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Sectors with exposure to oil & gas see prices fall in secondary market

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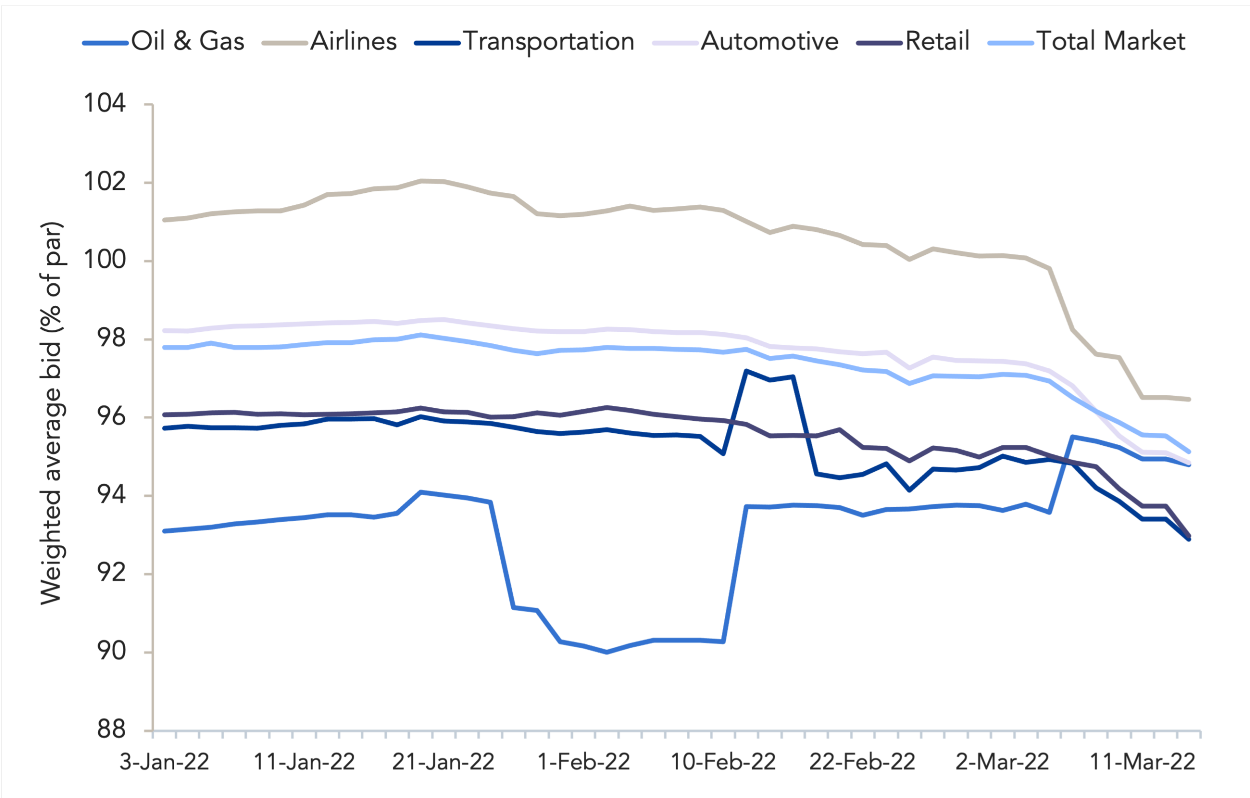

Source: Debtwire Par, Markit

Since the Russian invasion of Ukraine started on 24 February, average bids on term loans have slumped more than 2 points, as high fuel costs paired with record inflation eat into the post-pandemic economic recovery. After reaching a recent high of 98.11 in January, loan bids have fallen to an average of 95.13, with the share of loans trading in the par-plus range plunging in tandem to only 1% of the market from a peak of 45% in January.

Bids for oil-producing companies have bucked the trend, as the price of oil has risen dramatically, at times touching more than USD 130 per barrel, sending average oil & gas bids up nearly 2 points since the start of the year. However, in those sectors that are heavily reliant on fossil fuels, secondary pricing has declined at a faster rate than the market average. Since 3 January, overall loan prices have dropped 265 basis points (bps), while airline sector borrowers have seen prices plummet 458bps, automotive bids have decreased 338bps, retail prices are down 310bps, and transportation-related debt has reversed 284bps.

Of the most actively traded term loan facilities in these sectors, all have recorded pricing declines following the decision by Russia to send its troops across the Ukrainian border.

The most widely quoted facility during this time has been **Cooper Standard Automotive**'s USD 340m Libor+ 200bps (75bps floor) TLB due November 2023. The company has been exploring options for a traditional refinancing of the facility; however, citing rising raw materials costs and high levels of inflation, Standard & Poor's cut the issuer's rating to CCC+ from B-. Some lenders have organized with legal counsel Gibson Dunn in the event a traditional refinancing transaction fails. As such, bids on the facility have ebbed to 91.34 from 93.65.

(Past performance is no guarantee of future results.)