

Pakistan govt plans to privatise two RLNG-fired power plants



The Privatisation Commission (PC) board has asked National Power Parks Management Company Limited (NPP- MCL) to come up with a detailed working pa- per on proposed privatisation of two regasi- fi ed liquid natural gas – RLNG-based power plants, a statement said yesterday. The 1,233MW Balloki and 1,230MW Haveli Bahadur Shah power plants have already been cleared by Cabinet Committee on Privatisa- tion (CCoP) for their 100% privatisation in the next two years. The meeting, which was presided over by Muhammad Mian Soomro, chairman Priva- tisation Commission, directed the manage- ment of NPPMCL to work on the feasibility paper for the privatisation of the power plants as either a bundle package or separate entities along with timelines, justifi cations, and any issues ancillary to it for the consideration of the board and CCoP. A senior offi cial said before initiating the privatisation process of these plants, their case would be taken to the

Council of Common Interests (CCI). "After that the privatisation of these entities would be done under the strategic sale," the official added. The statement said the board also directed the concerned department to launch the process for hiring of financial advisers for other public sector enterprises (PSEs) in the Active Privatisation Programme as approved by the federal cabinet. The Evaluation Committees for privatisation transactions were also constituted during the meeting, it added. The meeting, the statement said, also constituted a committee for the resolution of the issue of contingent payments in the case of Financial Advisory Services Agreements concerning privatisation transactions initiated during the tenure of previous government.

"The board also approved to initiate the process for Hiring of Human Resource and further directed the concerned officials to review Human Resource Regulations in order to streamline the same for the betterment of organisation and to remove anomalies, if any," the statement said. Almost two weeks back, the Pakistan Tehreek-e-Insaf (PTI) government unveiled its five-year privatisation agenda, and decided to privatise some profit-making entities in oil and gas, power, aviation as well as in banking and insurance sectors; however, it refused to give some loss-making entities in private hands. The Cabinet Committee on Privatisation (CCoP), in a meeting on October 31, 2018, with Finance Minister Asad Umar in chair, decided to privatise nine-entities in the next two years, while two would be given in private possession later. The committee allowed giving the government's shareholding of 75% in Oil and Gas Development Corp Ltd (OGDCL), 67.5% in Pakistan Petroleum Ltd (PPL) and its 18.39% shares in Mari Petroleum Company Ltd (MPCL) to private sector in short-term through capital market, official sources in the Cabinet Division. The official further said in short-term, sale of 93.38% shares of SME Bank, 44.8% shares in Pakistan Reinsurance Company Limited (PRCL) and 100% shares of State

Life Insurance Corp (SLIC) has been approved. Besides, in medium-term, 82.6% shares of the First Woman Bank would also be given to a private strategic partner, the official added. Although, the government has not put the privatisation of Pakistan International Airlines on the list, yet the national flag carrier's assets, including Roosevelt Hotel in New York and Hotel Scribe in Paris have made the list of the assets to be sold out in medium-term. The CCoP has also decided not to privatise Utility Stores Corp (USC), Pakistan Steel Mills (PSM) and Civil Aviation Authority (CAA), and have struck them off its privatisation plan.

40-Year-Old Renewable Energy Law's Due for a Revamp



A 40-year-old law that's been key to the growth of renewable

energy in the U.S. may be due for an overhaul.

Much has changed since the Public Utility Regulatory Policies Act, called Purpa, was established in response to the Arab oil embargo of the early 1970s. Concerned about energy shortages, Congress wrote the law in part to encourage alternative energy. But that era of scarcity has since been replaced by one of abundance. And utilities say that Purpa should change with the times.

They say power markets have outgrown the 1978 statute, and that it's burdening customers with billions in extra costs. "Changes to the market need to be reflected in the law," said Adam L. Benshoff, executive director for regulatory affairs at the Edison Electric Institute, an industry association. "We're certainly missing an opportunity to reduce costs for customers."

They may get their wish. Neil Chatterjee, the new chairman of the Federal Energy Regulatory Commission, which oversees U.S. power markets, has indicated that his agency should take a look at the law. But he hasn't outlined a timeline or scope of that effort.

Market Abuses

As it's written, Purpa requires utilities to purchase power from renewable energy projects under certain circumstances. If a developer can build a project for less than a utility can build a new power plant, then they can request a contract to sell power to the utility.

Purpa Power

But utilities argue that developers have figured how to take advantage of the system. They're asking for immediate fixes to prevent market abuses, and curb instances in which developers

break up their projects into smaller ones to qualify for higher rates, according to the Edison Electric Institute. Reducing the threshold for mandatory purchases could also be looked at.

“We’re asking for Purpa to be modified in a way that more truly reflects avoided cost and stops some of the gaming,” said Benschhoff.

Still Relevant

Purpa proponents, including solar and wind developers, reject the notion that it’s outdated, saying it’s essential to giving renewables a leg up in states that aren’t traditionally green leaning.

