, we had put down €33bn as our CLO reset/refi forecast for full year 2025. However, with more out-of-RP resets than expected and relatively tight primary spreads, we think we might exceed this number.

- We expect some of the deals with 140 bps or higher triple-A spreads that become callable later this year to get reset next year only, as equity holders will choose to wait in some cases (e.g., to see if spreads tighten even more or to avoid overcrowding the primary with too many deals, which may adversely impact levels). However, even if only 2/3 of those deals get reset, that would imply another €20bn of resets toughly, and not even including out-of-RP resets.

- Therefore, we increase our refi/reset forecast to €45bn (around €21bn of resets & refis this year so far + another €24bn in H2).

- Our updated forecast is naturally subject to up- and downside risks. On the downside in particular, any widening in spreads could significantly reduce reset activity. There remain several tail risks outstanding for the CLO market, and many investors we spoke to at the Global ABS Conference in Barcelona considered an uptick in volatility in the near-term conceivable.

- On the upside, it is not inconceivable that we might see more out-of-RP resets, i.e., additional resets on top of in-the-money resets. Furthermore, we might see all callable in-the-money deals push for a reset rather than just most such deals.

Recovery in equity NAV => more liquidations necessarily?

- With the recovery in equity NAV following the April drop, we have started to see more liquidations again.

- There remain around €12bn of CLOs with a deal balance factor below 0.8, and thus likely call candidates. Whether all of these deals will get liquidated soon, though, is not clear. As mentioned above, some equity investors may opt for a reset instead, especially for deals where equity NAV is lower than for their peers.

- The list of potential liquidation candidates has declined a bit vs. the start of the year, given the high volume of out-of-RP resets and deals that got liquidated already in H1.

Net supply – recycling deals

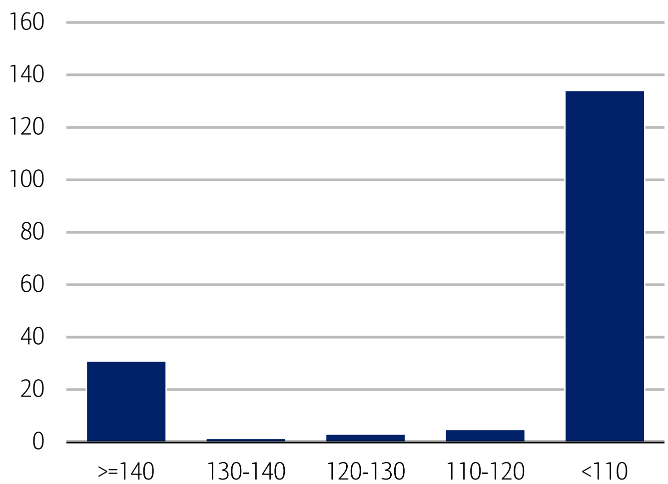
- While CLO net supply has been strong YTD, we note net supply has not been unusually high over the last 18 months. For example, 2024 net supply was around €26bn, below 2018, 2019, and 2021 levels. What has changed is that with more deals outside the RP, more gross supply is needed to replace volume lost due to amortization and liquidations.

- For our base case, we expect CLO net supply to be around 50-60% of gross new issuance this year, so around €24-€29bn.

- As we discussed above, the pace of liquidations may decline from here given that many deleveraged deals have been called already. However, amortization speed should stay strong: Loan spreads are tight, so we think loan refi activity will remain high, with many issuers choosing to address their 2028 maturities already. If, however, the proportion of deals amortizing declines due to more out-of-RP resets than expected, net supply may surprise to the upside.

Exhibit 15: European CLO volume outstanding & callable by 31 Dec 2025, by AAA coupon, in bn EUR

There are around €31bn of CLOs callable this year with AAA spreads at or above 140 bps, and thus likely reset candidates



Source: BofA Global Research, Intex

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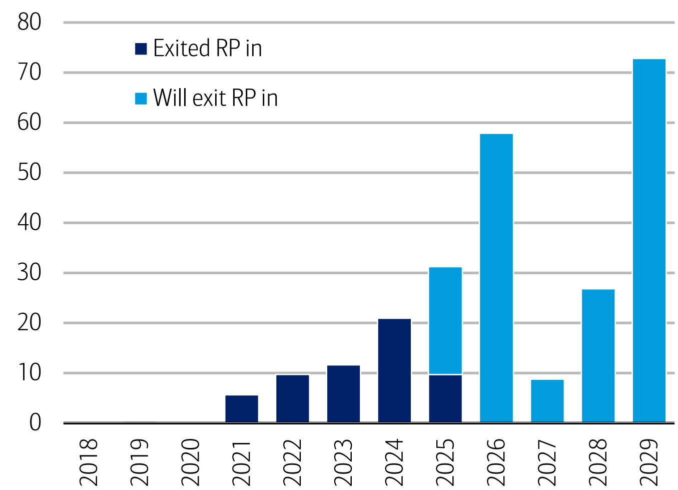
Exhibit 16: Current European managed CLO volume by RP exit year, in bn EUR

€22bn of CLOs are set to exit their RP in H2 2025 unless those deals get reset before



Source: BofA Global Research, Intex

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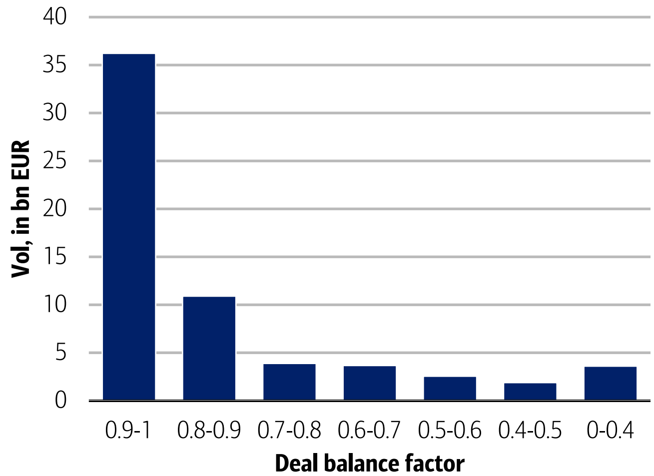
Exhibit 17: CLO volume amortizing, by deal balance factor, in bn EUR
Almost €12bn of CLOs have a deal balance factor below 0.8



Source: BofA Global Research, Intex

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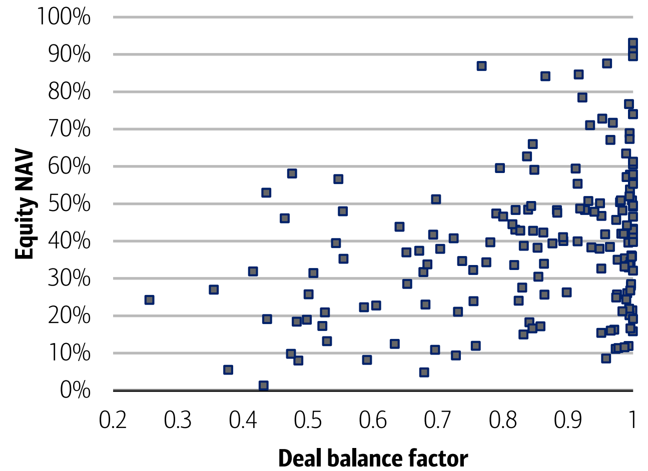
Exhibit 18: CLO equity NAV vs. deal balance factor for deals amortizing
Some deals have started deleveraging but have weak equity NAV



