Deutsche Bank raided in money-laundering probe

Bloomberg/Berlin

German authorities descended on Deutsche Bank AG, including its downtown Frankfurt headquarters, in a co-ordinated raid related to a money-laundering investigation.
More than six police vehicles, their blue lights flashing, pulled up to Deutsche Bank's main offices shortly before 9am, in an operation involving about 170 officers. The main suspects in the probe stemming from 2016 disclosures known as the Panama Papers were two bank employees who were not identified beyond their ages – 50 and 46. Authorities seized documents and electronic files and said they were also looking at whether others might have been involved.
"As far as we are concerned, we have already provided the authorities with all the relevant information regarding the Panama Papers," Deutsche Bank spokesman Joerg Eigendorf told reporters in Frankfurt.
For the beleaguered German lender, the raid adds to a panoply of headaches – commercial, regulatory and legal – facing chief

executive officer Christian Sewing and chairman Paul Achleitner. The stock has lost almost half its value this year, after sliding about 3% yesterday. The cost of insuring its junior debt against losses jumped 11 basis points to 383 basis points, the highest in two years, according to data compiled by CMA.

"This must be associated with criminal behaviour and not just a trivial offence," said Stefan Mueller chief executive officer of DGWA, an investment advisory boutique based in Frankfurt. He believes the bank will now be paralysed for months until it becomes clear how it will be affected by new potential fines.

"Maybe this time, Achleitner will fall. The bank needs fresh blood to make a radical cut at its management."

Police vehicles were present outside Deutsche Bank HQ in Frankfurt amidst raids by prosecutors over money laundering probe.

The Panama Papers refer to a collection of documents leaked in 2016 from Mossack Fonseca, a Panama-based law firm that created shell companies to facilitate tax avoidance. At the time, Deutsche Bank severed ties with a Cypriot lender partly owned by VTB Group that was identified in the reporting.

The subsequent investigations exposed evidence Deutsche Bank helped clients set up off-shore accounts, prosecutors said. The officials said the Thursday raid wasn't related to its role as a correspondent bank for money laundering at Denmark's Danske Bank.

The German lender may have helped clients in setting up offshore companies in tax havens. Money obtained illegally may have been transferred to accounts at Deutsche Bank, which failed to report the suspicions that the accounts may have been used to launder money, Frankfurt prosecutors said. The investigation is focused on a Deutsche Bank unit based on the British Virgin Islands, which dealt with more than 900 clients and processed €311mn ($354mn) in 2016 alone, according to the prosecutors.

The timing of the raid inflicts more pain on Deutsche Bank

after a series of setbacks and repeated failures in keeping misconduct in check have pushed the shares to all-time lows. Investor worries have mounted over its role as a correspondent bank in the multi-billion-dollar money-laundering scandal at Danske, and Germany’s markets regulator has taken the unprecedented step of appointing a monitor to oversee the firm’s efforts to improve money-laundering and terrorism-financing controls.

Deutsche Bank has spent more than $18bn paying fines and settling legal disputes since the start of 2008, according to company disclosures compiled by Bloomberg News. In Europe, Royal Bank of Scotland Group Plc is the only lender to have faced a bigger tab, at $18.1bn, the Bloomberg calculations show.

“Just when you thought Deutsche Bank had left it’s legal troubles behind it, there’s more,” said Markus Riesselmann, an analyst at Independent Research who recommends investors sell Deutsche Bank shares.

“Investors really want to be able to focus on the bank’s operating business, so this noise around them is quite unhelpful for the mood.”

Sewing, who took the top job in April, is replacing key executives as part of a management shakeup as he struggles to get Germany’s biggest lender back on track.

Sylvie Matherat, a management board member who serves as the bank’s chief regulatory officer, and Tom Patrick, who runs operations in the Americas, are among executives who might ultimately leave, people familiar with the matter said this week.

