Overheating in Credit Markets:
Origins, Measurement, and Policy Responses

Jeremy C. Stein

Board of Governors of the Federal Reserve System

at

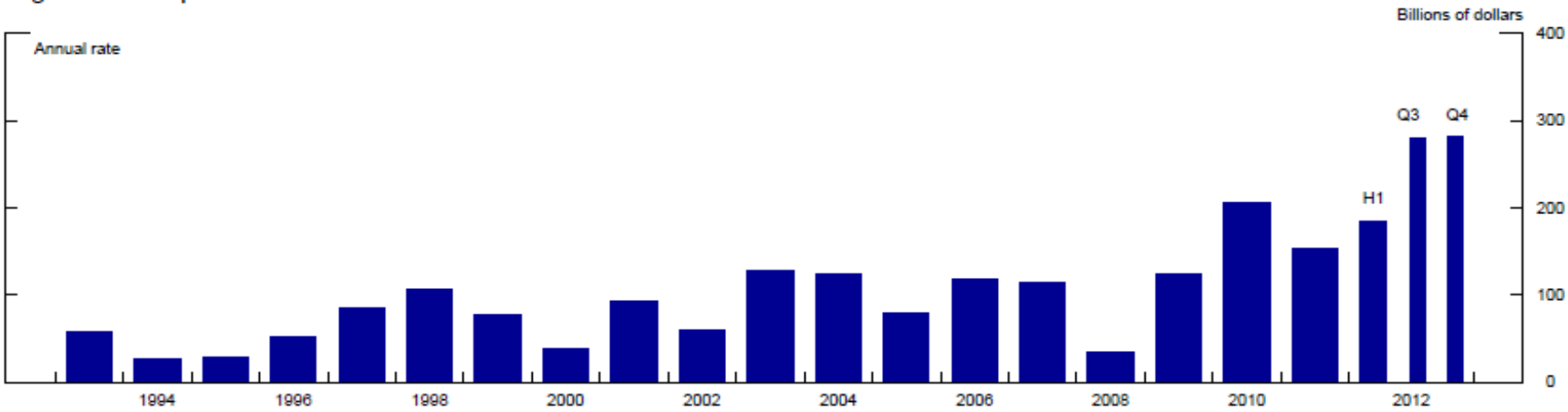
"Restoring Household Financial Stability after the Great Recession: Why Household Balance Sheets Matter"