Source: BofA Global Research, Intex

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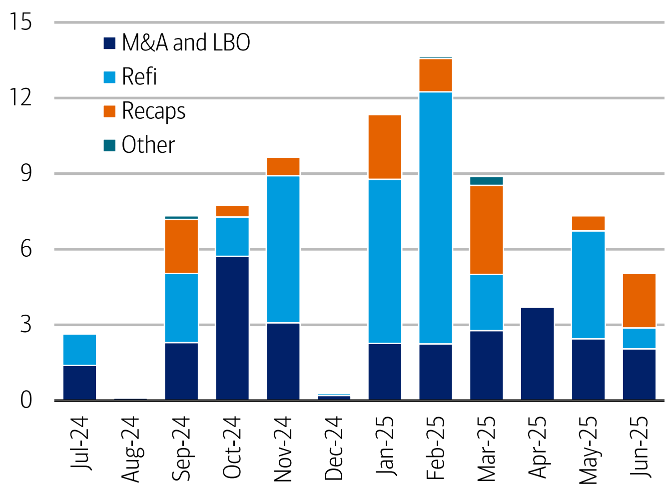
Loan supply – lack of OID in primary & more repricings

We provide an overview of the Euro leveraged loan primary market in H1, including gross & net issuance as well as loan repricings.

YTD Euro lev loan gross issuance at close to €50bn

Loan issuance has picked up this year, with YTD Euro lev loan gross issuance at almost €50bn. However, activity has been skewed towards refis whereas M&A and LBO new money supply has been a bit underwhelming. Further, we have seen an uptick in dividend recaps as sponsors seek to improve distributions to LPs. Meanwhile, Euro leveraged loan net supply has been notably weaker, at around €27bn.

Exhibit 19: Euro lev loan gross supply over the last 12m, in bn EUR
Dividend recap activity remains strong as sponsor still struggle with improving distributions



Source: LCD

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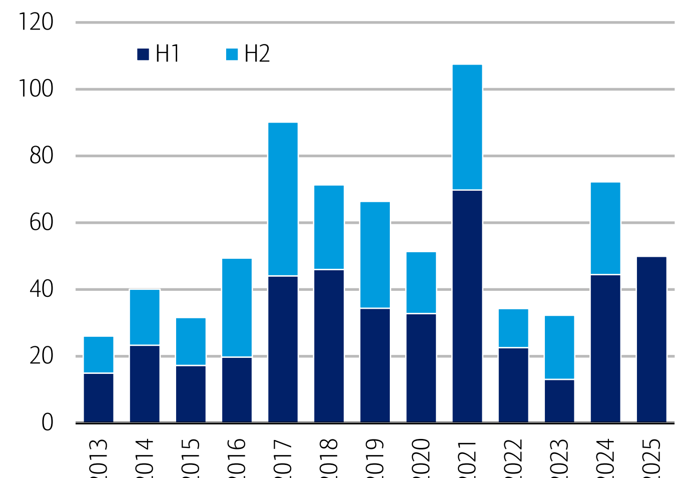
Exhibit 20: Annual Euro leveraged loan gross supply, in bn EUR
YTD gross loan supply has been strong, but there's still a lack of true new money supply



Source: LCD

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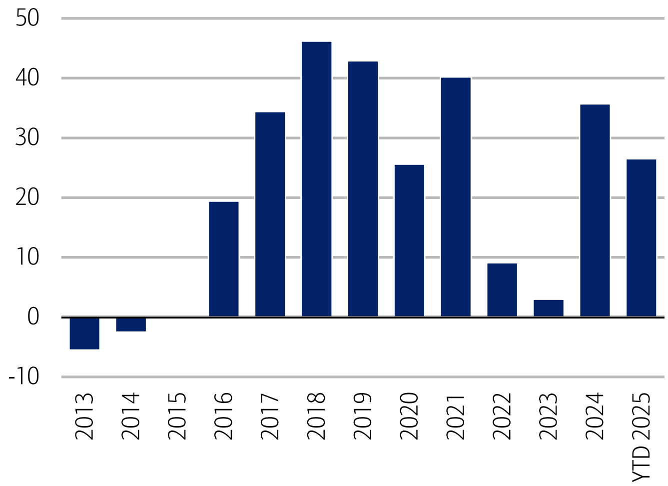
Exhibit 21: Euro lev loan net supply, in bn EUR
YTD loan net supply is at around €27bn



Source: LCD

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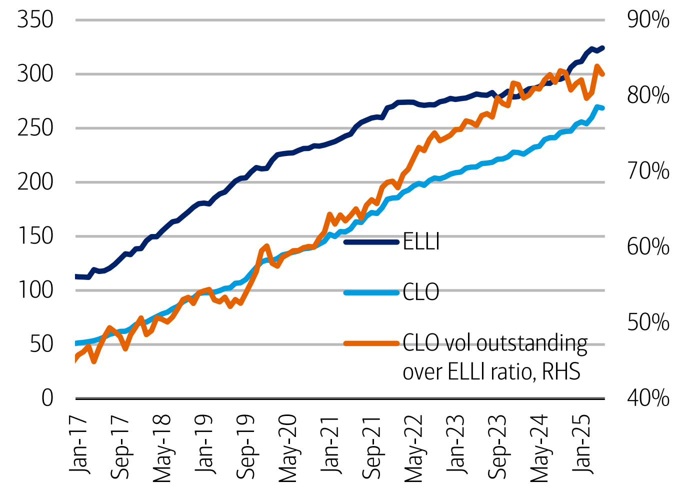
Exhibit 22: Euro lev loan and CLO vol outstanding, in bn EUR
CLOs are the main buyer base for Euro lev loans



Source: BofA Global Research, Intex, LCD

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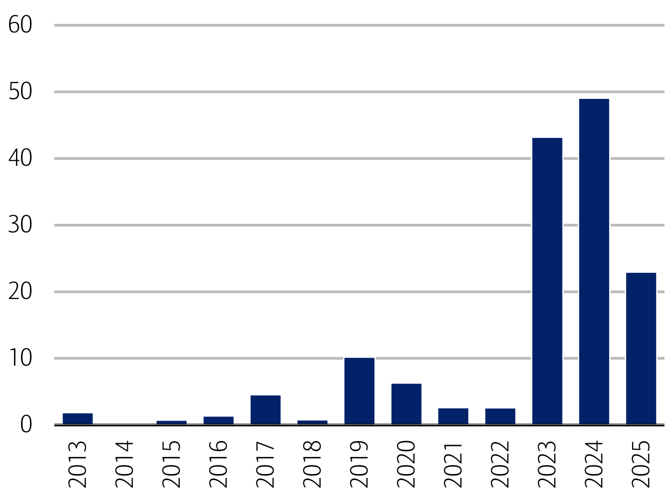
A&E activity has remained strong, at around €23bn. This is roughly comparable to refi activity. As a consequence of strong refi and A&E activity, the maturity wall has been pushed out significantly, with only around 1% and 7% of the ELLI maturing in 2026 and 2027. Some loans maturing pre-2028 and not refinanced or extended yet may be the future source of defaults.

