The U.S. debt market showed moderate strength in the first quarter, with pricing back near the recent peak and credit spreads still at a seven-year low.

- The average price of high yield corporate debt ticked up slightly to end the first quarter just below $105, an increase of about 1% on a quarter-over-quarter basis.

- The high yield spread over treasuries finished the quarter at 360 basis points, down approximately 35 basis points from the prior quarter and still at the lowest level since June 2007.

- Treasury yields were down approximately 30 basis points during the quarter, with pricing strength driven primarily by increased equity market volatility and geopolitical uncertainty, particularly with respect to the Russia/Ukraine conflict.

- Mezzanine debt deal activity was almost non-existent in the traditional middle market in early 2014. Deal pricing remains under pressure as a result of competition from other capital sources and most managers are choosing to remain patient rather than deploy capital at less-than-favorable terms.

- The private senior originated lending market is also showing signs of pricing pressure and increased competition, particularly from BDCs and leveraged strategies with a lower cost of capital. The European lending market continues to have a wider capital supply/demand imbalance, and may present a more attractive senior lending opportunity in the near term.

- Weak or largely non-existent debt covenant packages continued to dominate new loan issuance and sow the seeds for the next credit cycle, though the catalyst for any future downturn remains uncertain.

- The distressed debt market remained open for select buying opportunities in specific credit issuers, almost entirely related to control-oriented transactions.