Federal Reserve Bank of St. Louis

February 7, 2013

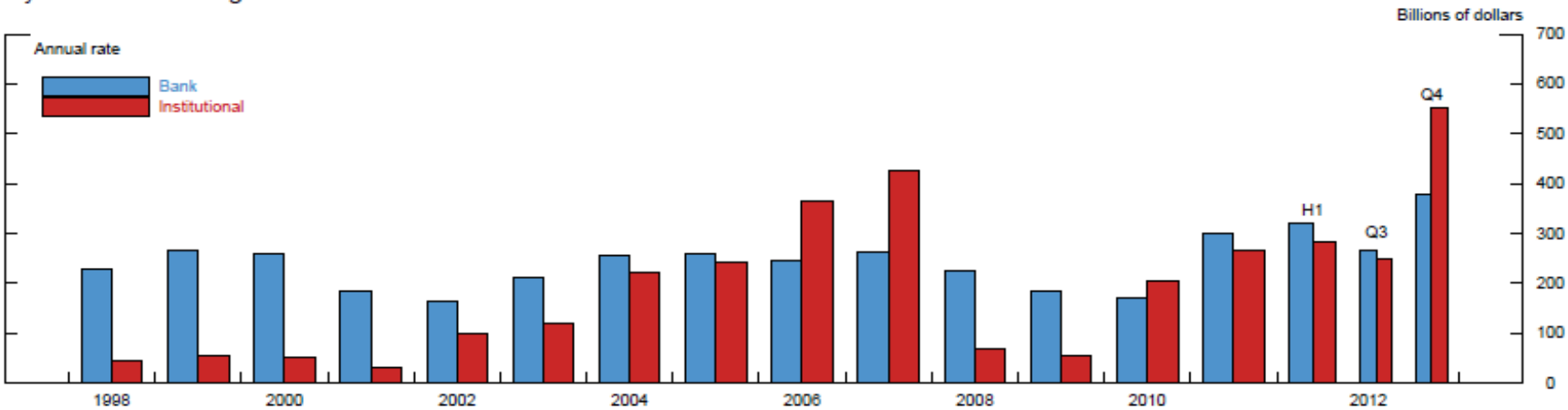
High Yield and Leveraged Loan Issuance

High-Yield Corporate Bond Issuance



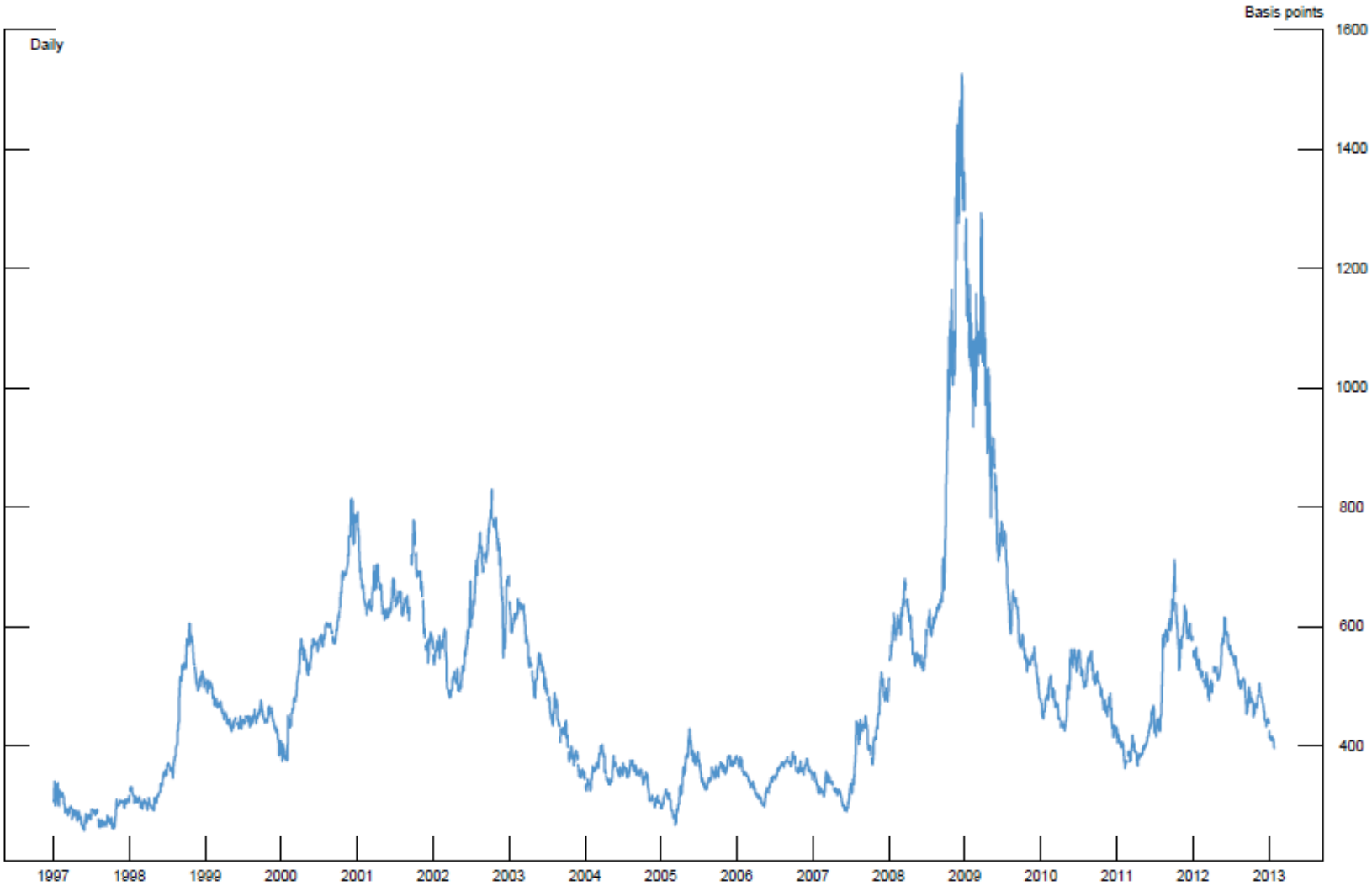
Source: Staff calculations from Thomson Financial and Depository Trust & Clearing Corporation.

