Oil surges after OPEC+ extends cuts, strong US jobs growth

● For the week, Brent was up almost 4%

● India warned that the decision to extend cuts could threaten the consumption led-recovery in some countries

Representative picture (Courtesy of drilling formulas)

Reuters | London

Oil prices jumped about 3% yesterday, hitting their highest levels in over a year, following a stronger-than-expected US jobs report and decision by OPEC and its allies not to increase supply in April.

Brent futures rose $2.10, or 3.2%, to $68.84 a barrel by 11:25 a.m. EST (1625 GMT). Earlier in the session, the global benchmark hit its highest since January 2020.

US West Texas Intermediate (WTI) crude rose $1.87, or 2.9%, to $65.70 per barrel, after earlier scaling its highest since April 2019.

For the week, Brent was up almost 4%, putting it on track to rise for a seventh week in a row for the first time since December, while WTI was up about 7% after gaining almost 4% last week.

Both contracts surged more than 4% on Thursday after the Organisation of the Petroleum Exporting Countries and allies, together known as OPEC+, extended oil output curbs into April, granting small exemptions to Russia and Kazakhstan.

"OPEC+ settled for a cautious approach ... opting to increase production by just 150,000 barrels per day (bpd) in April while market participants looked for an increase of 1.5 million bpd," said UBS oil analyst Giovanni Staunovo.

Investors were surprised that Saudi Arabia had decided to maintain its voluntary cut of 1 million bpd through April even after the oil price rally of the past two months on the back of COVID-19 vaccination programmes around the globe.

Some forecasters revised their price expectations upward following the OPEC+ decision.

Goldman Sachs raised its Brent crude price forecast by $5 to $75 a barrel in the second quarter and $80 a barrel in the third quarter of this year. UBS raised its Brent forecast to $75 a barrel and WTI to $72 in the second half of 2021.

In addition, the market got a boost after a report showed the US economy created more jobs than expected in February.

The nonfarm payroll report "shows that Americans are closer to pre-pandemic behaviour that will drive strong demand for crude," said Edward Moya, senior market analyst at OANDA in New York.

Traders also noted the rising dollar, which hit its highest since November, was limiting the gain in crude prices. A stronger dollar makes oil more expensive for holders of other currencies.

However, analysts and traders have warned that slow physical crude sales and recovery for demand not predicted until around the third quarter suggest that the price rally is unwarranted.

68.84

Brent futures rose $2.10, or 3.2%, to $68.84 a barrel by 11:25 a.m. EST

"The market suggests a tightness that does not exist. Therefore, we continue to believe that the price risk is mainly downward and that the current price is overshooting," Hans van Cleef, senior energy economist at ABN Amro said.

India, the world's third-biggest oil importer and consumer, warned that the OPEC+ decision to extend cuts as prices move higher could threaten the consumption led-recovery in some countries.

The recovery in oil prices to pre-pandemic levels has also spurred US oil drillers to return to the well pad. The rig count has risen for six straight months, according to energy services firm Baker Hughes Co, whose weekly data is due at 1 p.m. ET.

Goldman poised to make $200 million profit off Texas deep freeze: Bloomberg

Reuters

Traders at Goldman Sachs Group Inc may reap huge profits from the winter storm last month that left many across Texas and other southern US states without electricity, clean water and heat, Bloomberg News reported yesterday.

The Wall Street bank could make up to $200 million from the physical sale of power and natural gas and from financial hedges after spot prices jumped, the report said, citing people familiar with the matter.

Goldman did not immediately respond to a request for comment.

Bloomberg reported that while the bank could make $200 m on paper, the actual profits collected are likely to be less, as regulators and consumers intervene with legal challenges in the aftermath of the energy crisis and some companies go bankrupt.

Bank of America also stands to make hundreds of millions of dollars from trades related to Texas's energy market, the Financial Times reported yesterday.

Senate rejects wage hike in Biden's $1.9 trillion aid bill

● The Senate fell far short of the 60 votes needed to overrule the Senate parliamentarian's decision

● Democrats pledged to continue pursuing the minimum wage increase

Reuters | Washington

The US Senate yesterday rejected an amendment to more than double the federal minimum wage over five years, as it launched what is expected to be a long debate over President Joe Biden's $1.9 trillion COVID-19 relief bill.