“Purpa has been a backdoor option to get some renewable projects to states that have few other policy levers that are incentivizing renewable energy,” said Timothy Fox, vice president at ClearView Energy Partners LLC. “If the implementation of Purpa is reformed, we could see a slowdown in some of the states with more conventional resources,” he said.

About 15 percent of U.S. solar capacity and 3 percent of wind planned to come online in the next few years may rely on Purpa, according to Bloomberg Intelligence.

The solar industry argues that any changes should be focused on making sure the law is enforced.

“It’s been a highly successful policy tool and continues to be a highly successful policy in markets where there is not otherwise access,” said Abigail Ross Hopper, who heads the Solar Energy Industries Association. Pushback from utilities is unsurprising, she said, since “we’re threatening their market, we’re threatening their monopoly.”

It’s all a far cry from when Charles Copeland was working as an engineer on an abandoned building in New York City’s Lower

East Side back in the 1970s. He designed a solar collector system for a group of residents that generated power for the building and sent the excess to Con Edison.

The utility sued the residents, but the Public Service Commissioner ruled in favor of the building, and the ruling became a crucial forerunner of Purpa. Forty years later, Copeland says the law is as essential as ever.

“It’s even more urgent now, in terms of global warming,” he said.

GE seeks to raise \$4bn with sale of Baker Hughes stake



General Electric Co yesterday unveiled a plan to raise about

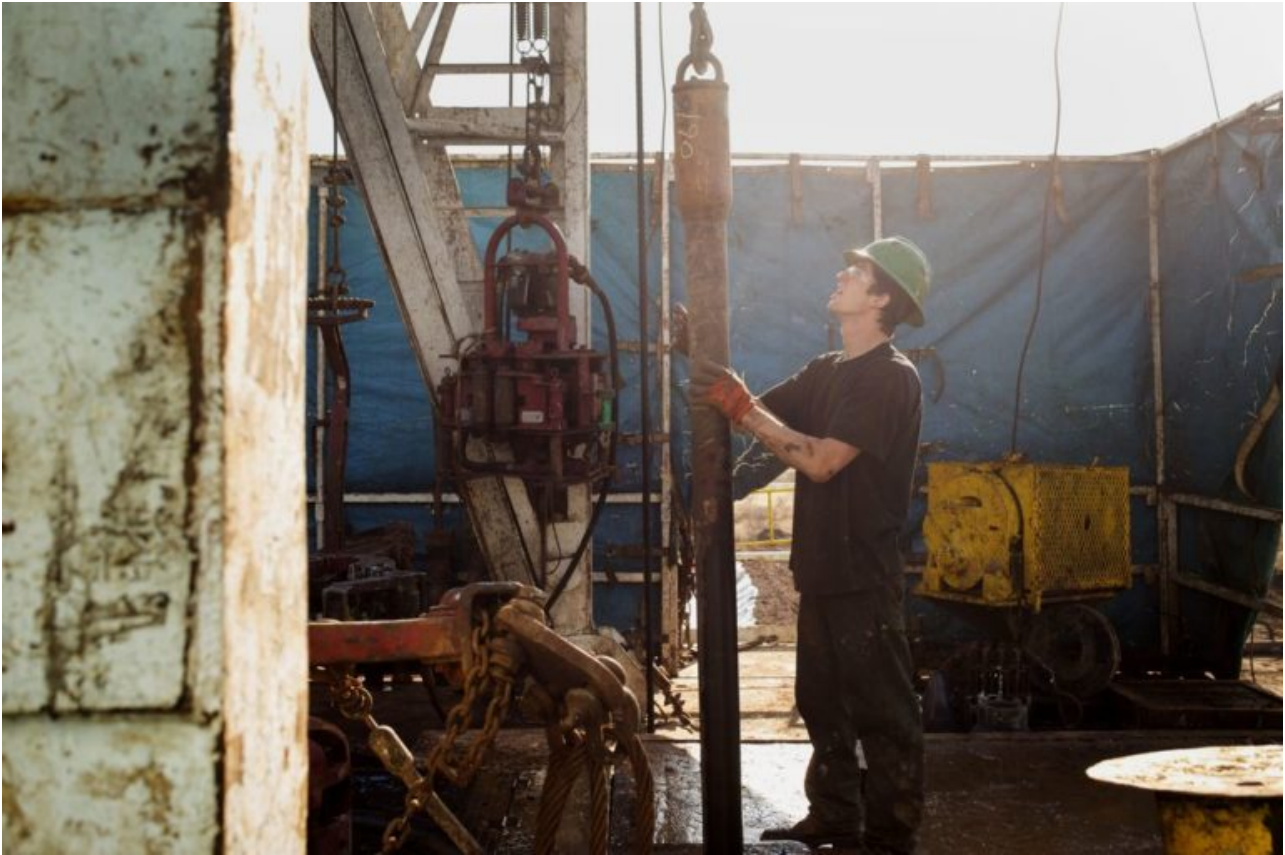
\$4bn by accelerating a proposed sale of a stake in oilfield services provider Baker Hughes, its latest move to simplify its businesses and reduce debt. Under the deal, the Boston-based industrial conglomerate will sell up to 101.2mn shares on the market and Baker Hughes will repurchase another 65mn shares from its parent. Based on yesterday's share price of \$23.76, the sale would raise around \$3.97bn. Once a symbol of American business power, GE faltered during the 2008 financial crisis and since then has replaced two CEOs. Its stock price has shed more than 80% of its value from highs in early 2000.