Syndicated Leveraged Loan Issuance



Source: Thomson Reuters LPC LoanConnector.

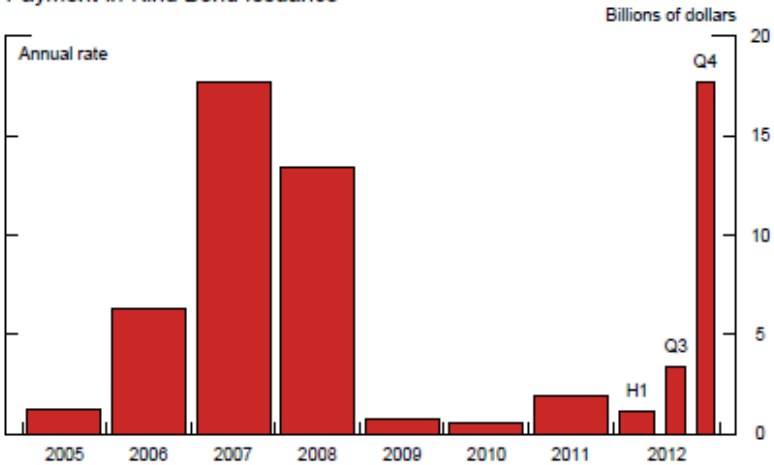
Credit Spreads on High-Yield Bonds



Note: Spreads are measured relative to a smoothed off-the-run Treasury yield curve. Data are through January 28, 2013.
Source: Derived from smoothed corporate yield curves using Merrill Lynch bond data.