The vote on the proposal offered by Senator Bernie Sanders, an independent aligned with Democrats, was the first in what is expected to be a lengthy series of amendments on the bill that could extend into the weekend.

The Senate fell far short of the 60 votes needed to overrule the Senate parliamentarian's decision that a minimum wage increase cannot be included in the bill because of special rules governing debate.

Those rules allow for advancing the emergency spending bill, which the Biden administration says is needed to stem the continuing economic fallout from the pandemic, with only a simple majority of supporters in the 100-member Senate, instead of 60 votes needed for most bills to clear procedural hurdles.

Sanders was attempting to raise what he called a "starvation wage" of $7.25 an hour to $15 over a five-year period.

Democrats pledged to continue pursuing the minimum wage increase in legislation separate from the COVID-19 aid bill.

Partisan fevers were on display following a night in which Senate clerks spent nearly 11 hours reading every word of the 628-page Democratic bill.

Senate Majority Leader Chuck Schumer thanked Senate staff for enduring the early-morning ordeal and added, "As for our friend from Wisconsin, I hope he enjoyed his Thursday evening."

Schumer was referring to Republican Senator Ron Johnson, who insisted that the text of the bill be read aloud.

Liberal and moderate Democrats struck a deal to offer an amendment that would scale back federal unemployment benefits in the bill to $300 per week, from the proposed $400, a Senate Democratic aide said on Friday.

The aide, who asked not to be identified, said Democratic Senator Tom Carper will offer an amendment that would also make the first $10,200 of unemployment benefits non-taxable, a provision that was not included in the bill passed by the House of Representatives.

The aide also said the amendment would extend a tax rule on business losses for an additional year, through 2026.

As Congress raced to approve the economic stimulus bill, the U.S. Labor Department reported on Friday that U.S. employment surged in February, adding 379,000 jobs, significantly higher than many economists had expected.The US unemployment rate, while still high at 6.2% last month, was down from 6.3% in January.

But Schumer stressed that with millions of jobs still lost to the pandemic and people struggling to pay their rent, Washington had to act aggressively.

Fewer households would qualify

Senate Democrats on Wednesday tightened criteria for stimulus checks so fewer high-income households would qualify. The compromise means that 9 million fewer households would receive a stimulus payment than in the last tranche of payouts in 2020. It also lowers the cost of the legislation by $12 billion, according to Senate Democrats.

On Thursday, they said they had increased minimum payments to states with smaller rural populations to match the $1.25 billion minimum contained in last year's CARES Act. The bill passed by the House set the floor at $500 million.

US says John McAfee indicted over fraudulent cryptocurrency schemes

Reuters | New York/Washington

John McAfee

John McAfee, creator of the eponymous anti-virus software, has been indicted in Manhattan federal court on fraud and money laundering conspiracy crimes, stemming from two schemes concerning the fraudulent promotion to investors of cryptocurrencies, officials said yesterday.

McAfee and his bodyguard Jimmy Gale Watson Jr were charged for a scheme to exploit McAfee's large Twitter following by publicly touting cryptocurrency offerings and digital tokens that they later sold once prices rose on the promotions, according to the U.S. Department of Justice and the U.S. Commodity Futures Trading Commission.

McAfee is being detained in Spain on separate criminal charges filed by the Justice Department's tax division, the department said. Watson, an executive adviser of McAfee's so-called cryptocurrency team, was arrested on Thursday night, the Justice Department said. Neither could be reached immediately for comment.

McAfee and Watson allegedly engaged in a scheme to exploit the "broad reach" of McAfee's Twitter account by buying cryptocurrency assets, concealing a plan to liquidate them and then selling most quickly after his endorsements boosted prices, the CFTC said in a court document filed on Friday.

US, EU agree tariff freeze in aircraft dispute, says EU's Von der Leyen

Reuters | Brussels

The European Union and the United States have agree to suspend for four months tariffs imposed in a dispute over aircraft subsidies for four months, European Commission President Ursula von der Leyen said yesterday.

Von der Leyen said in a statement that she had spoken by telephone with U.S. President Joe Biden and said both were committed to focus on resolving the dispute.

"This is excellent news for businesses and industries on both sides of the Atlantic, and a very positive signal for our economic cooperation in the years to come," she said.