After the announcement, shares of GE rose 4.5% to \$8.35, while Baker Hughes was up about half a per cent. The two companies also struck a series of agreements covering digital technology, products and debt to pave way for the share sale. GE, which bought Houston-based Baker Hughes in July 2017 and agreed to maintain a 62.5% stake until the middle of next year, has made a series of changes to lower its debt and focus on its core businesses of jet engines, power plants and renewable energy. The two will continue to share certain oil and gas technologies, and has a six month lock up of GE's remaining stake in the oilfield company. On Monday, recently appointed GE chief executive officer Larry Culp said the company will sell assets with "urgency" to reduce debt, as GE shares tumbled as much as 10% and the cost of insuring its debt hit a six-year high. "The agreements announced today accelerate that plan in a manner that mutually benefits both companies and their shareholders," Culp said in a statement. Baker Hughes CEO Lorenzo Simonelli on Tuesday said the deal provides "clarity for our customers, employees and shareholders." In June, GE said it would sell its stake in Baker Hughes over the next two to three years. As part of the new deal, the companies will dissolve a two-year lock-up that would have prevented GE from selling shares of Baker Hughes until July 2019.

The sale comes as improving oil markets have helped Baker

Hughes post a third-quarter adjusted net profit. The oil services firm also said it was optimistic about the near future with oil production in North America climbing to record levels. As part of the deal, GE will sell an undisclosed portion of its shares in the market and others will be acquired by Baker Hughes. GE will reduce its ownership to no more than 50.1% as part of the deal, the companies said. The companies also will create a joint venture focused on rotating equipment technology, primarily used in Baker Hughes' liquefied natural gas, oil and gas production, and pipeline and industrial segments. Baker Hughes said it had entered into long-term supply and distribution agreements with GE for heavy-duty gas turbine technology.

Chevron, Exxon Mobil Weigh Bids for Endeavor Energy



Chevron Corp. and Exxon Mobil Corp. are among the companies considering first-round bids this month for closely held oil producer Endeavor Energy Resources LP, according to people with knowledge of the matter.

The two oil majors may be joined by ConocoPhillips in competing for the business, which could be valued at about \$15 billion including debt, said the people, asking not to be identified because the information is confidential. Royal Dutch Shell Plc has also been contacted and may participate, they said.

The value reflects Endeavor's size, with drilling rights on 329,000 net acres, of which only 2 percent have been developed, the people said. A \$15 billion sale would rank among the top 10 deals ever for a private energy company, according to data compiled by Bloomberg.

Representatives for Endeavor, Chevron, Exxon Mobil, ConocoPhillips and Shell declined to comment.

Endeavor, based in Midland, Texas, and owned by the family of

founder Autry C. Stephens, agreed to explore a sale after its advisers got inquiries from prospective bidders, the people said. Despite that interest, the family's preference remains an initial public offering in 2019 so it can retain control, and the management team is continuing to organize its accounts for that goal, they said.

"We think Endeavor's asset base is likely to be attractive given the positioning in the core of the basin and the overall acreage continuity," Biraj Borkhataria, an analyst at RBC Capital Markets, said in a note to clients. "However, given the size of the transaction buyers would likely be limited to large independents or majors."

Exxon Mobil is the most logical buyer, according to Borkhataria, because it has the financial capacity and is keen to grow its position in the Permian Basin in Texas and New Mexico. The oil major had already signed a seven-year joint venture agreement with Endeavor in 2014 to bolster its work in the basin. The analyst said he doesn't expect Shell to bid for such a large bundle of assets.

Exxon Mobil has plenty of drilling inventory in the Permian, following its purchase last year of \$6.6 billion of assets in the region, Senior Vice President Jack Williams said in the company's earnings call this month.

It's open to more acquisitions, particularly those with "a large undeveloped aspect," he said, according to a transcript compiled by Bloomberg.

"We continue to scan the market for all opportunities that play to our strength," Williams said.

After a relatively slow start in the first half of the year, deal activity has increased in the North American oil and gas market, driven by companies looking to increase their interests in the Permian Basin. The deals have included Diamondback Energy Inc.'s agreement in August

to buy peer Energen Corp. for \$8.4 billion and BP Plc's pending \$10.5 billion acquisition of BHP Billiton Ltd.'s onshore U.S. operations.

