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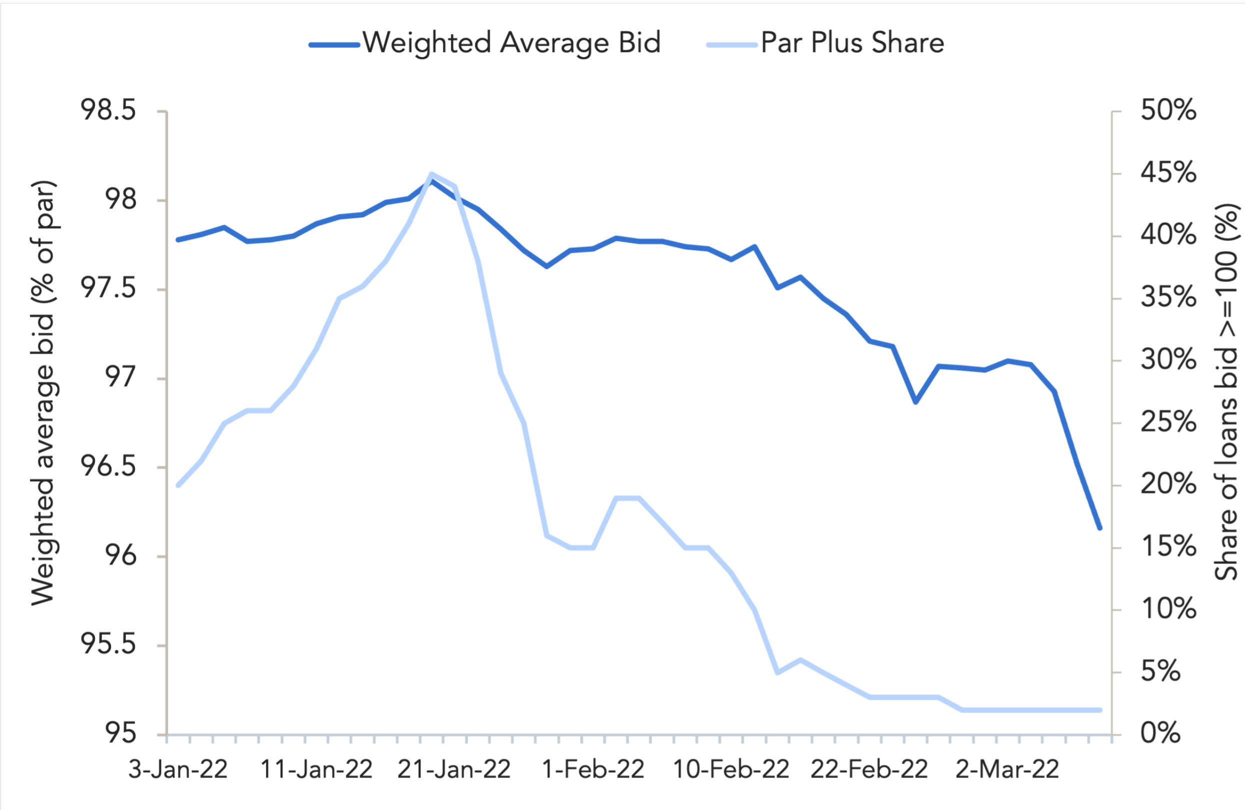
Loan secondary pricing slumps amid Russia-Ukraine tensions

Debtwire | March 9, 2022



Source: Debtwire Par, Markit

Average bids on term loans in the US secondary market tumbled 156 basis points (bps) since hitting a high of 98.11 in January, as a combination of high inflation and escalating tensions between Russia and Ukraine sent jitters through financial markets. The downturn marks the first significant decline in loan secondary market pricing since the advent of the coronavirus (COVID-19) pandemic sent average bids plummeting 20bps in March 2020. At the same time, the share of loans trading at par or greater plunged to only 2% from 45% in January.

Daily swings in asset prices have increased in the past month, as news emerges and narratives evolve around both inflation and the Russian invasion of Ukraine. On 24 February, the day Russia sent its troops across the borders, loan secondary prices dropped 31bps on average. The only substantial day of gains followed, as investors bought into the previous day's dip, sending loan pricing up 20bps. This Monday (7 March), as many oil producers announced their exit from the Russian market, and the US outlined plans to ban Russian oil imports, bids fell another 41bps.

While most sectors have been negatively impacted by the events unfolding in Ukraine, one notable gainer has been the oil & gas sector, which has seen bids improve more than five points since 1 February to 95.40, as the price of Brent crude oil soared to over USD 130 per barrel. High demand for natural gas in Europe, now contending with sanctions on Russian energy exports, have driven the steep acceleration in prices.

(Past performance is no guarantee of future results.)