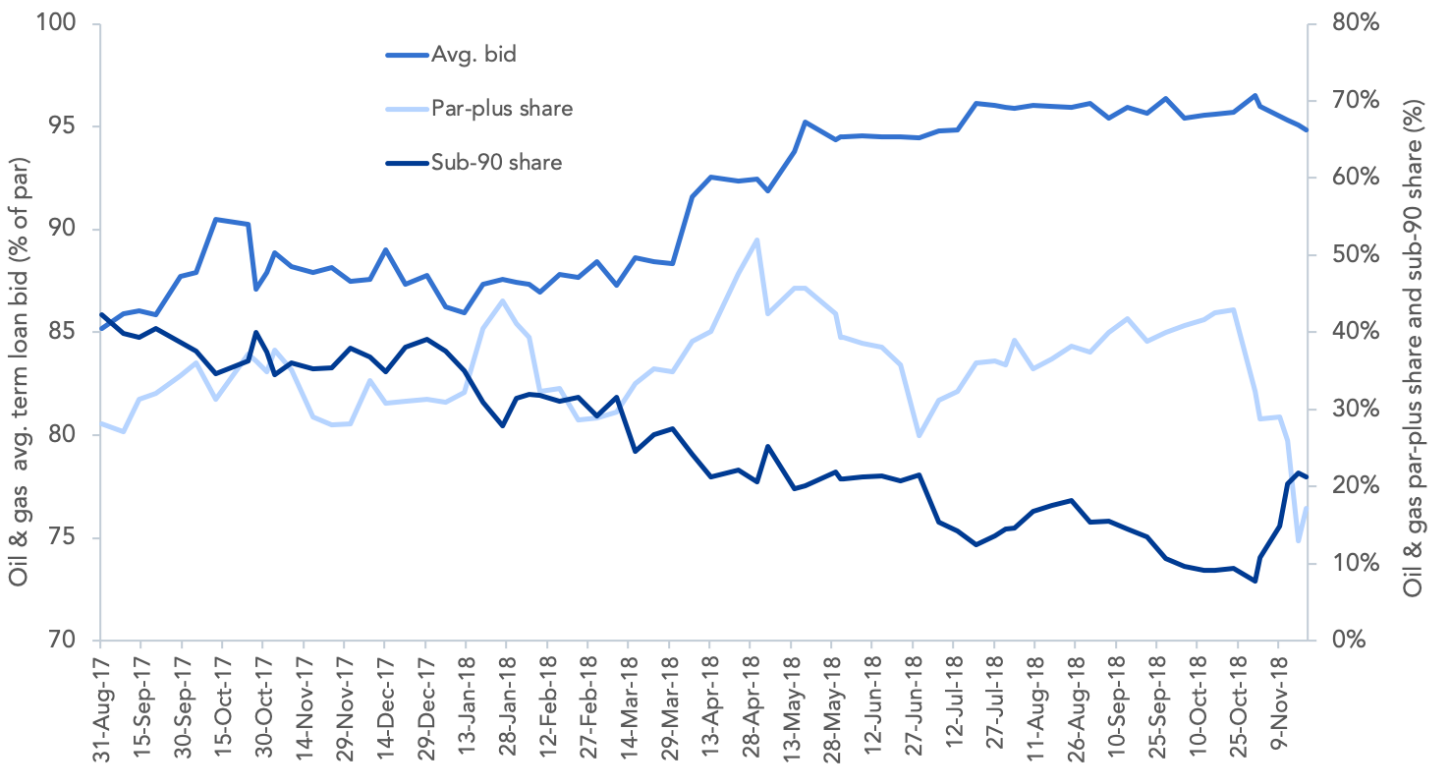
Oil & gas names drop on lower oil prices, secondary loan market softens

Debtwire | November 20, 2018



Source: Debtwire Par, Markit

Oil and gas loans have moved lower recently in tandem with the sharp decline in oil prices and the softening of the broader loan market. While the average bid on oil and gas term loans is up by over 7 points this year, it has slipped back by nearly 1.70 points so far in November to 94.82. At the upper end of the price spectrum, the share of oil and gas loans bid in the par-plus area has dropped to 17% from the recent high of 43% on October 23. This has come against the backdrop of oil prices falling sharply from their year-to-date high of USD 76.24 per barrel on October 3 to USD 54 this week. In turn, oil and gas loans continue to trade at a discount to the broader market, with 21% of credits bid below 90 cents on the dollar, an increase of 13 percentage points this month.

In the leveraged loan primary market, the energy sector has already surpassed last year’s volume, with total issuance at USD 116bn. However, the institutional loan portion, at USD 37bn, looks set to finish well below the full year 2017 volume of USD 60bn. On a more positive note, the new money institutional issuance in the energy sector of USD 18.6bn has already topped last year’s volume.

Contact: Colm (CJ) Doherty