Trump presses Saudi over oil as ties fray further



President Donald Trump took aim at Saudi Arabia's plan to cut oil production on Monday, injecting new tension into an already fraught alliance that has been clouded by US concerns over the killing of journalist Jamal Khashoggi and the ongoing conflict in Yemen. Trump's efforts to influence oil production threatens to further strain relations between the two historic allies, even as his administration continues to describe the Saudis as a crucial partner in a shared bid to counter Iranian influence in the Middle East. But the US president – facing pressure after Republican losses in the midterm elections – is eager to tamp down threats to the

economy, including higher gas prices. In a series of tweets, Trump blamed a stock market sell-off on the Democratic victory while pressing the Saudis and Opec to keep oil production at current levels. "Hopefully, Saudi Arabia and Opec will not be cutting oil production. Oil prices should be much lower based on supply!" Trump said on Twitter. Trump posted the message hours after Saudi Arabia's energy minister said that Opec and its allies should reverse about half the increase in oil output they made earlier this year. Oil futures had gained as much as 2.4% in London and 1.8% in New York after the Saudi announcement.

Oil futures in New York fell 0.4% on Monday, extending a record 11th day of declines, to end the session at \$59.93 a barrel. Trump risks testing Saudi patience – or even provoking the kingdom's ire – at a particularly vulnerable moment, with the US decision to reimpose sanctions on Iran threatening to increase prices. The administration had been counting on Saudi Arabia to ensure oil supply to prevent a run-up in prices. The two countries have also clashed over the October killing of US-based journalist Jamal Khashoggi at the Saudi consulate in Istanbul, with the Trump administration reportedly considering sanctions on some Saudi officials in response. Over the weekend, the US stopped its refuelling support for the Saudi-led coalition fighting against Houthi rebels in Yemen. The Saudis said in a statement the decision to end refuelling flights was a mutual one, and that the kingdom "increased its capability to independently conduct inflight refuelling in Yemen." And Trump isn't expected to impose drastic penalties over the Khashoggi killing, saying earlier this month that he did not feel "betrayed" by the plot and reiterating his desire to avoid consequences that could harm the US economy. Still, the president is likely aware that his statement could irritate Saudi leadership. His tweet posted just minutes after a Fox Business Network segment in which energy analyst Phil Flynn said Opec leaders were angry Trump had "duped" them into raising production ahead of the

Ira- nian sanctions. And the changes in posture by a Trump administration that had previously given Riyadh a pass on a range of international issues could prove an irritant in a relation- ship that has been carefully cultivated by the president and his son-in-law, Jared Kushner. The interference in oil matters risks overreach in a relationship Trump has lev- eraged to his advantage in the past.

In June, Saudi Arabia persuaded fellow oil producers to end 18 months of produc- tion cuts and pump more crude in response to falling output in Venezuela and Iran. Opec leaders made clear Trump's social media posts were the impetus for the pro- duction changes, which kept oil prices low ahead of both the midterm elections and Trump's expected move to reimpose sanc- tions on Iran. "We were in the meeting in Jeddah, when we read the tweet," Opec Secretary- General Mohammad Barkindo said ear- lier this year. "I think I was prodded by his excellency Khalid al-Falih that probably there was a need for us to respond," he said. "We in Opec always pride ourselves as friends of the US." Producers need to cut about 1mn barrels a day from October production levels, Saudi Energy Minister Khalid al-Falih said Monday in Abu Dhabi. The kingdom will reduce shipments by about half that amount next month, he said. This time, Saudi Arabia is urging allies to focus on the risk of rising oil inventories and forecasts for massive growth in rival supplies next year including US shale. It's a concern shared by Barkindo, who said Monday that the market balance is under threat from surplus supply and dwindling demand. "It is beginning to look alarming in the sense that the resurgence of non-Opec supply – in particular shale oil from the US – is putting a lot of pressure on this fragile equation," Barkindo said in Abu Dhabi. A cut in oil exports by Saudi Arabia – or a rise in oil prices – does threaten to provide political ammunition to newly empowered Democrats who have long sig- nalled scepticism of Opec. Senate Minority Leader Chuck Schum- er, a New York Democrat, had previously supported legislation that would remove an existing immunity

shield that prevents the oil group and its members' national oil companies from being sued under US antitrust law. It's possible a more serious split between the Trump Administration and the Saudis could give new momentum for such an effort, which failed after former President George W Bush threatened to veto it. Trump may also find a familiar ally in his effort to pressure the Saudis: Russian President Vladimir Putin. Russia has argued that the oil supply excess is short term and has opposed production cuts, pitting it against the Saudis in an industry that dominates the economies of both countries. The Russian and US presidents met briefly at a lunch Sunday in Paris, where Saudi Arabian issues were discussed, according to White House press secretary Sarah Sanders.