Whilst the maturity wall is now skewed towards 2028, 2029, and 2031, we think many issuers will be proactive and seek to refinance loans earlier than necessary in order to take advantage of currently favourable conditions, including tight loan spreads.

Exhibit 23: Euro lev loan A&E annual volume, in bn EUR
YTD A&E activity has reached €23bn



Source: LCD

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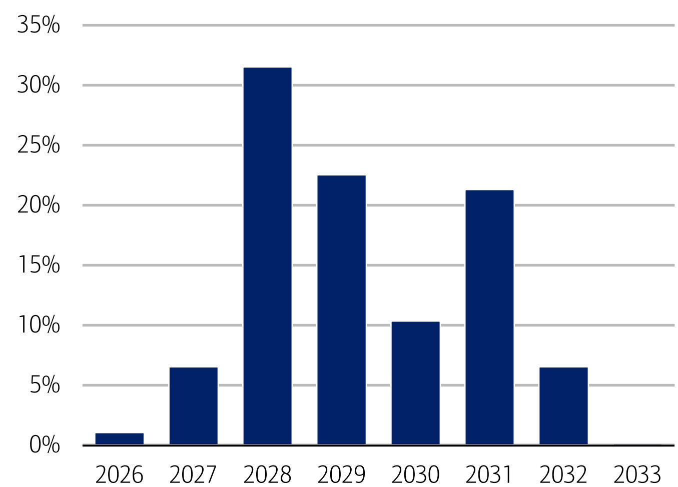
Exhibit 24: Euro lev loan maturity wall
With loan spreads, we think issuers will continue to address 2028 maturities



Source: LCD

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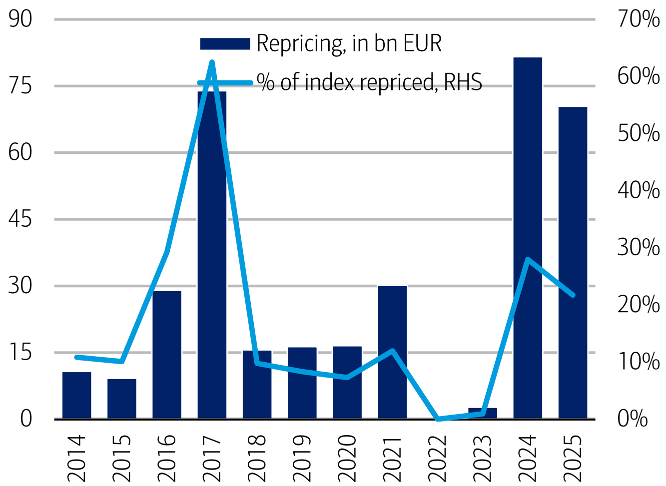
Repricing volume exceeds €70bn

YTD Euro leveraged loan repricing volume exceeds €70bn, less than €12bn below full year 2024 repricing volume. There have been 2 loan repricing waves this year so far, an initial one in January & February (which then slowed down in March as loans started trading a bit softer) and then another starting in late May as loan prices rebounded from the April dislocation. Issuers have been able to push through loan repricings given a very strong technical backdrop for loans, with primary loan supply insufficient for CLO warehouses to ramp up, and hence more demand for paper on the secondary. However, we note loan supply has improved the last few weeks, and while we still expect repricings to continue, a marginally softer loan market may at least mean slightly less margin compression for loans repricing.

Strong loan repricing activity has led WAS to compress, and this has been a headwind for CLO equity cash distributions (which have held up nevertheless, in part due to strong reset activity enabling 2022 & 2023 vintage deals in particular to lower their funding cost, see European CLO Weekly: CLO equity – some tailwinds, some headwinds from 9 June 2025).

Exhibit 25: Annual Euro lev loan repricing volume, in bn EUR
YTD loan repricing volume already exceeds €70bn



Source: LCD
Note: % of index based on mid-year loan volume outstanding
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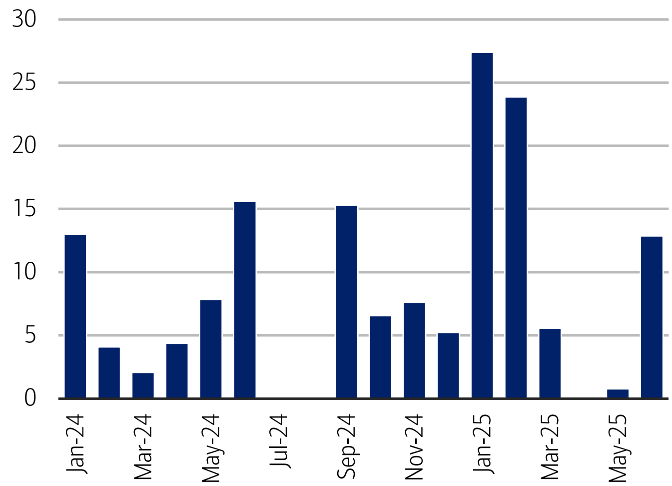
Exhibit 26: Monthly Euro loan repricings since Jan 2024, in bn EUR
Loan repricing activity has resumed



Source: LCD
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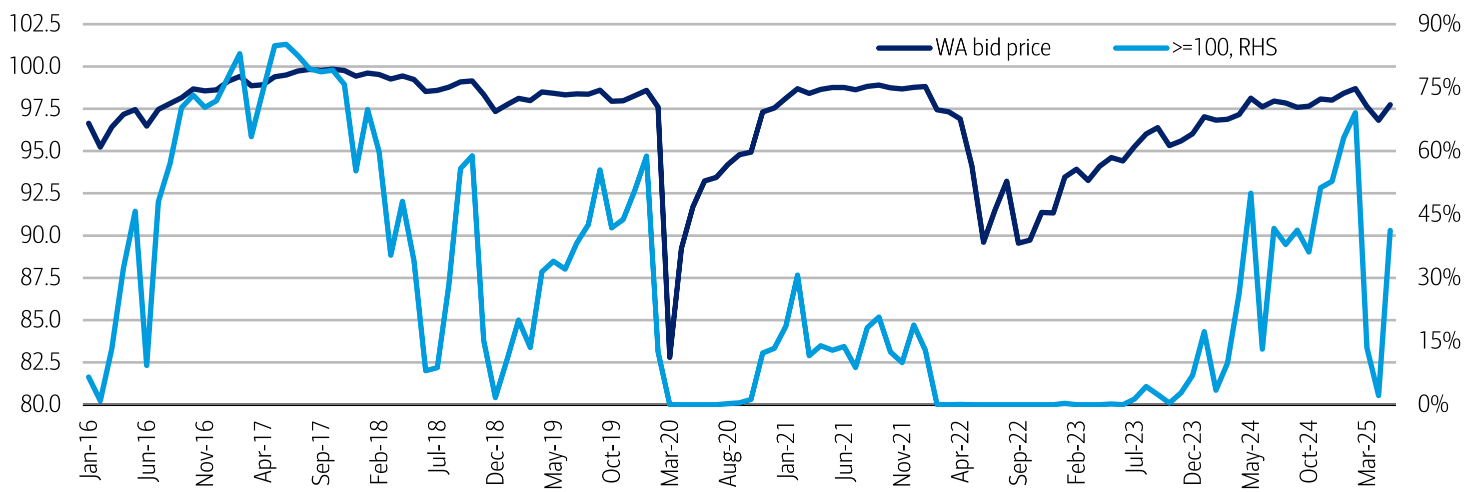
Exhibit 27: ELLI WA bid price and % of loan market trading at or above par
Around 40% of the loan market was trading or above par again end of May