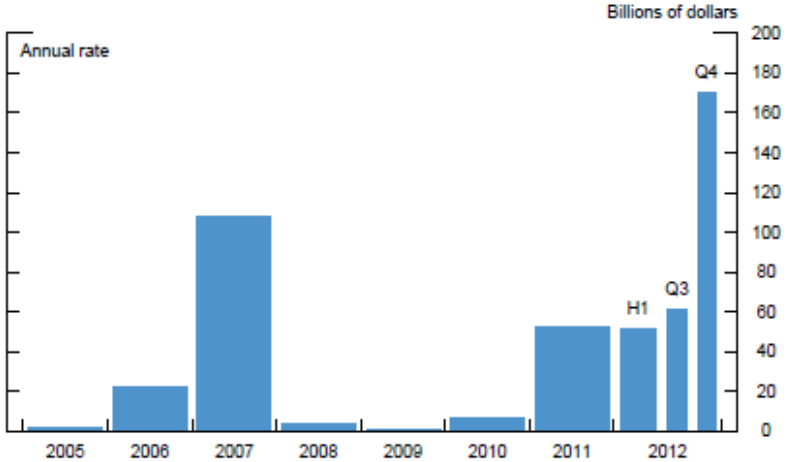
Non-Price Terms

Payment-in-Kind Bond Issuance



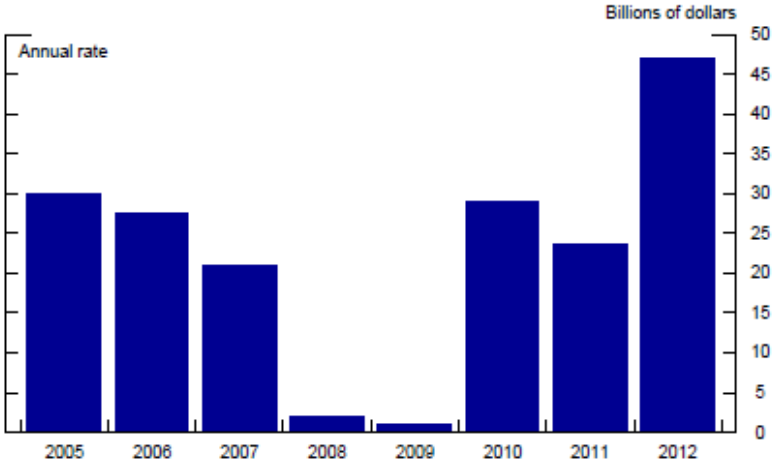
Note: Data for 2012:Q4 through Nov. 2012.
Source: S&P Capital IQ Leveraged Commentary and Data (LCD).

Covenant-Lite Loan Issuance



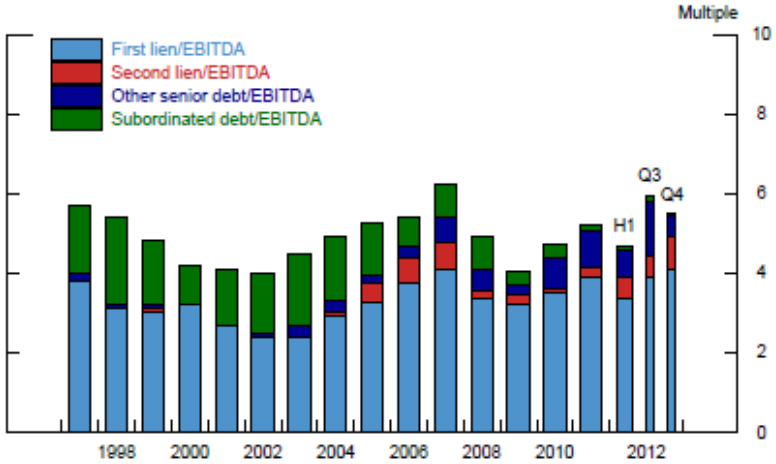
Source: Thomson Reuters LPC LoanConnector.