Lysys group takes part in Milipol Qatar



Tribune News Network

Doha

Lsys group of companies continues to demonstrate strong commitment to the Qatari market with its participation at Milipol Qatar, the international event for homeland security and civil defence in the Middle East.

Lsys Group was represented by Lsys Qatar WLL and Encode at the Milipol Qatar event.

Lsys Qatar is a technology company with expertise and a successful track record in systems integration for security and ICT systems for critical infrastructure as well as industrial automation, and professional and enterprise communication systems.

Lsys has been operating in Qatar since 2011. It has a large team of experts, system integration engineers, software developers and an experienced programme management team in Doha.

Throughout its operation, Lsys has managed to establish and keeps developing an advanced eco-system of partners who have the best-of-breed solutions in their respective fields.

Lsys has participated and executed part of the scope of the most prestigious and world's largest projects in Qatar covering a wide range of systems and technologies.

Lsys is investing significantly in the continuous development of the skills and technical competencies of its engineers and project managers as well as its partnership with world best class vendors aiming to offer the best solutions to its customers.

Lsys shareholders and higher management have been selected to implement some of the most critical projects in Qatar and they have stressed their commitment for continuous investment in Qatar market and contribution in realising Qatar's vision for security and knowledge transfer. Encode is a leader in the space of cyber security. Hundreds of companies worldwide use

Encode's services and technologies to manage their cyber risks.

The technologies and services assume that the ICT environment will be eventually compromised and have been developed to augment customers' capabilities for detecting and responding to cyber-attacks and security breaches.

U.S. judge halts Keystone XL oil pipeline in blow to Trump, Trudeau



WINNIPEG, Manitoba/NEW YORK, Nov 9 (Reuters) – A U.S. judge in Montana has blocked construction of the Keystone XL pipeline designed to carry heavy crude oil from Canada to the United

States, drawing praise on Friday from environmental groups and a rebuke from President Donald Trump.

The ruling of a U.S. Court in Montana late on Thursday dealt a setback to TransCanada Corp, whose stock fell 1.7 percent in Toronto. Shares of companies that would ship oil on the pipeline also slid.

TransCanada said in a statement it remains committed to building the \$8 billion, 1,180 mile (1,900 km) pipeline, but it has also said it is seeking partners and has not taken a final investment decision.

The ruling drew an angry response from Trump, who approved the pipeline shortly after taking office.

It also piles pressure on Canadian Prime Minister Justin Trudeau to assist the country's ailing oil sector by accelerating crude shipments by rail until pipelines are built. Clogged pipelines have made discounts on Canadian oil even steeper than they were earlier this year when Scotiabank warned that they may cost the country's economy C\$16 billion.

U.S. District Court Judge Brian Morris wrote that a U.S. State Department environmental analysis of Keystone XL "fell short of a 'hard look'" at the cumulative effects of greenhouse gas emissions and the impact on Native American land resources.

"It was a political decision made by a judge. I think it's a disgrace," Trump told reporters at the White House.

The ruling was a win for environmental groups who sued the U.S. government in 2017 after Trump announced a presidential permit for the project. Tribal groups and ranchers also have spent more than a decade fighting the planned pipeline.

"The Trump administration tried to force this dirty pipeline project on the American people, but they can't ignore the threats it would pose to our clean water, our climate, and our communities," said the Sierra Club.

The State Department is reviewing the judge's order and had no comment due to ongoing litigation, a spokesman said.

The pipeline would carry heavy crude from Alberta to Steele City, Nebraska, where it would connect to refineries in the U.S. Midwest and Gulf Coast, as well as Gulf export terminals.

Shares of Canadian oil producers Canadian Natural Resources Ltd and Cenovus Energy lost 2.7 percent and 2.2 percent respectively.

Canada is the primary source of imported U.S. oil, but congested pipelines in Alberta, where tar-like bitumen is extracted, have forced oil shippers to use costlier rail and trucks.

Two pipeline projects have been scrapped due to opposition, and the Trans Mountain line project still faces delays even after the Canadian government purchased it this year to move it forward.

"You have to wonder how long investors will tolerate the delays and whether the Canadian government will intervene again to protect the industry," said Morningstar analyst Sandy Fielden.

Ensuring at least one pipeline is built is critical to Trudeau's plans, with a Canadian election expected next autumn.

"I am disappointed in the court's decision and I will be reaching out to TransCanada later on today to show our support to them and understand what the path forward is for them," Natural Resources Minister Amarjeet Sohi told reporters in Edmonton, Alberta.

Alberta has felt the financial pressure, and an industry source said the provincial government last month solicited proposals from companies on ways to move crude faster by rail.

The source said proposals included ideas such as buying rail cars and investing in loading terminals.

"I've never seen (the Alberta government) so active on this front," said the source, who asked not to be identified because the matter is politically sensitive. "That is a shift."