Source: LCD
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Lack of OID – key headwind for build par

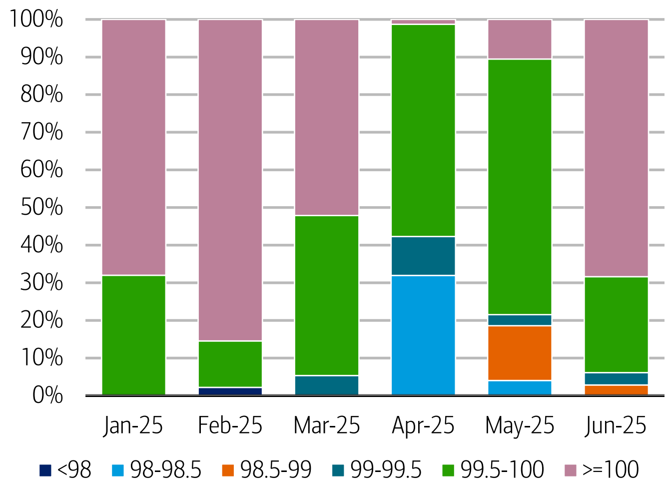
As a consequence of strong CLO creation relative to loan net supply, most new issue loans have offered very little if any OID this year. For example, in February around 86% of loans were issued at or above par. For loans issued below par, the discount was usually tiny, e.g., 99.5 cash price.

This improved a bit in April when some loans were issued in the 98-99 cash price range, but we note this was on very light volume and thus not consequential, with CLOs that had priced but not closed yet being forced to mostly ramped up on the secondary in April.

Lack of OID combined with some defaults and par losses from selling CCCs has led par build to be negative both on an adjusted and notional basis for most deals YTD, as we discussed in European CLO Weekly: CLO manager & collateral performance update from 2 June 2025.

With regards to running spreads, we saw an uptick in loans getting issued with spreads outside 400 bps compared to the first 2 months of the year. Still, a high proportion of loans got issued at fairly tight levels in recent weeks, with around 45% of loans issued in June with spreads inside 375 bps. This creates challenges for equity arbitrage, and from our conversations with investors, we understand model IRRs look low for new issue equity.

Exhibit 28: Euro lev loan primary issuance price distribution
The Euro loan primary has offered almost no OID this year



Source: BofA Global Research, 9Fin

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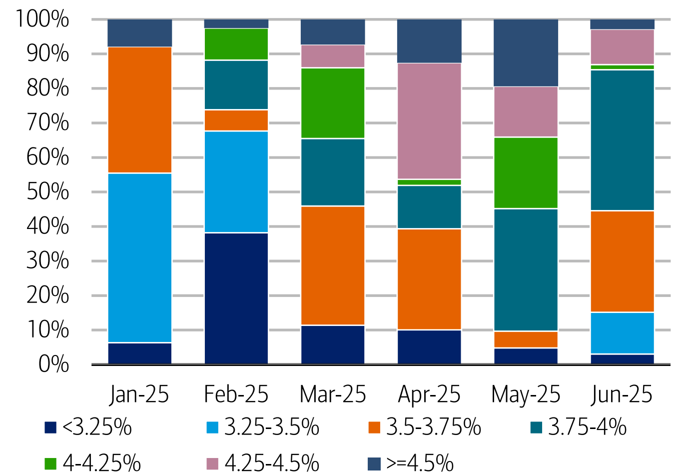
Exhibit 29: Euro lev loan primary running spread distribution
Around 45% of loans issued in June had coupons below 375 bps



Source: BofA Global Research, 9Fin

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CLO secondary – spreads bouncing back from April wides

We discuss the CLO secondary, including BWIC supply and spreads movements (as of 20 June).

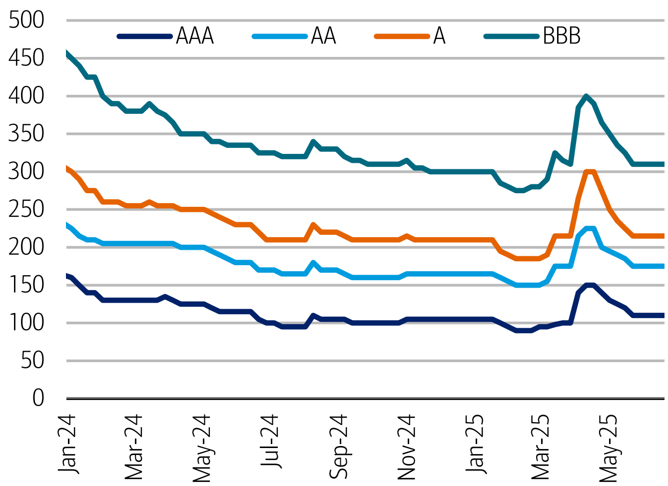
AAA secondary spreads almost back to start of the year levels

CLO spreads generally trended tighter at the start of the year, reaching their YTD tights in late February. Spreads then widened a bit in March following the surge in German bund yields, and then widened more meaningfully during the early April dislocation following Liberation Day. Since then, though, spreads have bounced back quite a bit, especially for mezzanine.

- As of 20 June, generic CLO triple-A levels are now at around 110 bp vs. their YTD wides of 150 bps in April. However, triple-A spreads remain around 20 bps wider vs. their YTD tight, and 5 bps wider vs. the start of the year.

- Triple-B spreads are at around 310 bps on average, around 30 and 10 bps wider than in late February and at the start of the year, respectively.
- Double-B spreads are now at approximately 600 bps, i.e., 75 and 25 bps wider than in late February and at the start of the year, respectively.
- Sub-IG spreads have tightened the most over the last 12 months, with double-Bs and single-Bs 35 and 60 bps tighter, respectively. However, with the highest credit spread duration, sub-IG bonds also exhibited more volatility (e.g., in April 2025), of course.
- Generally speaking, spreads are relatively tight from a percentile rank perspective. If we take data since May 2015, triple-A, triple-B, and double-B spreads are at their 48th, 19th, and 31st percentiles, respectively.
- One significant change, though, is that 3m Euribor is no longer negative or zero (unlike pre-2022), and hence the value of the Euribor floor is diminished now. We therefore also look at spread percentiles since 2022, and doing so spreads look even tighter. For example, triple-A spreads are then just at their 26th percentile, triple-Bs at their 12th percentile, and double-Bs at their 10th percentile.