In a June 2017 interview, Matherat described the monumental task of modernizing the company’s compliance methods. After years of acquisitions and overseas expansion, the lender was left with a patchwork of computer programs to monitor transactions. The bank didn’t have a complete picture of the compliance controls in the organisation’s businesses and regions, she said.

“I hate surprises, but you don’t know what you don’t know,”

said Matherat, a lawyer and former deputy director general at the French central bank.

Booming LNG industry weighs up headwinds from oil to renewables

Bloomberg/London

Liquefied natural gas may be one of the fastest-growing fossil fuels but that didn’t stop market participants spotting clouds on the horizon when they met on the first day of the CWC World LNG Summit in Lisbon.
Below are some of the most pressing issues discussed at the biggest annual event for the industry in Europe.

Oil and economy
Brent crude is trading below $60 a barrel, having lost almost

11% this year. A perceived economic slowdown, which is affecting oil, is a challenge for the gas and LNG industry, said Eric Bensaude, managing director at Cheniere Marketing. The booming US projects tend to offer contracts linked to the US Henry Hub natural gas benchmark, which has gained 50% this year, making competition difficult with the oil-linked contracts that dominate in long-term LNG supply deals.
“We have to remain competitive,” Bensaude said. “You don’t want oil to be too high because otherwise the LNG industry gets carried away, you don’t want it to be low because otherwise Henry Hub becomes unaffordable and it switches to oil again.”

Renewables
As the costs of renewable energy fall and battery technology is developed to store it, the natural gas industry sees a role for itself in the future energy mix. “We should embrace the growth of renewables, we have no alternative, it makes no sense to confront that, that has to be part of our global landscape,” said Galp chief executive officer Carlos Gomes da Silva said. “I am seeing natural gas and LNG in particular as not a transitional energy but as destination energy.”

Investment shortfall
A lack of final investment decisions in the past years is expected to weigh on supply by the middle of the next decade, when it is seen falling short of demand. This year, Cheniere’s Corpus Christi Train 3 and Royal Dutch Shell Plc’s LNG Canada got the green light, but more multibillion-dollar projects are needed and expected next year to secure the second wave of supply. The lack of FIDs could generate a jump in prices in the early 2020s and potentially make LNG unaffordable, risking a shift back to cheaper and dirtier coal, Bensaude said.

Spike in US gas?
The rally in US benchmark Henry Hub futures earlier this month was seasonal and related to a cold snap and is unlikely to be sustained, according to panellists at the conference.

Cheniere’s Bensaude sees a long-term range of $3 to $4 per million British thermal units. Michael Sabel, co-CEO of Global Venture LNG, another US export project developer, sees the range at $2.25 to $3.25 on average.

China

China has led LNG demand growth but those increases are becoming less certain. China imposed a 10% tariff on US LNG, and sellers are re-organizing flows to bring alternative sources of supply.

What’s more, from October industrial demand started to decline to avoid the higher costs observed at the same time last winter, said Yanyan Zhu, general manager of the trading department at CNOOC Gas & Power. Longer term, China’s LNG imports face increasing pressure from cheaper pipeline gas, including from Russia, and by government support for domestic gas production. “In the future when the government is encouraging domestic production, pipeline gas is coming, I think the role of LNG will be reduced to some extent,” Zhu said.

Impact of US LNG expansion on other exporters

US LNG production has been rising since Cheniere started its Sabine Pass project in Louisiana in 2016. That is becoming a concern to other exporters, who are rushing to get their projects finished.

Tavares Martinho, vice president for exploration and production at Mozambique’s national oil company, Empresa Nacional de Hidrocarbonetos EP, compared competing with US LNG to “a monkey with a stick trying to hit a lion.” Mozambique is among the most promising future LNG exporters in Africa. “Competing with the US is very difficult,” he said.

Qatar takes part in GCC transport ministers’ meeting

Qatar took part in the 21st meeting of the Ministers of Transport in the Gulf Co-operation Council (GCC), held on Thursday in Kuwait.

