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US/EMEA Market Commentary: CLO Q&A with Entegra Global CEO on trading trends and the firm's innovative approach to bridge banking and trading

News 30 May 25, 12:43 PM Analysts: David Graubard Senior Reporter

- Entegra's "Trading as a Service" model addresses structural challenges in CLO trading by enhancing secondary market liquidity without significant balance sheet risk.
- The CLO market offers compelling opportunities, particularly in BBB and BB rated tranches, with CLO AAA tranches trading at a structural premium compared with IG corporates.

In this *LFI* exclusive, Entegra CEO Daniel Ezra shares his perspective on the evolving CLO secondary market and the role of third-party trading support. Entegra's "Trading as a Service" (TaaS) model was built to address the structural challenges in CLO trading, particularly the capital-intensive, illiquid nature of the CUSIP side. By bridging the gap between banking and trading, Entegra will enhance secondary market liquidity and help arrangers support their deals more effectively without taking significant balance sheet risk, he believes. Ezra says that TaaS model offers a scalable, transparent solution that meets modern trading demands which could, over time, support both banks and asset managers seeking to deliver consistent liquidity and pricing to their clients.

Ezra notes that CLO spreads are being shaped by sector performance, equity arbitrage, and issuance levels—widening during heavy issuance and tightening when volumes dip. While initial tariff concerns hit sectors like retail, subsequent trade agreements brought stabilization. The Moody's downgrade of US had minimal impact on CLOs, mainly affecting the long end of the Treasury curve. ETFs saw brief outflows amid rate-cut expectations but have rebounded as floating-rate assets regained appeal.

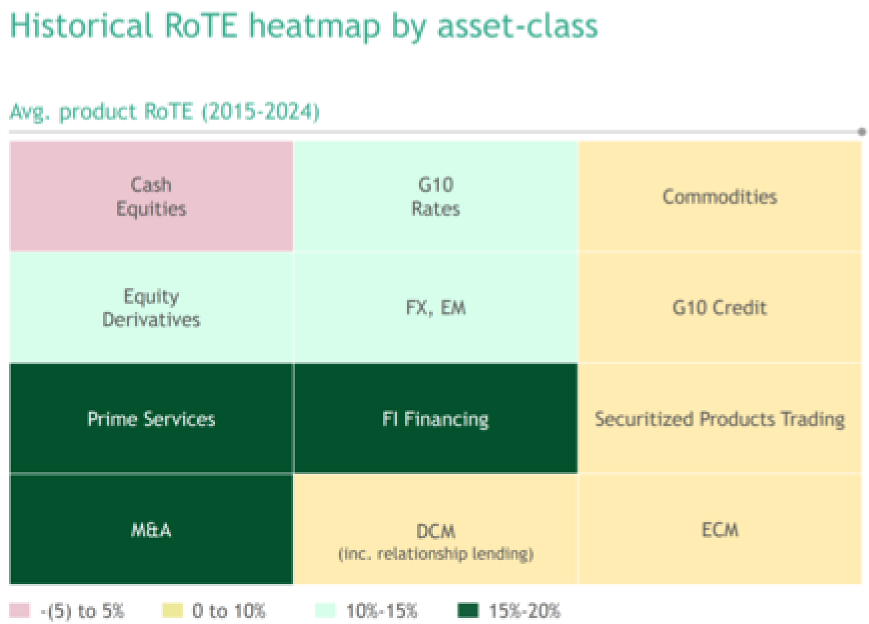
Ezra sees compelling value across the CLO stack with BBB and BB rated tranches are trading at attractive all-in yields, particularly relative to similarly rated credit in other sectors, and the abundance of discount bonds allows investors to selectively deploy capital. CLO AAA tranches continue to trade at nearly twice the spread of IG corporates, a structural premium that remains appealing, especially as ETF demand for this exposure grows.

TRACE data shows a decline in dealer positioning, underscoring limited sell-side inventory and steady client demand creating a positive technical in the space. With more than more than 140 active CLO managers, many of whom also have a CLO tranche trading desk, the sector is very well supported by the asset management community and explains why CLOs have become the largest private-label SP sector in the market.

Full Q&A:

LFI: Tell us about Entegra. What made you start this company, and what does it offer the CLO market?

Ezra: After leaving Credit Suisse following 25 years in SP trading, ultimately running the business before the UBS acquisition, I kept getting calls from banks looking to rebuild or enhance their trading desks. The CUSIP side of CLO trading had become capital-intensive and illiquid, with consistently poor returns on capital (see Table 1: Boston Consulting Group Returns on Capital). The secondary trading model simply hadn't evolved alongside the market, and as a result, these desks are increasingly viewed by senior management as cost centers to be subsidized by origination and banking. But it doesn't have to be that way as we can turn them into efficient return businesses without any negative top-line revenue impact.