Exhibit 30: Euro CLO IG generic spreads on secondary
Spreads bounced back quickly from their April wides



Source: BofA Global Research

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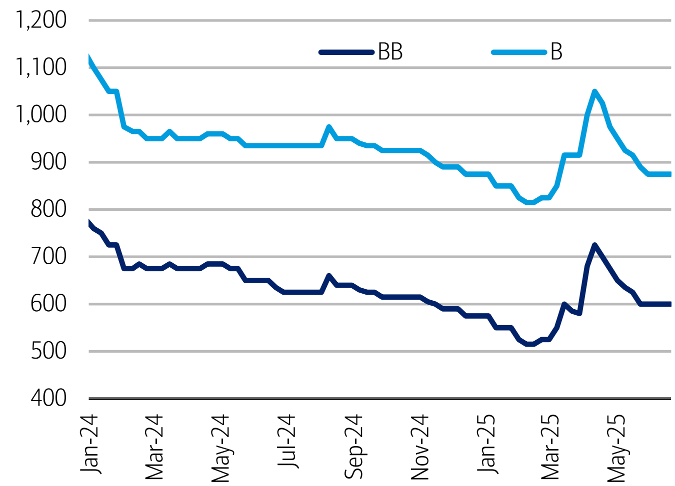
Exhibit 31: Euro CLO sub-IG spreads on secondary
CLO single-Bs have tightened 60 bps over the last 12 months



Source: BofA Global Research

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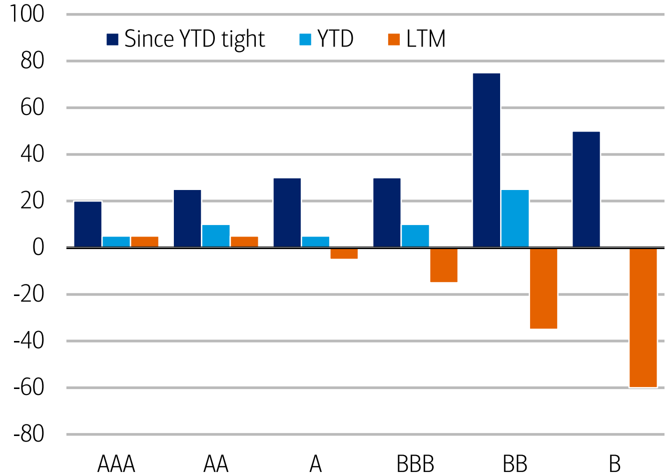
Exhibit 32: Euro CLO spreads movements on the secondary
Sub-IG spreads have tightened the most LTM



Source: BofA Global Research

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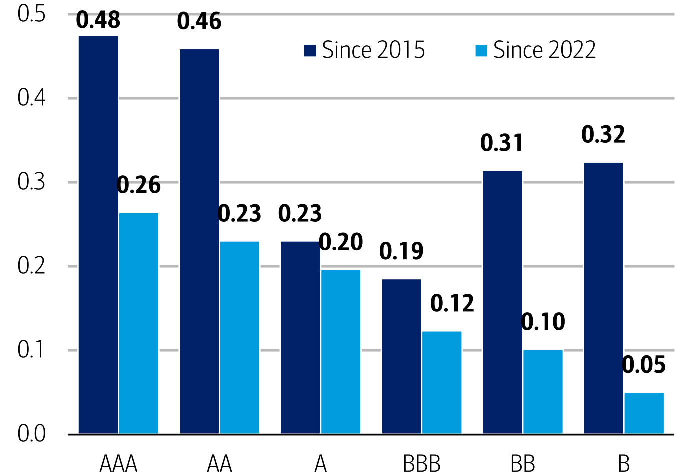
Exhibit 33: Euro CLO secondary spread percentiles
Triple-B spreads are tight from a percentile perspective



Source: BofA Global Research

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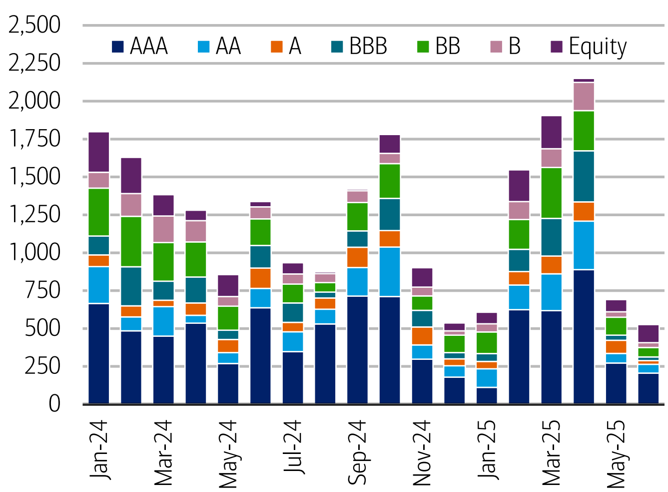
Strong BWIC activity in Q1, less busy in May & June

BWIC activity was high throughout Q1 plus April, and then declined meaningfully in May and June (though picked up again in the final June week). May and June tend to be a bit more disrupted due to several bank holidays in the UK, Europe, and US as well as both the Creditflux conference in London in May and the Global ABS conference in Barcelona in June, though the slowdown this year was much more pronounced than last year.

YTD BWIC volume is at €7.4bn (as of 20 June). This compares to €8.3bn in H1 2024.

Exhibit 34: Monthly Euro CLO BWIC vol, in mn EUR
BWIC activity declined in May 2025



Source: BofA Global Research

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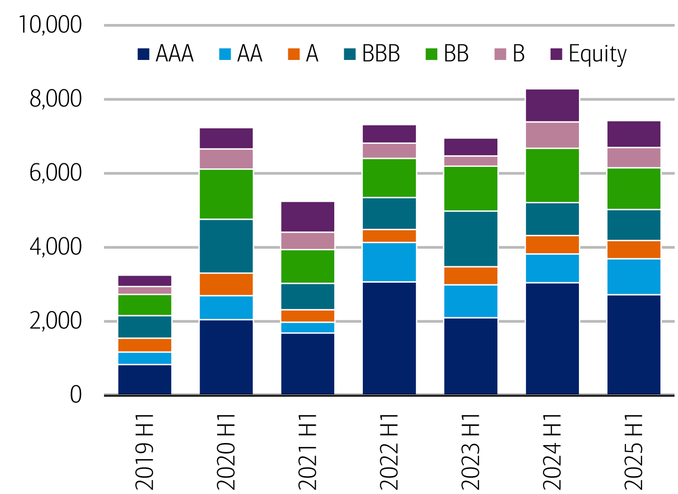
Exhibit 35: H1 Euro CLO BWIC volume, in mn EUR
YTD BWIC vol is below H1 2024 volumes



Source: BofA Global Research

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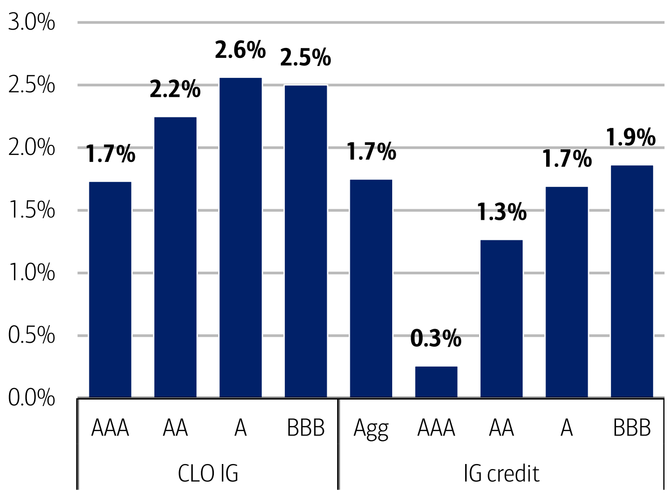
Returns – recovering from April losses

YTD CLO total returns are positive across the capital structure, and returns recovered quickly from April losses.