Alberta Energy Minister Margaret McCuaig-Boyd said the province has sent a proposal to Ottawa to move crude faster by rail that includes making more tank cars available.

"We're giving away our resources cheap," she told reporters. "We need market access."

Neighboring Saskatchewan stands to lose C\$500 million in annual royalties if the discount for Canadian crude remains steep, Saskatchewan Energy Minister Bronwyn Eyre said.

"People have placed quite a lot of hope in that (Keystone) project, so it's a major setback," she said in an interview.

Morris, in his ruling, ordered the government to issue a more thorough environmental analysis before the project proceeds. He said the analysis failed to fully review the effects of the current oil price on the pipeline's viability and did not fully model potential spills and offer mitigation measures.

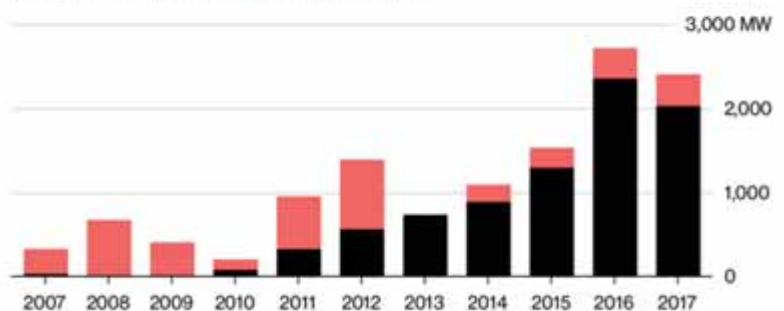
The ruling likely sets Keystone back by up to one year, said Dan Ripp, president of Bradley Woods Research. (Reporting by Rod Nickel in Winnipeg, David Gaffen in New York and Brendan O'Brien; Additional reporting by Roberta Rampton and Timothy Gardner in Washington, Julie Gordon in Vancouver and David Ljunggren in Ottawa; Editing by Jeffrey Benkoe, David Gregorio and Cynthia Osterman)

US 40-year-old renewable energy law is due for a revamp

Purpa Power

Purpa-qualified nameplate capacity by online year

■ Operable Purpa solar ■ Operable Purpa wind



Source: Bloomberg Intelligence

Bloomberg

A 40-year-old law that's been key to the growth of renewable energy in the US may be due for an overhaul. Much has changed since the Public Utility Regulatory Policies Act, called Purpa, was established in response to the Arab oil embargo of the early 1970s. Concerned about energy shortages, Congress wrote the law in part to encourage alternative energy. But that era of scarcity has since been replaced by one of abundance. And utilities say that Purpa should change with the times. They say power markets have outgrown the 1978 statute, and that it's burdening customers with billions in extra costs. "Changes to the market need to be reflected in the law," said Adam L Benschoff, executive director for regulatory affairs at the Edison Electric Institute, an industry association. "We're certainly missing an opportunity to reduce costs for customers." They may get their wish. Neil Chatterjee, the new chairman of the Federal Energy Regulatory Commission, which oversees US power markets, has indicated that his agency should take a look at the law. But he hasn't outlined a timeline or scope of that effort. As it's written, Purpa requires utilities to purchase power from renewable energy projects under certain circumstances.

If a developer can build a project for less than a utility can build a new power plant, then they can request a contract to sell power to the utility. But utilities argue that developers have figured how to take advantage of the system. They're asking for immediate fixes to prevent market abuses, and curb instances in which developers break up their projects into smaller ones to qualify for higher rates, according to the Edison Electric Institute. Reducing the threshold for mandatory purchases could also be looked at. "We're asking for Purpa to be modified in a way that more truly reflects avoided cost and stops some of the gaming," said Benschhoff. Purpa proponents, including solar and wind developers, reject the notion that it's outdated, saying it's essential to giving renewables a leg up in states that aren't traditionally green leaning. "Purpa has been a backdoor option to get some renewable projects to states that have few other policy levers that are incentivising renewable energy," said Timothy Fox, vice president at ClearView Energy Partners LLC. "If the implementation of Purpa is reformed, we could see a slowdown in some of the states with more conventional resources," he said. About 15% of US solar capacity and 3% of wind planned to come online in the next few years may rely on Purpa, according to Bloomberg Intelligence.

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Commissioner ruled in favour of the building, and the ruling became a crucial forerunner of Purpa. Forty years later, Copeland says the law is as essential as ever. "It's even more urgent now, in terms of global warming," he said.

