

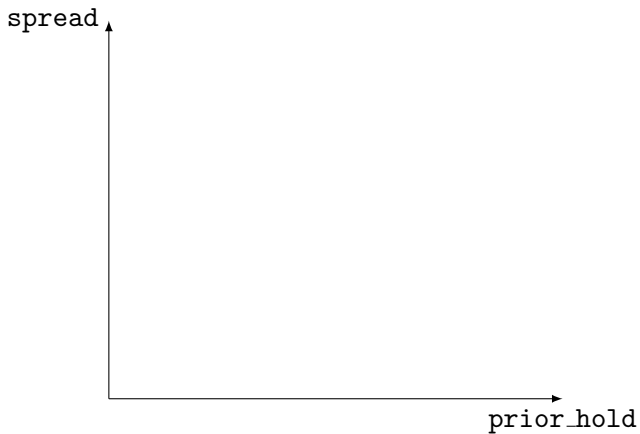
Discussion of “Nonbank market power in leveraged lending”

by Franz J. Hinzen

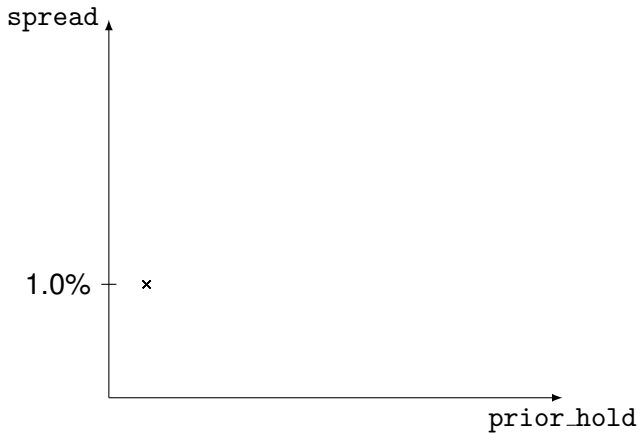
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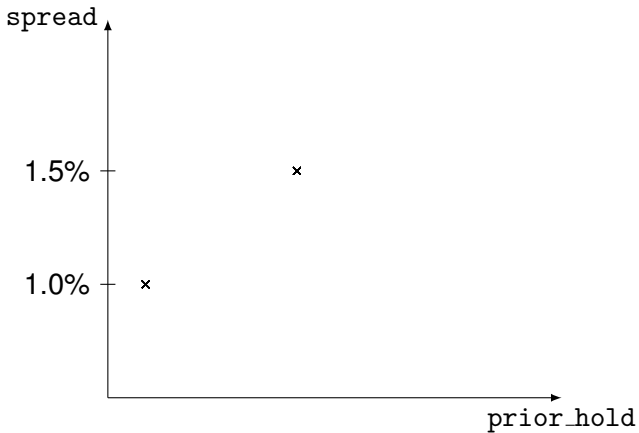
1. Loan-CLO level vs Loan level



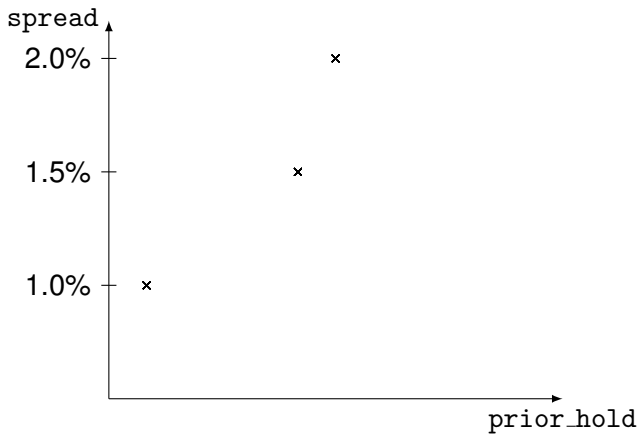
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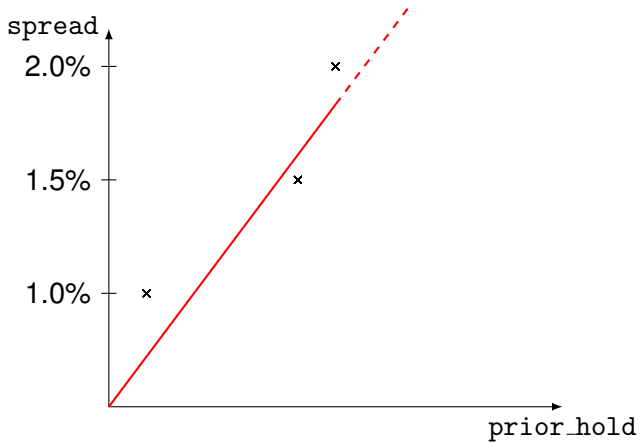
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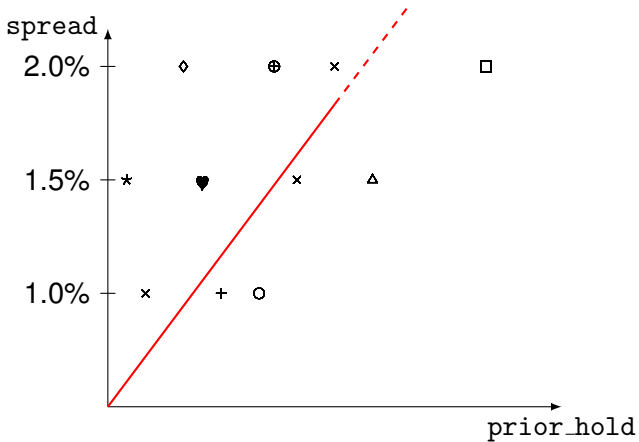
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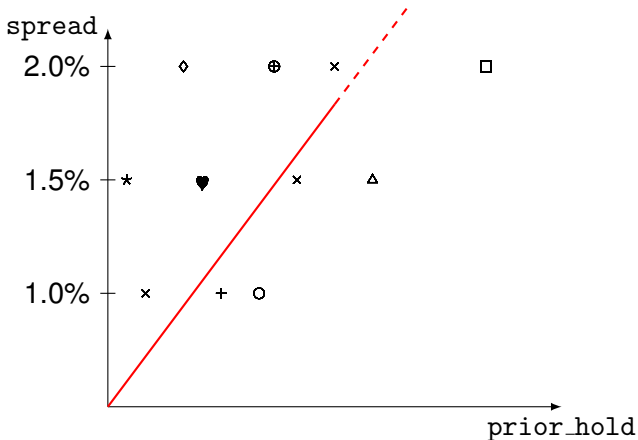
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- Distribution of loan-CLO level variables across loans
- Run additional regression at loan level

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- If I were to write down a model of info holdup:
when informed CLO participates
 - spread is *lower*,
 - CLO receives a *side payment*.

Why am I thinking of info production?

“What do lead banks learn from leveraged loan investors?”
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- ⇒ (CLO) investors have info about default risk that the lead bank does not have.

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- Main result: Spread flex predicts default.
- ⇒ (CLO) investors have info about default risk that the lead bank does not have.
- ⇒ Our standard theories may not apply to this market!

Conclusion