- CLO AAAs have returned 1.7% YTD, comparable to IG credit. As a floating-rate product, CLO AAAs were less impacted than IG credit when German bund yields surged in March, though slightly underperformed in April.

- Overall, CLO AAAs continue to exhibit good price stability, only losing around 1 point in April and quickly recovering.
- IG mezzanine slightly outperformed IG credit, with CLO AAs returning 2.2% vs. 1.9% for BBB corporates, for example.
- CLO sub-IG has outperformed HY credit and leveraged loans YTD, though with some volatility following steeper return losses in April (from which CLO sub-IG bonds recovered quickly). YTD total returns are 3.2% and 4.4% for CLO BB and B, respectively. This compared to 2.4% for single-B loans and 3% for single-B bonds.
- Going forward, we think returns will mostly come from carry, with limited upside left. On average, CLO IG bonds are trading close to par, with higher coupon profiles presumably above par. According to Palmer Square index data, CLO BBs and Bs are trading at slight discounts to par on average, so there may be some upside left for lower coupon bonds or weaker profiles at least, but upside isn't huge.
- With limited if any price return upside left, tight spreads, and declining 3m Euribor, we expect returns to moderate.

Exhibit 36: CLO vs. IG credit total returns YTD
CLO AAAs have matched single-A corporates in terms of total return YTD



Source: BofA Global Research, Bloomberg, Palmer Square, ICE
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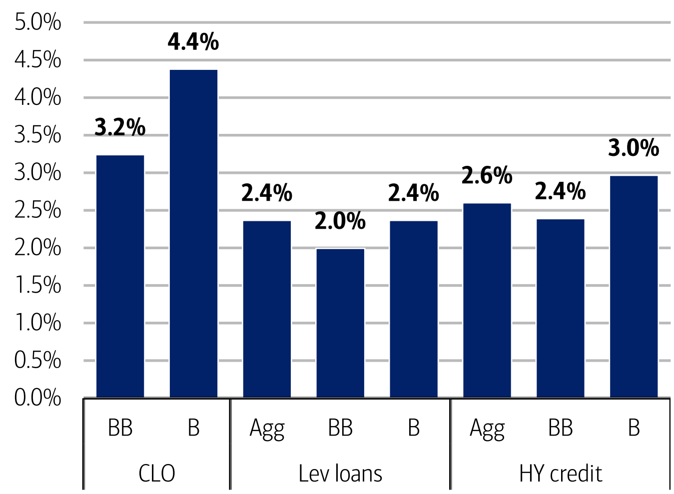
Exhibit 37: CLO sub-IG vs. lev loan and HY credit total returns YTD
CLO sub-IG has outperformed lev loans and HY credit YTD



Source: BofA Global Research, Bloomberg, Palmer Square, ICE, LCD
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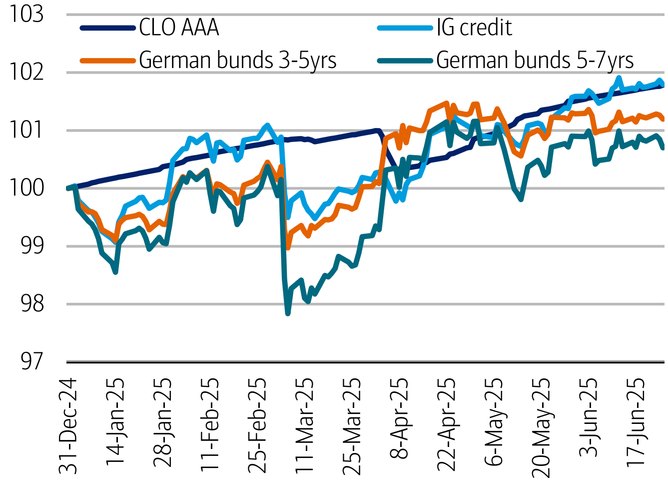
Exhibit 38: Euro CLO AAA vs. IG credit and German bunds total return index (31 Dec 2024 = 100)

CLO AAAs underperformed in April, but as a floater outperformed in March



Source: BofA Global Research, Bloomberg, Palmer Square, ICE

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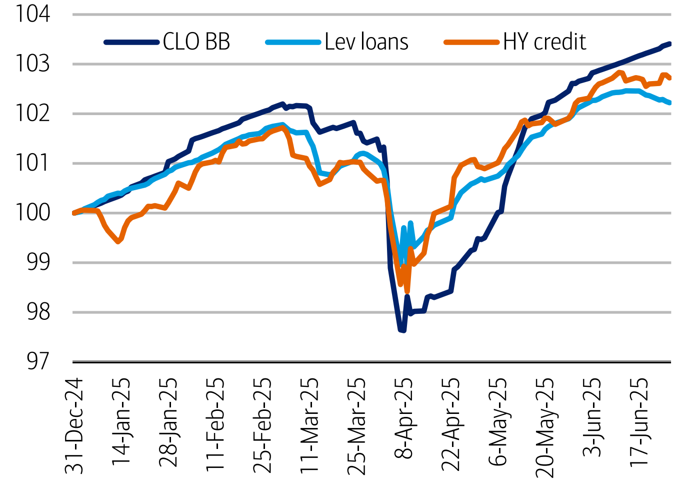
Exhibit 39: Euro CLO BB vs. lev loans and HY credit total return index (31 Dec 2024 = 100)

CLO BBs suffered more pronounced return losses in April, but recovered very quickly



Source: BofA Global Research, Bloomberg, Palmer Square, ICE, LCD

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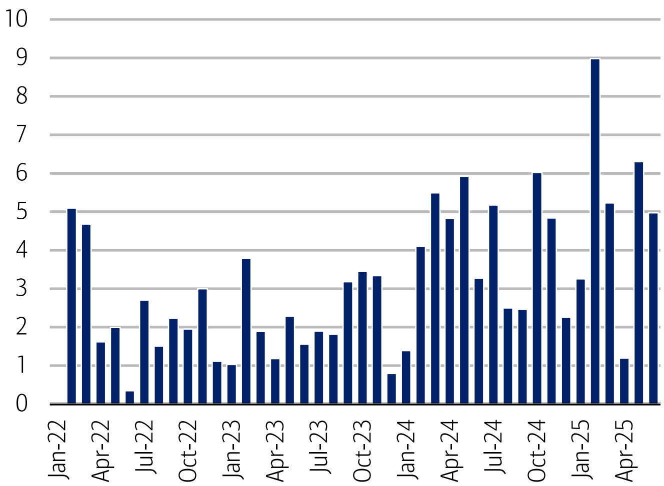
European CLO Data Appendix

Primary market

Exhibit 40: European CLO new issue volume, in bn EUR
New issue activity has had a record start into 2025