Gold and oil looking for a floor while gas prices spike



The commodity sector remains on the defensive with rising supply hurting a diversified group of raw materials from crude oil to grains. Growth concerns in the world's two biggest economies into 2019 put industrial and semi-precious metals under pressure while gold struggled to build on the recent recovery amid a strong dollar with a hawkish Federal Open Market Committee staying on course to hike rates further over the coming months. The US midterm election yielded no major surprises with the Democrats, while taking control of the House, failing to create a 'Blue Wave'. The Republicans did not see a 'Red Repeat' but still managed to strengthen their Senate majority. A relief rally was seen in stocks, bond yields resumed their climb while the dollar, after some initial weakness, strengthened once the Federal Reserve indicated it would keep raising rates gradually over the coming months. The initial impact of the election on

commodities has been limited but over time we may keep an eye on the following: Late-cycle US economic growth not receiving a further boost through tax cuts Unfunded infrastructure spending impacting industrial metals, budget deficit and bond yields Opposition against Trump's deregulatory energy agenda could impact the long-term prospect for US oil production growth A divided US government potentially weakening the dollar over time The biggest headline grabber was crude oil, which continued its slump as Iran sanctions worries faded and the world's biggest producers continued to ramp up production. Overall the energy sector was close to flat on the week with the strongest natural gas surge in two years helping to offset the weakness in crude oil and products. Natural gas is up by more than 10% on the week as a cold blast across the eastern part of the US has increased the focus on stock levels which will enter the winter peak demand period at a 15-year seasonal low. In just six weeks market speculation has seen a dramatic turnaround from focusing on Brent oil at \$90/barrel before year end to the current speculation of \$60/b. WTI crude oil was the biggest loser of the two crude oil benchmarks as surging US production and rising stocks and lower refinery demand, due to maintenance, saw the price slump by more than 22% from the October peak and thereby returning to bear market territory.

The ebb and flow of the current trade war remains a concern and its impact is being felt across several key commodities from soybeans to copper and even gold through its strong correlation to the Chinese renminbi. With the US midterms out of the way, and with Trump having lost some of his room for manoeuvre on the domestic stage, he may choose to double down on his international efforts. Not least the trade war and this has led to some pessimism as to what Trump and China's Xi Jinping can achieve when they meet at this month's G20 summit in Argentina. US soybean farmers continue to feel the impact of a season which has both yielded a record crop and a collapse in demand from China due to tariffs. The price of

CBOT beans continues to linger below \$9/ bushel, some 20% below the peak back in March when the outlook was much different. The impact can be seen in the monthly supply and demand estimates from the US Department of Agriculture. Since June they have continued to raise their forecast for how many beans will be left over in US bins by the end of this current marketing year, which runs to October 1 next year. Industrial metals, more than other sectors, have felt the pressure from a prolonged trade war's potential negative impact on global growth and demand. Copper has, however, managed to settle into a wide \$2.55/lb to \$2.85/lb range following the June to July sell-off with support coming from signs a tightening physical market. Chile's Codelco, the world's largest copper producer, posted the lowest quarterly output this year after reporting declines across all its mines due to lower ore grades. A challenging outlook for supply due to lower grades and lack of investment has already led to speculation that a structural deficit may emerge over the coming years, something that could see copper and other industrial metals move higher.

Not least if both China and the US were to opt for increased investment in infrastructure projects. Gold is currently stuck in a range between \$1,210/oz and \$1,240/oz with the October recovery primarily driven by short-covering from hedge funds. Back then they found themselves holding a record and, in the end, unsustainable short position amid emerging signs of safe-haven and diversification demand as the stock market rout unfolded and bond yields jumped. Following a 55% reduction during the past three weeks the tailwind from buyers covering bearish bets has now faded. With risk appetite for stocks and the dollar returning together with the Federal Reserve continuing to hike rates, the bears at this stage are once again looking to take control. Not helping the sentiment has been and even bigger sell-off in silver, which remains troubled by its link to under-pressure industrial metals. In the belief that the stock market recovery is on its last leg and that a strong dollar remains unsustainable we maintain the

view that investors will continue to look for alternative investments. This will be done both as a hedge against the risk of inflation and an emerging positive correlation between stocks and bonds. Gold is currently trading within a 31-dollar range. A break below \$1,201/ oz and more importantly \$1,191/oz would see the bears back in charge. Potential buyers, meanwhile, are likely to sit on the fence and wait for a break above \$1,243/ oz, a move that would force renewed fund short-covering. The rout in crude oil extended into a fifth week driven by the themes of rising supply from the world's three biggest producers, the US, Russia and Saudi Arabia, together with rising US stocks. WTI crude oil entered bear market territory after slumping by more than 22% while Brent crude broke below the psychologically important \$70/b level.

This was otherwise the week when the US re-introduced sanctions against Iran, an event that back in early October helped drive Brent crude above \$87/b on worries that the global market would be left shorthanded. In order to provide other producers enough time to increase production, the US administration chose to grant waivers to eight countries to carry on buying Iranian crude for up to six months. Adding to the weakness this week was the US Energy Information Administration which in its Short Term Energy Outlook for November raised its US crude output forecast for 2019 by 0.3mn barrels/day to a record 12.06m b/d while cutting global demand growth by 0.1m to 1.4m. However, the EIA also said that global refinery demand, estimated to be lower by 2mn barrels/day due to maintenance, would begin to pick up and return to normal during the coming weeks. Having responded to Trump's request for additional barrels to prevent the price from spiking, the subsequent 17-dollar selloff since early October has now instead increased the likelihood of production being scaled back to support the price. Ole Hansen is head of commodity strategy at Saxo Bank.