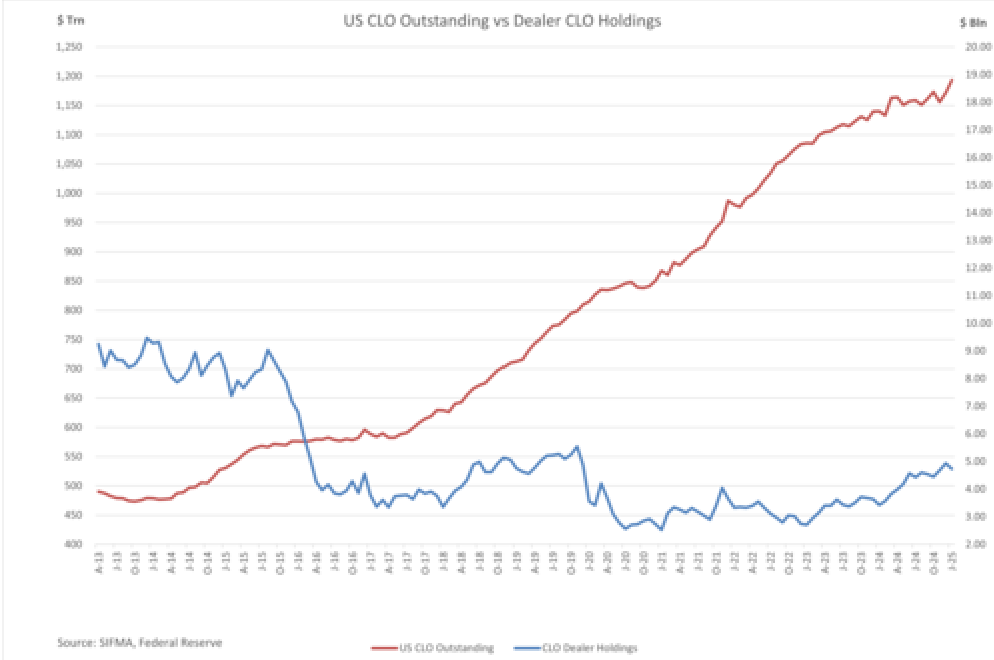


That's what led me to start Entegra. I built the firm around the idea that banks, and potentially asset managers, shouldn't need to own the full infrastructure to provide high-quality secondary trading. Our model extends their reach to offer a full-service platform that facilitates market-making across the lifecycle of an arranged CLO transaction—from warehouse to refi/reset/redemption—without requiring them to give up control of execution, data, or client relationships.

We integrate directly into the bank or manager's workflow as a third-party extension of their capital markets effort, helping deliver better client service, price transparency and execution quality. For banks, that also means competing more effectively for new mandates—without taking a cut of trading revenues. It frees internal teams to focus on relative value and risk-based trading, while we handle the flow. In many ways, TaaS gives institutions the ability to punch above their weight and deliver a comprehensive, end-to-end solution that rivals even the largest platforms.

LFI: Why does TaaS exist?

Ezra: TaaS exists because the market structure has evolved, while traditional SP trading models haven't kept up. Dealer balance sheet in CLOs has shrunk post-GFC under the weight of regulation and capital charges, while client expectations around service and transparency have only increased (see Graph 1: CLOs Outstanding vs Dealer Balance Sheet).