HE the Minister of Transport and Communications Jassim bin Seif al-Sulaiti headed the Qatari delegation to the meeting.

During the meeting, the ministers discussed a number of key topics including the GCC railway project, the memorandum of understanding on the Joint Data Centre for the Remote Ship Tracking System and the latest updates regarding the Manual on Uniform Traffic Control Devices.

The meeting raised the recommendations necessary for the implementation of the decisions of the Supreme Council on the mechanism of work for the completion of studies and strategic projects for the transport and communications sector, which will deepen the economic integration between the GCC States.

A preparatory meeting was held for Undersecretaries of

transport and communications in the GCC countries on Wednesday.

New lanes to open on Rayyan Road

The Public Works Authority (Ashghal) has announced that it will open eastbound lanes along 2km of the main carriageway on Al Rayyan Road, including an underpass at Bin Zaben Interchange (Al Mukafaha I/C), today.

Saudi Contractor Defaults on $2 Billion of Debt

One of Saudi Arabia’s major contractors defaulted on almost $2 billion after a falling out among its owners and delays in payments from the government, according to people with knowledge of the matter.

The Saudi unit of Cyprus-based Joannou & Paraskevaides Group defaulted on about 7 billion riyals ($1.9 billion) in bank loans about two months ago, said the people, asking not to be identified as the information is private. The defaults are largely the result of problems getting paid by the Ministry of Interior, the people said.

Lenders, which include Arab National Bank, Alawwal Bank, Banque Saudi Fransi, Emirates NBD PJSC, Saudi British Bank and Samba Financial Group, don’t expect to recover much of the money, the people said.
Faced with a budget deficit that ballooned to $100 billion in

2015, Saudi Arabia suddenly halted payments to government contractors. The move wreaked havoc among local construction firms as many projects stopped, leaving them unable to pay employees. Saudi Oger Ltd., once one of country's top contractors, collapsed as a result.

J&P's Saudi unit has been struggling since then and has also been impacted by a dispute between the parent company's shareholders, which distracted management attention from the issues in the kingdom, the people said. As a result of that dispute, the parent company is being liquidated by Alvarez & Marsal in Cyprus. That liquidation does not directly impact the Saudi unit's operations, the people said.

The Finance Ministry says it honors payments that fulfill all of the government's requirements. A committee to deal with contractor payments has been set up and most disputes have been resolved, Finance Minister Mohammed Al-Jadaan, said last month. In May, many companies were said to have complained about delays.

Alvarez & Marsal didn't respond to requests to comment on behalf of J&P. Calls and emails to J&P's Saudi office weren't answered. The Saudi government's Center for International Communication didn't immediately respond to a request for comment.

Spokesmen for the lenders either declined to comment, didn't respond, or couldn't immediately be reached.

J&P's projects in the kingdom include large housing developments for the Ministry of Interior and building parts of the King Abdullah Financial District in Riyadh.

Qatar to leave OPEC and focus on gas as it takes swipe at Riyadh

DOHA (Reuters) – Qatar said on Monday it was quitting OPEC from January to focus on its gas ambitions, taking a swipe at the group's de facto leader Saudi Arabia and marring efforts to show unity before this week's meeting of exporters to tackle an oil price slide.

Doha, one of OPEC's smallest oil producers but the world's biggest liquefied natural gas (LNG) exporter, is embroiled in a protracted diplomatic row with Saudi Arabia and some other Arab states.

Qatar said its surprise decision was not driven by politics but in an apparent swipe at Riyadh, Minister of State for Energy Affairs Saad al-Kaabi said: "We are not saying we are going to get out of the oil business but it is controlled by an organisation managed by a country." He did not name the nation.

Al-Kaabi told a news conference that Doha's decision "was communicated to OPEC" but said Qatar would attend the group's meeting on Thursday and Friday in Vienna, and would abide by its commitments.

