Credit Benchmark

Political Tensions Create Uncertainty in Global Oil & Gas

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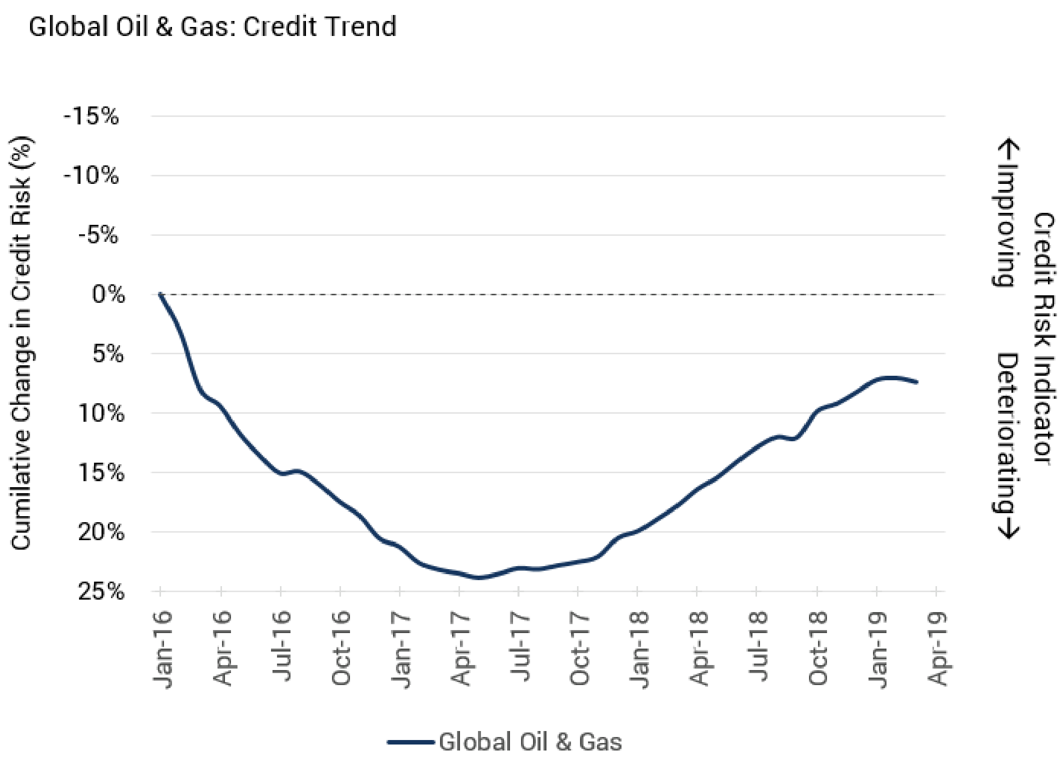
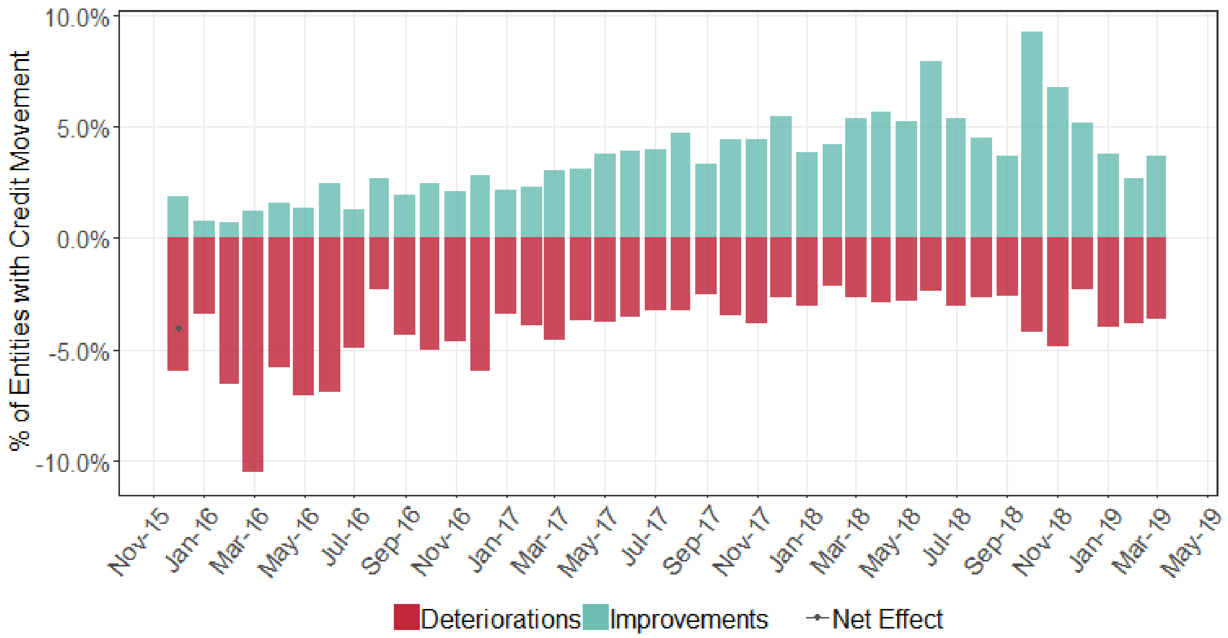
Oil is a temperamental commodity at the best of times, with prices heavily influenced by the slightest fluctuations in supply. The US is currently acting as the proverbial cat amongst the pigeons, with its sanctions on Iran and ongoing trade negotiations with China. If the talks go sour, diminished Chinese economic activity and thus a reduced demand for oil could threaten oil prices further.

Amongst all of this, the US's own oil coffers continue to grow, and allies like Saudi Arabia, the UAE and Russia have been encouraged to step up production to meet supply shortfalls resulting from the Iranian sanctions. Relying on domestic oil production is not fail-safe, however – unanticipated events such as extreme weather, disruptions at oil-fields or geopolitical conflict could adversely impact an already reduced network of oil suppliers, in turn causing price spikes.

This uncertainty is reflected in recent consensus credit risk data. While the overall credit quality of Global Oil & Gas has been steadily rising since mid-2017, Chart 1 (Credit Trend) below shows this improving trend line stalling in the previous 3 months. Chart 2 (Credit Activity), demonstrating credit activity, supports this stagnation, with an approximate net zero effect between deteriorations and improvements in the same time period.



Global Oil & Gas: Credit Activity



Source: Credit Benchmark