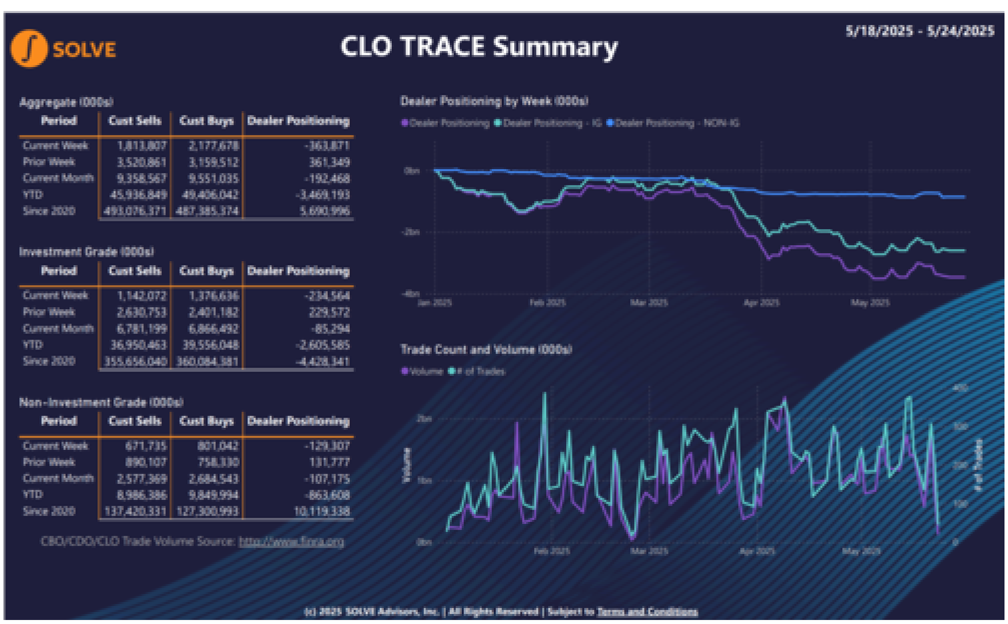
I built Entegra to help banks and potentially managers adapt to this new landscape. TaaS provides stable, deal-specific secondary trading support across the full lifecycle of a transaction. We facilitate visible daily markets and consistent liquidity, improving price discovery not just for managers but for investors as well. Over time, we believe TaaS can reduce the market's overreliance on BWICs as the dominant liquidity mechanism, tighten spreads, and ultimately contribute to healthier, more transparent secondary markets that benefit all stakeholders.

LFI: What's top of mind for CLO trading now?

Ezra: Issuance volume, equity arbitrage and sector fundamentals all play a role. Equity arb drives new issuance, which in turn affects secondary spreads. Therefore, higher issuance usually means wider spreads, and vice versa. We're also watching sector-specific risks like those tied to rates, policy changes or tariffs.

LFI: How was the market pre- and post-"Liberation Day"?

Ezra: January and February saw a rally in spreads, but tariffs caused a sharp sell-off in March. TRACE data showed dealers pulled back on risk. Certain sectors like retail were impacted, but since trade agreements were announced we have seen a stabilization of the market and spreads have since rallied back to mid-March levels.



LFI: Did the Moody's downgrade impact the secondary?

Ezra: Not directly. The downgrade highlighted that credit risk is concentrated on sovereign and not corporate balance sheets, hitting the long end of the Treasury curve more than the belly. If sovereign risks persist though, they'll eventually ripple through to credit markets. From March 4 to today, the 5yr is almost unchanged, while the long bond is out 40bps.

LFI: How are ETFs behaving in the secondary market?

Ezra: Initially, there were outflows from AAA ETFs as investors expected aggressive rate cuts. Now, as this view has shifted and rate-cut expectations are lower, floating-rate assets look attractive. We've seen those flows reverse, which has supported tighter spreads in secondary AAA paper**.**

LFI: Where are opportunities in the CLO secondary market?

Ezra: BBs and BBBs in secondary look attractive both on a relative and absolute level of yields, and there are plenty of discount bonds so investors can pick their spots. On the equity side, new issue cash-on-cash returns currently look marginally more compelling than secondary at the moment so I'd id have a bias there.

LFI: How about the relative value of CLOs to other asset classes?

Ezra: CLOs offer one of the most attractive combinations of yield and credit quality in today's market. The floating-rate nature of the product provides meaningful protection in a higher-for-longer rate environment, while the asset class's historical performance has been remarkably resilient across credit cycles.

When you look at BBB and BB mezz tranches, the all-in yields are simply compelling, especially when compared to similarly rated bonds in other sectors. While there may be slightly more mark-to-market volatility due to transparent underlying NAVs, that's paired with a deep and growing investor base anchored by asset managers who appreciate both the credit fundamentals and the long-term outperformance of the product.

CLO AAAs, in particular, stand out. They continue to trade at nearly twice the spread of IG corporates, offering what we think is a structural premium. As more investors access these tranches through ETF structures, we expect that spread differential to compress over time which makes the current opportunity even more attractive.

LFI: How big is CLO secondary trading by headcount?

Ezra: The CLO ecosystem is deep and expanding. There are over 140 active CLO managers globally, and most are running multi-pronged investment strategies that include tranche investing either on their own balance sheets or through affiliated funds. CLOs often serve as a powerful asset-gathering tool, creating operational leverage and fee streams from mezzanine, equity, and third-party capital strategies layered on top.

While it might take 5–6 deals to break even on a pure management basis, many of these additional strategies become profitable much earlier. It's a model that scales quickly. Add in the investors who aren't affiliated with CLO managers but are actively involved in the market, and the secondary space becomes a very sizable and dynamic ecosystem—one that increasingly relies on consistent execution, visible pricing, and stable liquidity to function at scale. That's exactly where Entegra fits in.

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