He said Doha would focus on its gas potential because it was not practical "to put efforts and resources and time in an organisation that we are a very small player in and I don't have a say in what happens."

Delegates at OPEC, which has 15 members including Qatar, sought to play down the impact. But losing a long-standing member undermines a bid to show a united front before a meeting that is expected to back a supply cut to shore up crude prices that have lost almost 30 percent since an October peak.

"They are not a big producer, but have played a big part in (OPEC's) history," one OPEC source said.

It highlights the growing dominance over policy making in the oil market of Saudi Arabia, Russia and the United States, the world's top three oil producers which together account for more than a third of global output.

Riyadh and Moscow have been increasingly deciding output policies together, under pressure from U.S. President Donald Trump on OPEC to bring down prices. Benchmark Brent is trading at around $62 a barrel, down from more than $86 in October.

"It could signal a historic turning point of the organisation towards Russia, Saudi Arabia and the United States," said Algeria's former energy minister and OPEC chairman, Chakib Khelil, commenting on Qatar's move.

For a graphic on Who produces what within OPEC?, see – tmsnrt.rs/2RxkhwC

“UNILATERAL DECISIONS”

He said Doha’s exit would have a “psychological impact” because of the row with Riyadh and could prove “an example to be followed by other members in the wake of unilateral decisions of Saudi Arabia in the recent past.”

Qatar, which Al-Kaabi said had been a member of OPEC for 57 years, has oil output of just 600,000 barrels per day (bpd), compared with Saudi Arabia’s 11 million bpd.

FILE PHOTO: Saad al-Kaabi, chief executive of Qatar Petroleum, gestures as he speaks to reporters in Doha, Qatar, July 4, 2017. REUTERS/Naseem Zeitoon/File Photo

But Doha is an influential player in the global LNG market with annual production of 77 million tonnes per year, based on its huge reserves of the fuel in the Gulf.

OPEC members Saudi Arabia and the United Arab Emirates, and fellow Arab states Bahrain and Egypt, have imposed a political and economic boycott on Qatar since June 2017, accusing it of supporting terrorism. Doha denies the charges and says the boycott aims to impinge on its sovereignty.

Al-Kaabi, who is heading Qatar’s OPEC delegation, said the decision was related to the country’s long-term strategy and plans to develop its gas industry and increase LNG output to 110 million tonnes by 2024.

“A lot of people will politicise it,” Al-Kaabi said. “I assure you this purely was a decision on what’s right for Qatar long term. It’s a strategy decision.”

The exit is the latest example of Qatar charting a course away from its Gulf neighbours since the rift began last year. It comes before an annual summit of Gulf Arab states expected to grapple with the roughly 18-month standoff.
Once close partners with Saudi Arabia and the UAE on trade and security, Qatar has since struck scores of new trade deals

with countries further afield while investing heavily to scale up local food production and ramp up military power.

“There is a sentiment in Qatar that Saudi Arabia’s dominance in the region and the region’s many institutions has been counterproductive to Qatar achieving its development goals,” said Andreas Krieg, a political risk analyst at King’s College London. “It is about Qatar breaking free as an independent market and state from external interference.”

Oil surged about 5 percent on Monday after the United States and China agreed to a 90-day truce in their trade war, but prices remain well off October’s peak.

Asked if Qatar’s withdrawal would complicate OPEC’s decision this week, a non-Gulf OPEC source said: “Not really, even if it’s a regrettable and sad decision from one of our member countries.”

Amrita Sen, chief oil analyst at consultancy Energy Aspects, said the move “doesn’t affect OPEC’s ability to influence as Qatar was a very small player.”

Al-Kaabi said state oil company Qatar Petroleum planned to raise its production capability from 4.8 million barrels oil equivalent per day to 6.5 million barrels in the next decade.

Doha also plans to build the largest ethane cracker in the Middle East.

