Leveraged Loan Insight & Analysis – 5/2/2016

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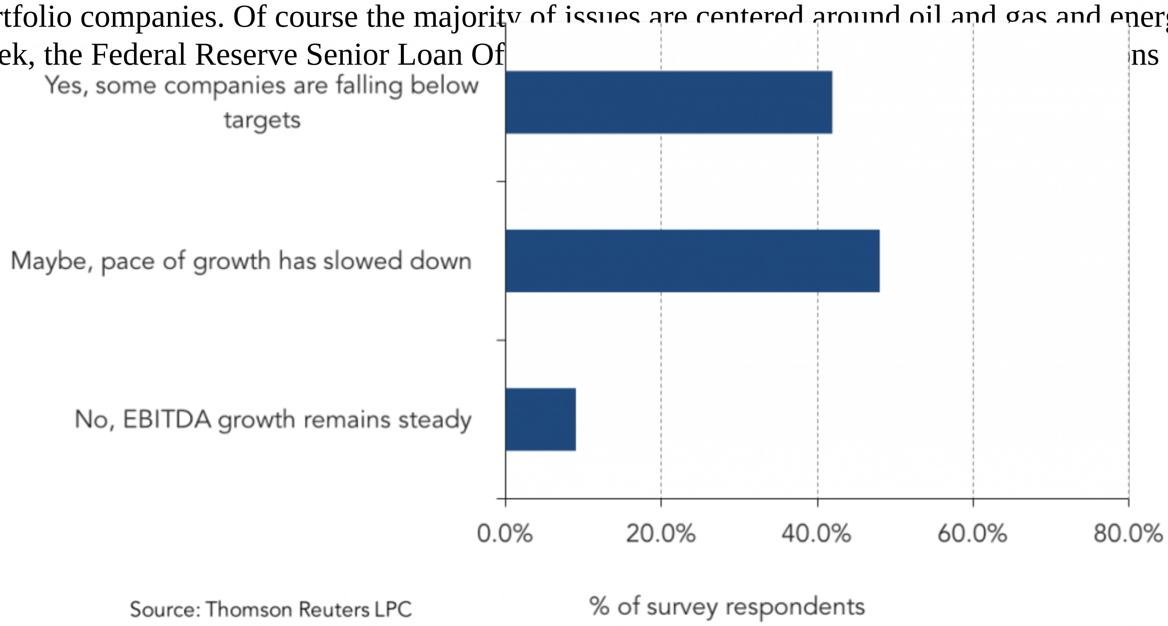
Lender Survey: Are you seeing cracks in your portfolio?

Yes, we are seeing signs of cracks in credit quality in our portfolios, said roughly 42% of the nearly 400 attendees gathered at the Marriott in Times Square for Thomson Reuters LPC's 4th Annual Middle Market Loans Conference last week. While these respondents said some companies are falling below targets, 48% of respondents said that they may be seeing some cracks as the pace of growth for some companies has slowed down.
Only nine percent said that EBITDA growth remains steady and they are not seeing much change in their portfolio companies. Of course the majority of issues are centered around oil and gas and energy. Released this week, the Federal Reserve Senior Loan Of ns around this sector.



Seventy-two percent of U.S. banks reported that less than 5% of C&I loans currently outstanding on their bank's books were made to firms in the oil and natural gas drilling/extraction sector. Is there a contagion effect? One third of U.S. banks said the credit quality of the C&I loans to firms not in the oil and natural gas drilling/extraction sector but in regions of the United States that are dependent on the energy sector, deteriorated somewhat over the past year as a result of the decline in energy commodity prices and associated declines in energy sector activities, while 70% said there was no change.

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