Leveraged Loan Insight & Analysis – 11/2/2015

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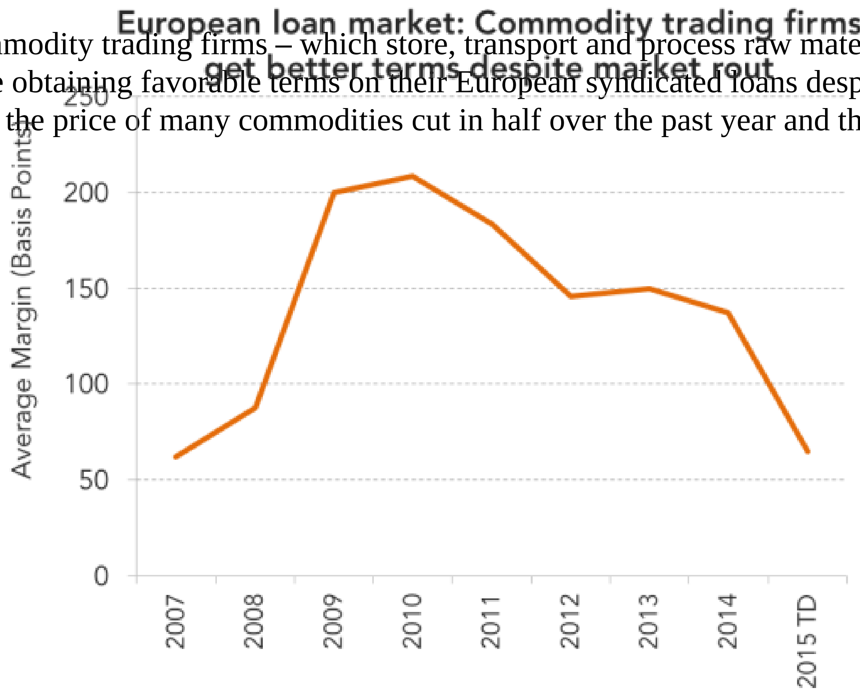
Commodity trading firms – which store, transport and process raw materials such as crude oil, wheat and copper – are obtaining favorable terms on their European syndicated loans despite a global commodities rout which has seen the price of many commodities cut in half over the past year and threatens commodity traders' profitability.



Two out of the ten largest European syndicated loans so far this year are from commodity trading firms, namely global diversified natural resources company Glencore's US$15.25bn annual refinancing and Swiss energy trading firm Vitol's US$8bn annual refinancing – both of which closed oversubscribed and were subsequently upsized. Commodity trading firms have also been able to consistently slash margins on their European loans over the past few years. Glencore's margins dropped from 80bp on the one-year tranche and 90bp on the three-year tranche on its June 2013 deal to 50bp on the one-year and 60bp on the three-year on its June 2014 deal, then to 40bp on the one-year and 45bp on the three-year on its May 2015 deal. Energy and metals trader Gunvor is currently out in the market with a $1.1 billion refinancing which will be watched closely to see if margins continue to fall.

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