Qatar would still look to expand its oil investments abroad and would “make a big splash in the oil and gas business”, he Al-Kaabi added.

Prime Minister Inaugurates Four Manateq Warehousing Parks

Prime Minister and Interior Minister, His Excellency Sheikh Abdullah bin Nasser bin Khalifa Al Thani, inaugurated Manateq warehousing parks in Umm Salal, yesterday.

The inauguration ceremony, which was held at Bu Fesseela warehousing park, was attended by His Excellency Dr. Mohammed bin Saleh Al-Sada, Minister of Energy and Industry and His Excellency Mohammed bin Abdullah Al Rumaihi, former Minister of Municipality and Environment in addition to a number of Their Excellencies Ministers, senior officials from the public and private sector and representatives project developers.

The four companies were Gulf Warehousing Company (GWC) for Bu Sulba warehousing park, Al Asmakh Real Estate Development for Bu Fesseela, Dohatna Logistics Parks for Umm Shaharaine 1 and Barwa Real Estate Group for Umm Shaharaine 2.

Talking about the completion of the warehousing parks project, Fahad Rashid Al Kaabi, CEO of Manateq, said: “We are delighted to announce the completion of this first-of-its-kind project that supports Manateq’s vision to promote economic diversification in investments that add value to Qatar and underlines its mission to create a world-class business environment for local and overseas investors, to help meet the

Qatar National Vision 2030”.

Khamis Al Mohannadi, President of Technical Committee to Stimulate Private Sector Participation in Economic Development Projects said, “The successful completion of the warehousing parks development is yet another milestone in our drive to stimulate more economic and commercial activities in Qatar and contributing effectively to the achievement of the ‘economic development pillar’ within the framework of Qatar National Vision 2030.”

He added:“ The project demonstrates our continued sustainable future growth for everyone by enabling companies to operate easily and flexibly, providing better access to developing markets and optimizing resource consumption by providing ready-to-use warehousing options that meet all storage requirements, including food products. This in turn will ease the burden on investors, and supports the process of economic diversification in the country.” He said in recent years, Qatar has succeeded in strengthening its economic position and engaging in the globalized economic space, effectively and efficiently, translated by registered growth rates, which is expected to reach about 2.8 percent during the current year.

He said it is one of the highest growth rates in the region according to International Economic Organizations, and is expected to reach 3 percent in 2019, supported by the dynamics of the non-oil sectors, which is expected to grow by at least 6 percent, driven by the private sector contribution that recorded a sound growth over the past year not less than 5 percent, which requires continued investment in supporting infrastructure projects such as the warehousing parks.

The Prime Minister honored the project developers and visited the site of the warehouses and was briefed on their volume and capacity.

Manateq warehousing project is a continuation to the

implementation of the strategic Qatar National Food Security Program (QNFSP) that Qatar has established previously to bring the country close to food self-sufficiency by 2023.

GLOBAL LNG-Asian prices dragged down by oil slide, heavy supply

* Tumbles to more than three-month low

* Traders hope for cold winter to soak up supply

* Tankers still floating LNG in Asia

By Jessica Jaganathan

SINGAPORE, Nov 23 (Reuters) – Asian spot prices for liquefied natural gas (LNG) tumbled nearly 10 percent this week to a more than three-month low, knocked lower by a slide in oil prices, forecasts for a warmer than average winter and ample

supply onshore and in tankers.

Spot prices for January delivery in North Asia LNG-AS were estimated at $10 per million British thermal units (mmBtu), 90 cents lower than last week, according to traders.

“The big question mark right now is how the weather will pan out as the market will quickly turn once it starts to get cold. But until then, it’s tank-top right now in many places,” said a Singapore-based LNG trader, referring to high storage levels of natural gas in North Asia.

Temperatures in major cities Tokyo, Beijing and Shanghai in the world’s top two LNG buyers, Japan and China, are expected to be warmer than usual next week, weather data from Refinitiv Eikon showed.

