Credit Benchmark®

Risk.Net: More Trouble in the Oil and Gas Pipeline

June 2019

> *Oil and gas lenders tend to be a stoic bunch. But even the hardiest among them could be forgiven for feeling rattled these days...*
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> *...Brent crude has risen by a fifth in the past few months, see-sawing between just below $50 a barrel and as high as $86.74 in a wide 52-week range...*
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> *...On paper, the supply side looks strong: US shale oil production is in rude health – to the extent the US is now energy self-sufficient – with more improving credits among producers than deteriorating ones for more than two years straight. Meanwhile, the Organization of the Petroleum Exporting Countries has opened the taps on Middle East crude supply to record levels.*
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> *In the medium term, though, supply-side strength could have a negative effect on the credit quality of borrowers betting on high prices. The net balance between improvements to deteriorations began to decline in October 2018. In March 2019, it turned negative, and the data suggests more difficult times are in the pipeline.*

In this series of monthly articles from Risk.net, David Carruthers, head of research at Credit Benchmark, reports on the current volatility affecting the credit quality of US Oil and Gas. Also this month, credit changes for Canadian industries, transition rates for BBB rated borrowers, and an examination of the credit changes of high-debt and low-debt companies.

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