Source: BofA Global Research, IGM, Bloomberg, Creditflux

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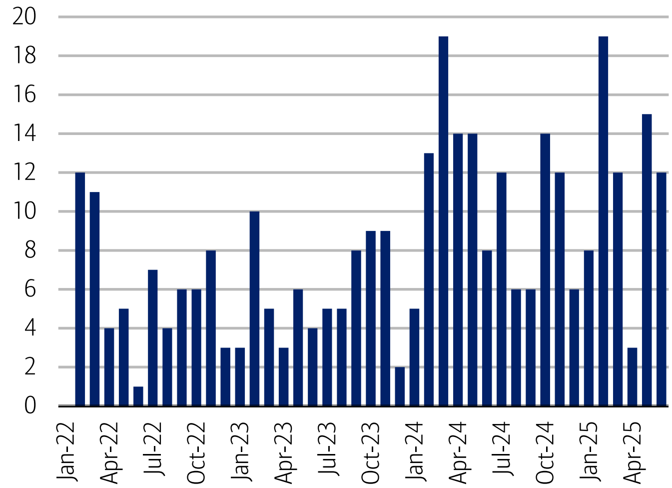
Exhibit 41: European CLO new issue deal count
Deal activity has rebounded from its April slowdown



Source: BofA Global Research, IGM, Bloomberg, Creditflux

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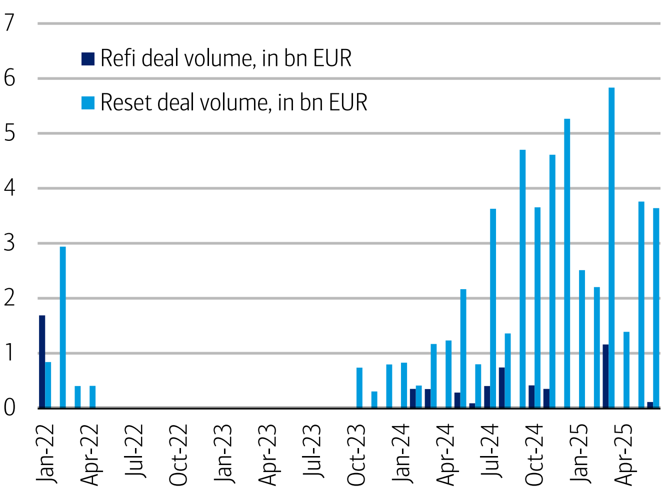
Exhibit 42: European CLO refi/reset volume
Refi/reset volume has picked up as spreads tightened



Source: BofA Global Research, IGM, Bloomberg, Creditflux

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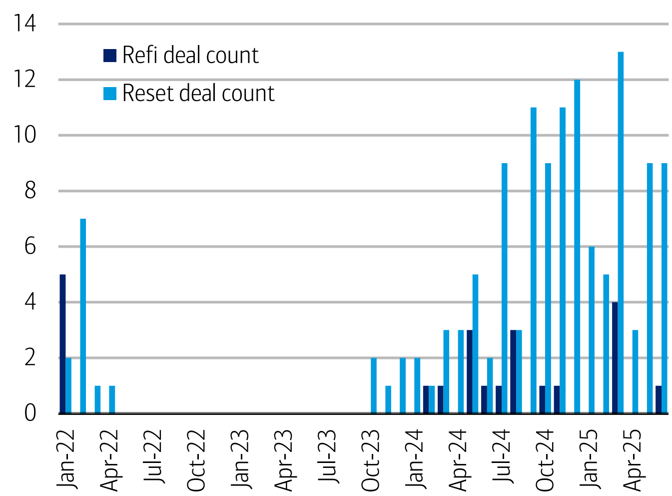
Exhibit 43: European CLO refi/reset deal count
Resets in particular have picked up, mainly from 2022 & 2023 vintage deals



Source: BofA Global Research, IGM, Bloomberg, Creditflux

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Secondary market

Exhibit 44: European CLO relative value
CLO spreads have rebounded from their April dislocation

	27-Jun-25	20-Jun-25	30-May-25	27-Dec-24	27-Jun-24	1 week	1 month	6 months	1 year
European CLOs									
AAA	110	110	110	105	105	0	0	5	-60
AA	175	175	175	165	170	0	0	10	5
A	210	215	215	210	220	-5	-5	0	-10
BBB	300	310	310	300	325	-10	-10	0	-25
BB	575	600	600	575	635	-25	-25	0	-60
B	865	875	875	875	935	-10	-10	-10	-70
US CLOs (vs. SOFR)									
AAA	120	125	125	120	120	-5	-5	0	0
AA	160	165	165	170	175	-5	-5	-10	-15
A	180	185	185	190	210	-5	-5	-10	-30
BBB	285	285	285	285	320	0	0	0	-35
BB	625	650	650	575	630	-25	-25	50	-5
UK RMBS									
Prime AAA	45	46	48	52	40	-1	-3	-7	5
BTL AAA	72	73	74	80	82	-1	-2	-8	-10
BTL A	130	130	130	135	150	0	0	-5	-20
NCF AAA	75	75	76	85	87	0	-1	-10	-12
NCF A	135	135	135	145	155	0	0	-10	-20
European RMBS									
France AAA	52	53	53	50		-1	-1	2	
Dutch Prime AAA	45	46	46	45	36	-1	-1	0	9
Dutch BTL AAA	67	68	69	73		-1	-2	-6	
Ireland AAA	71	72	74	75	62	-1	-3	-4	9
Ireland A	112	113	113	125	140	-1	-1	-13	-28
CMBS									
UK AAA	120	135	135	135	135	-15	-15	-15	-15
UK A	200	230	230	210	250	-30	-30	-10	-50
Eurozone AAA	115	130	130	130	130	-15	-15	-15	-15
Eurozone A	200	230	230	210	250	-30	-30	-10	-50
ABS									
German Auto AAA 2 year	49	50	50	46	35	-1	-1	3	14
UK Credit Card AAA	77	78	78	89	82	-1	-1	-12	-5
CDS indices									
iTraxx Main 5Y	56	59	58	57	62	-3	-2	-1	-6
iTraxx Xover 5Y	290	304	300	311	325	-14	-10	-21	-34
CDX IG 5Y	52.60	56.10	55.95	49.20	53.25	-3.50	-3.35	3.40	-0.65
CDX HY 5Y	329.89	347.53	350.42	305.64	341.74	-17.63	-20.53	24.26	-11.85
Leveraged loans									
European loans (price)	97.72	97.89	97.74	97.96	97.72	-0.18	-0.03	-0.25	0.00
US loans (price)	98.62	98.39	98.22	97.96	96.80	0.23	0.41	0.66	1.82
IG credit									
European IG corporates	81	83	85	87	76	-2	-4	-6	5
US IG corporates	130	127	130	115	126	3	0	15	4
HY credit									
European HY corporates	285	285	289	268	273	0	-4	17	12
US HY corporates	298	306	322	283	302	-8	-24	15	-4