Demand from end-users in North Asia remained muted while a big drop in Brent oil prices was causing jitters in the LNG market, trade sources said.

Oil prices slumped to 2018 lows on Friday, pulled down by concerns of an emerging global supply overhang amid a bleak economic outlook.

“Typically, changes in Brent tend to have a bigger impact on Asian LNG prices due to lack of liquidity in Asian gas derivatives,” said a second Singapore-based LNG trader.

Trading remained thin in the region with several LNG tankers still floating the super-chilled fuel around Asia.

But the situation may soon stabilise as end-users have stopped reselling cargoes, the trader said.

“The Chinese are not reselling cargoes like they were doing recently, so I think situation could be bottoming out,” the trader added.

In tenders, India’s GSPC is seeking two cargoes for delivery

in December, while Gail India may be offering to sell a December-loading cargo from Cove Point in the United States, traders said.

The Indian importer has 20-year deals to buy 5.8 million tonnes per year of U.S. LNG in total, split between Dominion Energy's Cove Point plant and Cheniere Energy's Sabine Pass.

Angola LNG offered a cargo for December, but the results were not immediately clear.

An LNG tanker was transferring a cargo of Russia's Yamal LNG to another vessel off the tip of northern Norway on Thursday, the first such operation that will help the facility raise production. (Reporting by Jessica Jaganathan; editing by Richard Pullin)

Uniting Africa for power

African countries are increasingly coming together. A landmark

free-trade agreement was concluded earlier this year. East Africa has made great progress on free movement of people. And a commitment to a single market for air travel has been revived, potentially connecting countries better than ever before.

Each step toward greater co-operation and unity on the continent is, on its own, an important one. Together they show how a new generation of African leaders understand that power in the 21st century reflects strength in numbers.

But, for Africa, power requires power in another sense: a lack of electricity continues to hold back the continent's progress. And here, too, integration is essential to scale and connect markets, reduce consumer costs, and drive growth.

Despite advances in recent years, more than 600mn Africans still lack access to electricity. Solar technology has improved, and its declining cost has made it a viable option. Rising inflows of private capital have been accompanied by large-scale national energy-sector reforms, which should help increase the availability of electricity. But pushing down the price of power and making it available across growing cities and vast territories remains a daunting, and yet central, task.

All of the African leaders with whom I speak tell me that making electricity affordable is a top-priority issue, and most have set ambitious targets for power generation and transmission. But achieving these targets requires adopting a mix of technologies, which is hard enough in the best circumstances, but even more so when countries try to go it alone.

The fact is that resources are not evenly distributed among countries. Some have gas, others hydrological resources. Some have no particular resources and build thermal power plants or import expensive liquid fuels to meet their needs. Added to this are planning issues, which usually go one of two ways: either too much or too little supply.

The most efficient way to overcome these costly electricity imbalances would be through a common energy market. Much like

the European Union’s internal market for electricity, power trading would ideally extend across Africa and form part of the continued evolution of the African Union, which Rwandan President Paul Kagame is so admirably pushing forward. But high-volume power trading from Ethiopia to Lesotho is unlikely in the foreseeable future, and a more realistic path forward would be at the sub-regional level.

One such opportunity is through the West Africa Power Pool. Little more than half of the region’s population has access to electricity, and only around 3% of power generation currently crosses borders (based on current capacity levels). With an integrated market, however, power demand could be met as countries such as Ghana, Côte d’Ivoire, and Guinea produce surpluses, while others such as Burkina Faso and Mali are in deficit and reliant on costly liquid fuels.

Such a sub-regional market would yield significant benefits not only for families, but also for governments and investors. More people would be connected, exporting countries could generate more revenue, and imports would become less expensive, more reliable, and cleaner. According to modelling by the Africa Governance Initiative (part of the Tony Blair Institute for Global Change) and the US government’s Power Africa, an integrated energy market would save the region $32bn in energy costs in the next decade. With better infrastructure and increased supply, this figure could be many times more.

