

March 28, 2016

## Dow Jones Resources Coverage

EXCLUSIVE ANALYSIS AND NEWS BEATS

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- Unique analysis: Bad Loans in Oil Patch, Airlines Retreat on Fuel Hedging

## Market-Moving News

### TransCanada In Takeover Talks With Columbia Pipeline Group

On March 10 we broke news that TransCanada was in takeover talks with Columbia Pipeline Group, a U.S. natural-gas pipeline operator. We reported that a deal could be worth more than \$10 billion.

- TransCanada shares fell as much as 5.3% after our scoop, while Columbia Pipeline rose as much as 19%.
- TransCanada has struggled to build new oil pipelines amid concerns the projects would harm the environment and foster overreliance on fossil fuels.

## Exclusive News

### BHP Billiton CEO Says Considering Possible Copper, Petroleum Acquisitions

BHP Billiton Ltd. Chief Executive Andrew Mackenzie told us in an interview on March 16 that the company is sizing up deals for petroleum and copper assets that could offer an immediate boost to profits amid what it now expects to be a prolonged period of low commodity prices.

- The BHP boss was speaking after a difficult period for the company as it adapts to a plunge in prices for the main commodities it sells, including iron ore, oil and gas, and coal.
- Some analysts have warned BHP could be tempted to overpay for assets, while others question whether there will be willing sellers of the sort of high-quality assets BHP has historically been keen to buy.

## CFTC, SEC Inch Closer to Full Strength With Nominations Moves

On March 3 we were first with news of plans by the White House to nominate two candidates for roles as commissioners at the Commodity Futures Trading Commission, the U.S. futures regulator.

- As we flagged, the White House nominated as commissioners Chris Brummer, a professor at Georgetown University Law Center, and Brian Quintenz, who had worked as a senior policy aide to former Rep. Deborah Pryce (R., Ohio).
- The CFTC is operating with just three commissioners, two short of its full roster. While the agency has completed the bulk of its rules for the multitrillion-dollar swaps market it oversees, it is still working to finish some long-delayed projects.

## More Exclusive News

Read more about the scoops discussed above and listed below at <http://djh.dowjones.net/scoops>.

- March 8--Cargill Inc. plans to scale back antibiotics use in its U.S. cattle supply, one of the most significant steps yet among beef processors to reduce reliance on drugs used to treat human illnesses.
- March 9--Russia's largest manufacturer of steel pipes for the energy industry is in talks to supply Iran as the country throttles up its oil production following the lifting of international sanctions.
- March 23--Canadian billionaire investor and philanthropist Seymour Schulich acquired a 14.7% stake in Pengrowth Energy Corp. and intended to seek representation on the Canadian energy company's board.
- March 24--Exxon Mobil was in advanced talks to acquire a stake in a giant Mozambique natural-gas development project from Italy's Eni SpA.

## Unique Analysis

### Coming to the Oil Patch: Bad Loans to Outnumber the Good

Bad loans in the U.S. oil patch are on pace to soon outnumber good ones, an indication of the pressure on energy companies and their lenders from the crash in prices, we reported on March 25.

- The number of energy loans labeled as "classified," or in danger of default, is on course to extend above 50% this year at several major banks, including Wells Fargo & Co. and Comerica Inc., according to bankers and others in the industry.
- In response, several major banks are reducing their exposure to the energy sector by attempting to sell off souring loans, declining to renew them or clamping down on the ability of oil and gas companies to tap credit lines for cash.

### Airlines Pull Back on Hedging Fuel Costs

After decades of spending billions of dollars to hedge against rising fuel costs, more

airlines, including some of the world's largest, are backing off after getting burned by low oil prices, we reported in a March 21 story.

- Some airlines have decided that, with oil prices weak, the potential benefits from hedging may no longer justify the risks. Delta and United said they have no hedges in place for next year.
- Smaller U.S. carriers, including JetBlue Airways Corp. and Spirit Airlines Inc., have been minimizing their hedges, according to their public filings. Even in Europe, where carriers have been big advocates of hedging, some airlines are scaling back.

## Scrap-Metal Sector Is Latest Victim of Commodities Bust

As prices for steel, iron ore and other commodities have dropped because of a demand slowdown and oversupply in China, prices for scrap metal have also collapsed. As a result, supplies are building up at U.S. scrapyards, we reported on March 15.

- Low metals prices are leading junkyard operators to stockpile cars instead of shredding them, stalling the auto-recycling industry and the chain of largely small businesses that make up the U.S. scrap sector.
- Already this year, over 50 metal scrapyards have stopped operations in North America, according to the Institute for Scrap Recycling Industries.

## About This Newsletter

This weekly newsletter covers Central Banks, Deals, Resources and Technology topics on a rotating basis. Next week: Technology.

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