Dividend Recapitalization Loan Issuance



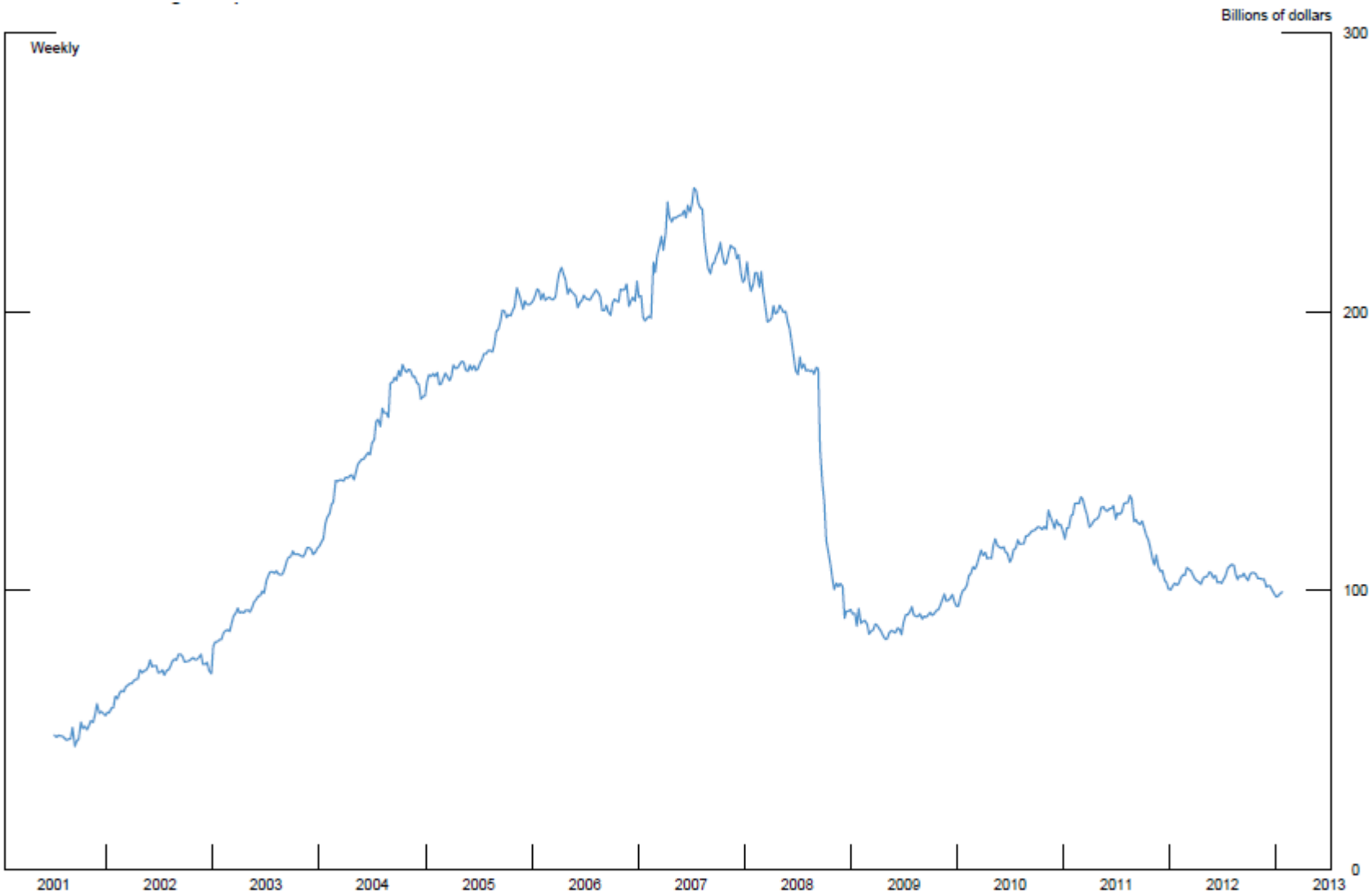
Source: Thomson Reuters LPC LoanConnector.

Average Debt Multiples of Large Corporate LBO Loans



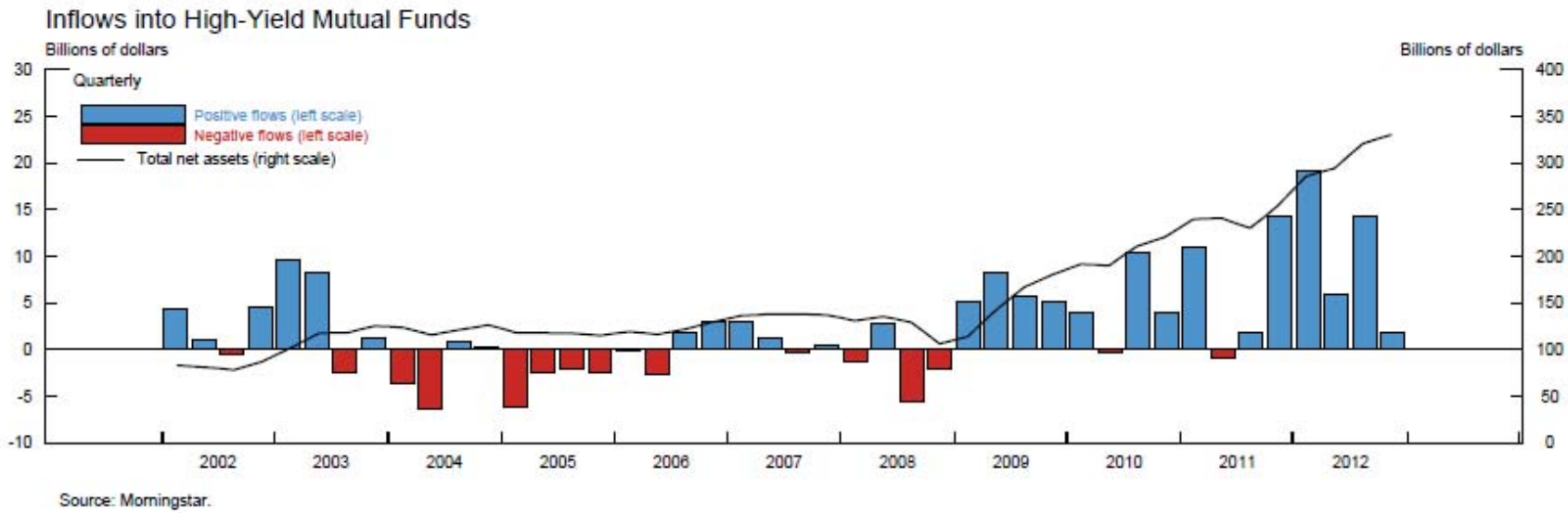
Source: S&P Capital IQ LCD.