Developing a sub-regional market would also spur economic growth, create jobs, and boost income for millions of people. Private capital would be attracted to new opportunities as national markets open up for economies of scale in the production and transmission of electricity. From an environmental perspective, an integrated market would save around 23mn tonnes of fuel oil – roughly the equivalent of the United Kingdom’s annual fuel consumption by diesel vehicles.

But to realise the potential of power trading, four conditions must be met. For starters, the politics of trying to align national policies with a regional vision must change. Those of

us with a long history in the EU will understand the difficulties of this better than most, and for some West African countries, rolling back costly and inefficient but politically popular subsidies will be difficult. The gains from trade would offset the effects, but this is likely to be a hard sell for politicians to make to their publics.

Second, infrastructure needs to be developed to connect national markets. International donors already are supporting much of this work. It is crucial to complete it, so that isolated grids are integrated into a unique regional market.

Third, gas must become increasingly available. Nigeria is the most likely source; another is imports of inexpensive Liquefied Natural Gas. Without the development of reserves, countries will need to revert to liquid fuels, at higher cost and larger carbon dioxide emissions.

Lastly, regulatory harmonisation is essential to ensure the right enabling environment. But so, too, is support for first-time, specific transactions – such as that along Africa's west coast all the way from Côte d'Ivoire to Mauritania – which can help countries to overcome obstacles and open the door to future, more expansive power trading.

Developing this internal market is key to West Africa's energy future. Over the next decade, it could have a major impact on the lives of more than 300mn people. It would also be a significant step in Africa's push for greater unity, more self-reliance, and an economy driven more by trade and less by aid. And it would reinforce the progress African leaders are making toward projecting strategic power in the world today. – Project Syndicate

* Tony Blair, prime minister of the United Kingdom from 1997 to 2007, is Chairman of the Africa Governance Initiative.

Oil-natural gas trade reappears, roiling US energy markets

Last week's stunning reversal in oil and natural gas markets brought out of the shadows a trade that used to be commonplace — a so-called relative value trade the two commodities. Oil reached a four-year high in early October on speculation prices could reach $100 a barrel as Iranian exports dried up. Meanwhile, natural gas burst out of its doldrums earlier this month, but the rally was being threatened by record US production. While it may not have been intentional, investors recreated what was once a popular trade based on a correlation between natural gas and crude oil markets. Crude's decline from its high turned into a rout and a cold-weather rally in gas grew into the biggest surge in nine years as large energy traders raced to unwind bullish crude and bearish natural gas bets, market participants said. The rush to the exits pushed the price ratio between the commodities to the narrowest since the financial crisis. "The crude-natural gas trade hasn't been a thing in a very long time, I'd say maybe a decade," said John Kilduff , a partner at Again Capital. "It appears to be inadvertent. The sentiment around the natural gas market got incredibly bearish because of the record production numbers. Then, all the analysts on the Street were calling for $100

oil.” A relative value trade bets on a price relationship between two commodities, rather than taking an outright position on a single one. In theory, it might be less risky. While crude and natural gas were fairly well correlated in the middle of the previous decade, due to direct competition for drilling resources at the wellhead, that has faded in recent years due to the US shale gas boom and subsequent oil boom. Earlier this year, the CME Group Inc wrote in a post on its website that the crude and natural gas link reached an inflection point in 2008, and have since decoupled. That all reversed last week in a hurry, with crude dropping 7.1% November 13, the biggest one-day decline in more than three years, the culmination of a record slide. The same day, natural gas jumped 8.3% to exceed $4 per million British thermal units for the first time in almost four years, followed by a spike of 18% on November 14. “It’s not a fundamentally driven rally,” said Stephen Schork, president of Schork Group Inc, a consulting group in Villanova, Pennsylvania. “This rally is driven by someone large who had the wrong position.”