Source: BofA Global Research, Bloomberg, ICE Data Indices

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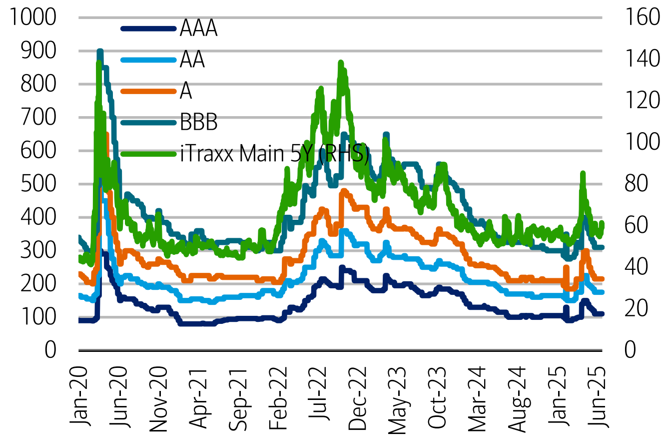
Exhibit 45: CLO IG spreads vs. iTraxx Main 5Y

CLO IG spreads have tightened considerably



Source: BofA Global Research, Bloomberg

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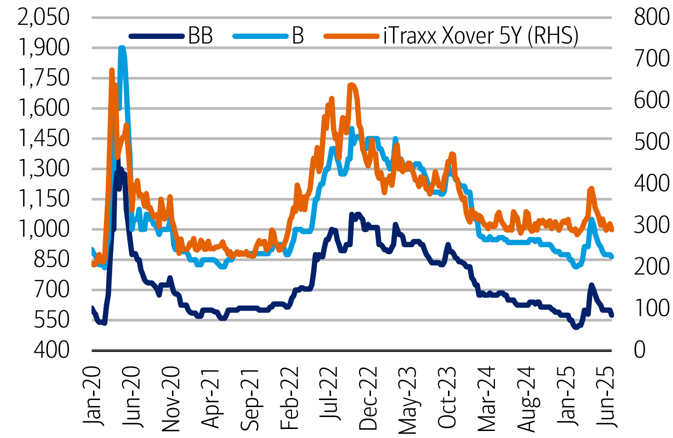
Exhibit 46: CLO sub-IG spreads vs. iTraxx Xover 5Y

CLO sub-IG spreads have rallied LTM



Source: BofA Global Research, Bloomberg

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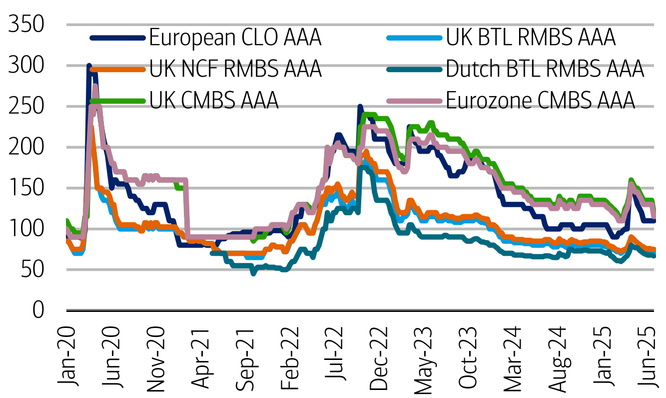
Exhibit 47: CLO AAA vs. other SF products

CLO AAA offers higher carry than BTL and NCF RMBS



Source: BofA Global Research

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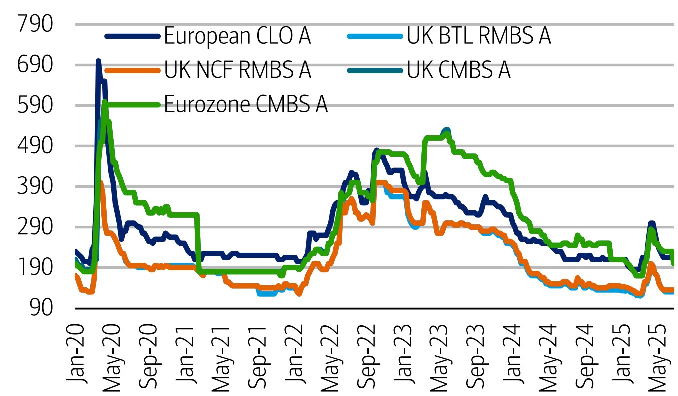
Exhibit 48: CLO A vs. other SF products

CLO A offers a higher carry than other SF products, excluding CMBS



Source: BofA Global Research

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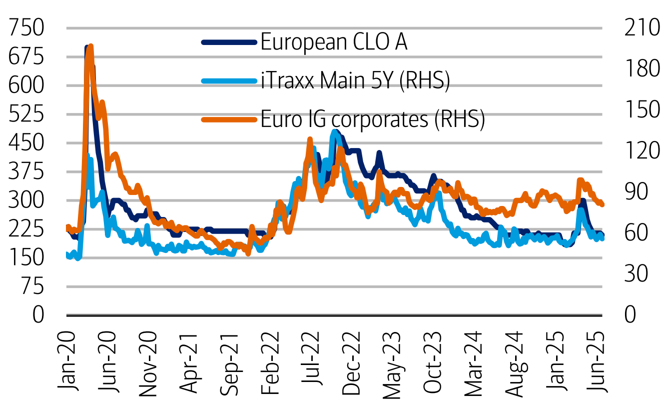
Exhibit 49: CLO A vs. Euro IG corporates

CLO A remains wider than corporate credit



Source: BofA Global Research, Bloomberg, ICE

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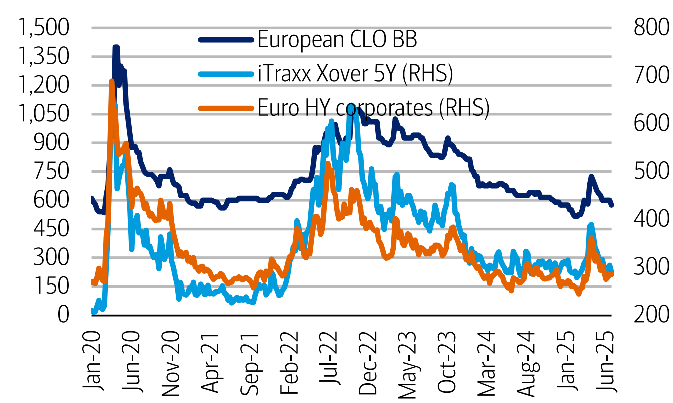
Exhibit 50: CLO BB vs. Euro HY corporates

CLO BB offers higher carry than Euro HY corporates



Source: BofA Global Research, Bloomberg, ICE

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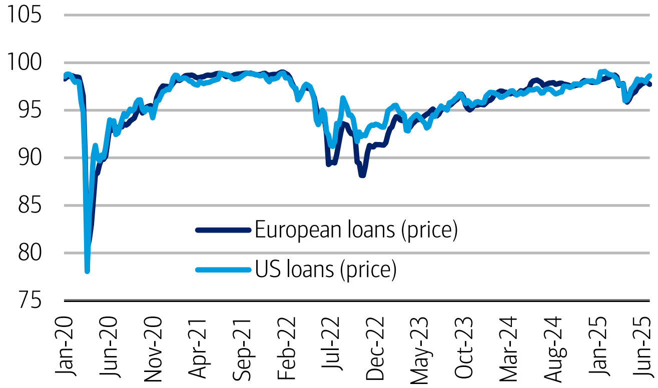
Exhibit 51: European vs. US leveraged loans
The ELLI has rebounded from its April softness



Source: BofA Global Research, Bloomberg, LCD

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