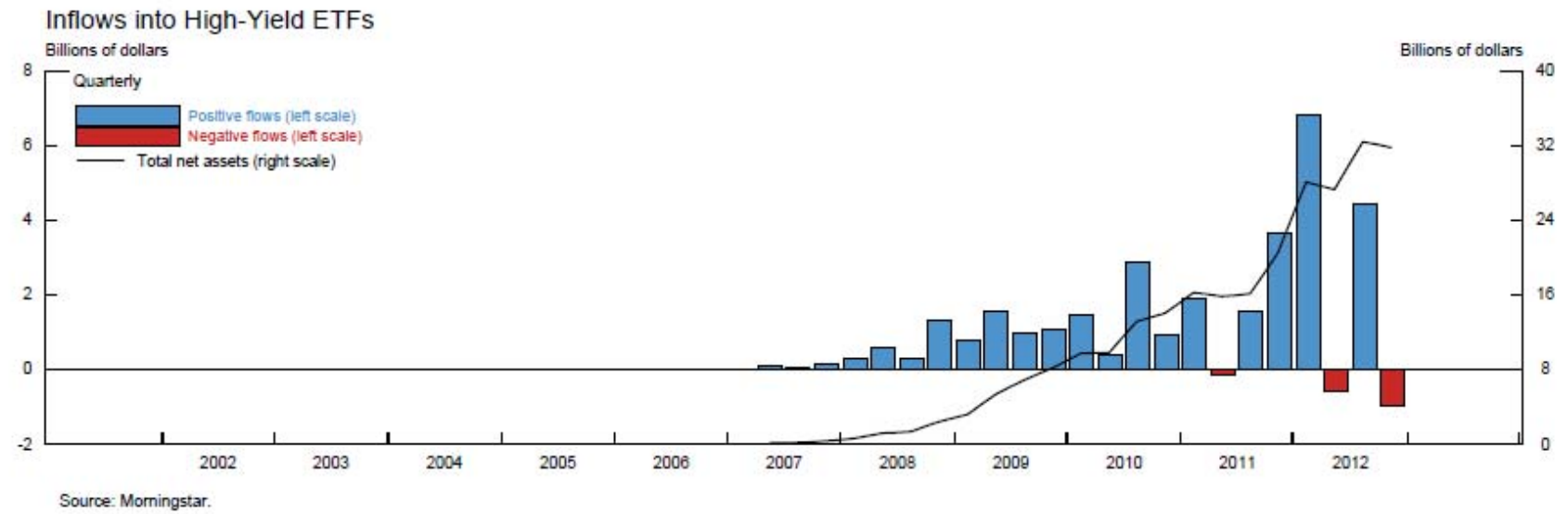
Dealer Financing of Corporate Debt



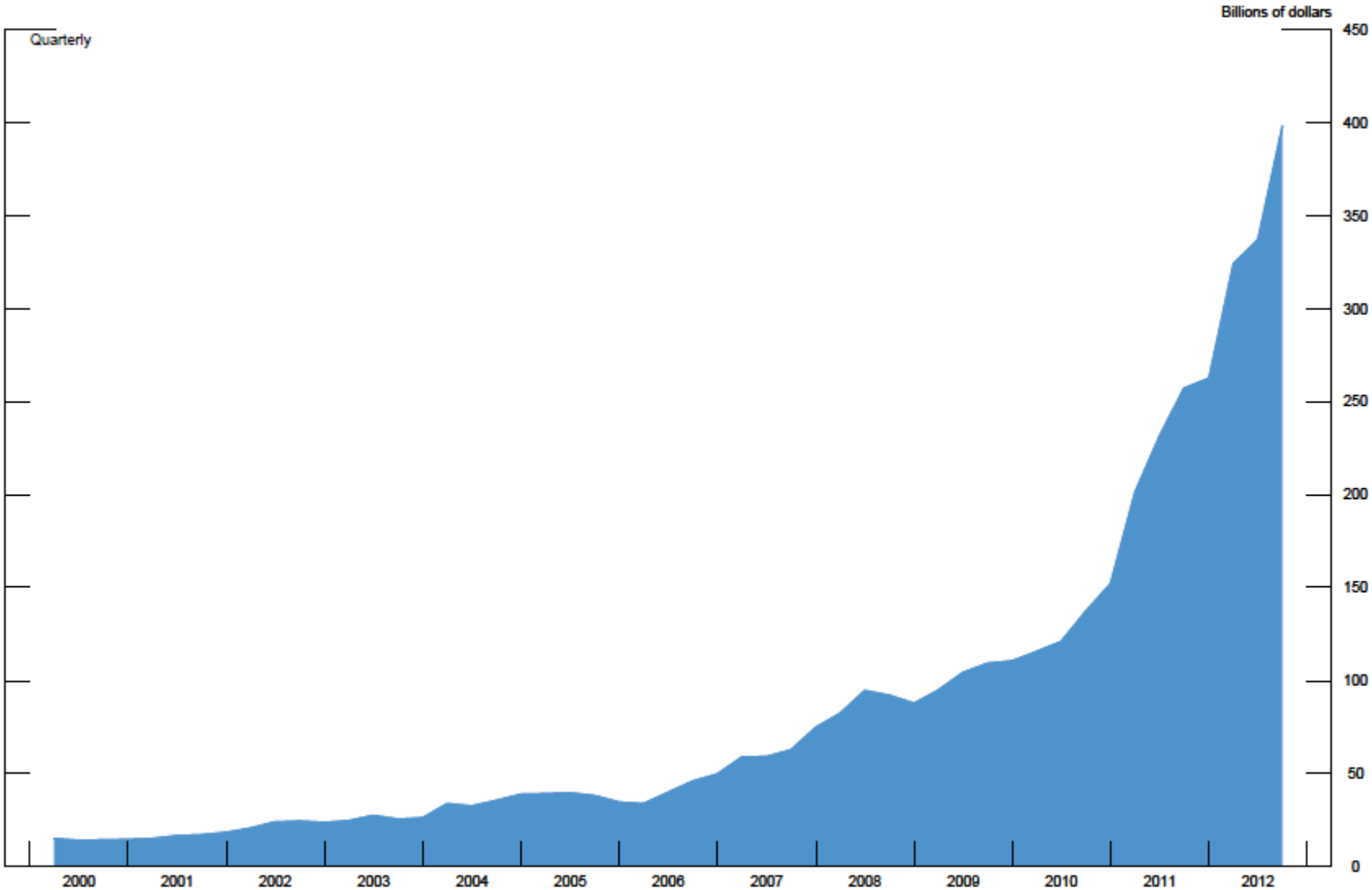
Note: Dealer financing (securities in) in the Government Securities Dealers Reports (FR2004) terminology consists of dealer lending cash or other securities and receiving the reference securities. Data are through January 23, 2013.
Source: FR2004.

Inflows into High-Yield Mutual Funds and ETFs





Total Agency REIT Assets



Note: Data are through 2012:Q3.
Source: Bloomberg.