Oil's Rapid Run of Declines Kicks Up Pressure as OPEC Gathers

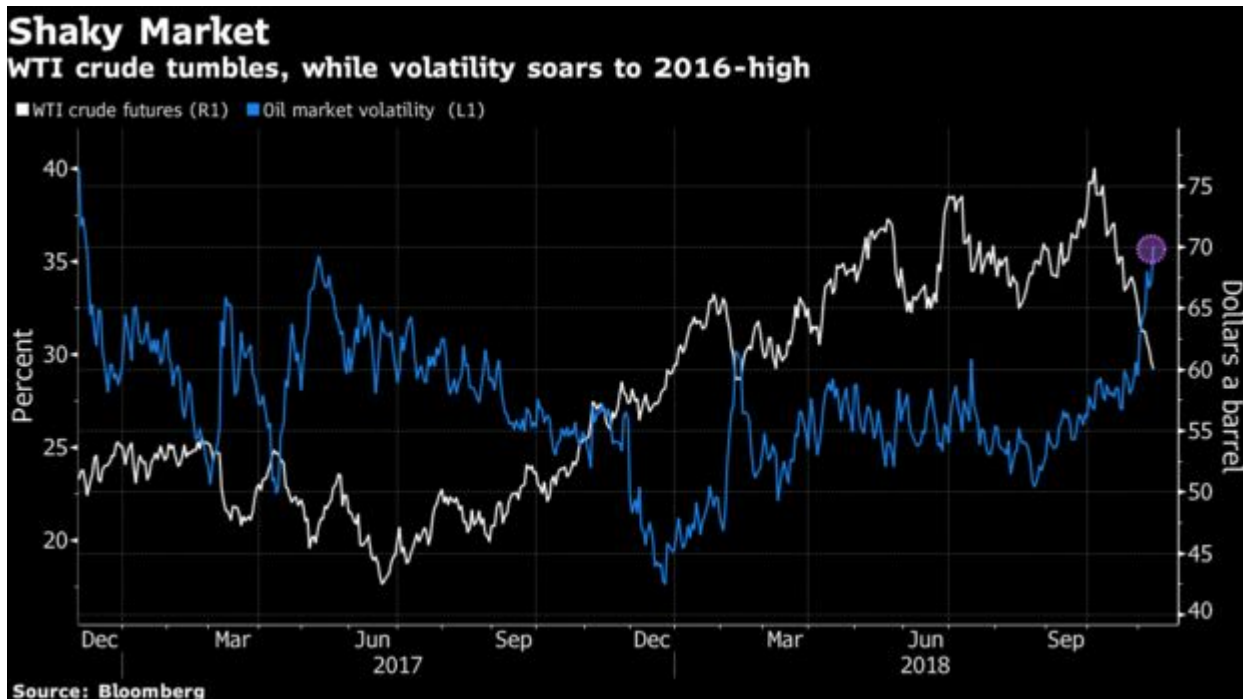


It's all eyes on OPEC as U.S. oil prices fell for 10 consecutive days, wiping out any gains for the year.

Futures in New York slid 0.8 percent to settle at \$60.19 a barrel on Friday, a day after falling into a bear market on concerns growing supplies will overwhelm the market, as the U.S. offered nations waivers to continue buying Iranian oil. The plunge will push OPEC and its allies into a corner as they gather in a highly-anticipated meeting this weekend that could yield a signal on future production cuts.

"The Iranian sanctions were supposed to be a game-changer in the market," said Michael Loewen, a commodities strategist at Scotiabank in Toronto. Producers have been "attempting to pump as much oil as possible right now to soften the blow of those

Iranian sanctions, yet Trump comes out and gives waivers.”



Crude's slump from its early-October peak above \$76 a barrel comes as U.S. production is at a record, OPEC output is at the highest since 2016, more Iranian crude might make it to market then previously thought and demand growth remains a concern.

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WTI futures fell 4.7 percent this week. Total volume traded was about 44 percent above the 100-day average on Friday, while a measure of oil market volatility jumped to the highest level since late 2016.

Brent futures for January settlement fell 47 cents to end the session at \$70.18 a barrel on the London-based ICE Futures Europe exchange, the lowest since April 9. The global benchmark crude traded at a \$9.82 premium to January WTI.

A potential agreement by OPEC to return to output cuts would mark the second production U-turn for the group this year. For Saudi Arabia – the world's biggest crude exporter – it would be the third time in recent years that the kingdom has delivered a supply surge only to quickly backtrack on it.