

# Markets drop as oil, energy suffer worst losses in months

Gold slipped 0.1pc to \$1,303.70 an ounce. Silver lost 0.8pc to \$16.55 an ounce. Copper fell 0.6pc to \$3.08 a pound

● US markets will be closed Monday for the Memorial Day holiday.

AP | New York

Energy companies and oil prices took their worst losses in months Friday on reports OPEC countries plan to produce more oil soon. Stock indexes finished an indecisive week with small losses.

US crude oil sank 4 per cent after multiple reports indicated that Russia and OPEC could start producing more oil soon. They cut production at the start of 2017 following a big buildup in supplies that had pushed prices lower.

In November they extended that cut through the end of 2018, but according to reports this week, they might agree to start raising production in June. US crude finished at a three-year high Monday and has fallen 6pc since then.

The drop in the price of oil has meant sharp losses for energy companies, but it gave airlines a boost as investors anticipated lower fuel costs. Bond yields declined again, which hurt banks but helped dividend-payers like household goods makers.

Wall Street also focused on quarterly results from retailers. Gap plunged after it said its namesake brand is still struggling, but Foot Locker soared after it said sales of premium shoes improved.

The S&P 500 index slid 6.43



A trader works on the floor of the New York Stock Exchange (Courtesy of WSJ)



**The drop in oil prices meant sharp losses for energy cos, but it gave airlines a boost as investors anticipated lower fuel costs**

points, or 0.2pc, to 2,721.33. The Dow Jones industrial average fell 58.67 points, or 0.2pc, to 24,753.09. The Nasdaq composite climbed 9.42 points, or 0.1pc, to 7,433.85 as consumer-focused companies moved higher. The Russell 2000 index

of smaller-company stocks lost 1.29 points, or 0.1pc, to 1,626.93.

US crude dropped to \$67.88 a barrel in New York. Brent crude, used to price international oils, fell 3pc to \$76.44 a barrel in London. Increased oil production and lower prices could reduce profits for energy companies. Exxon Mobil fell 1.9pc to \$78.71 and Chevron gave up 3.5pc to \$122.19.

Among airlines, Delta gained 2.7pc to \$55.87 and American rose 3.1pc to \$44.91. The stocks have skidded over the last few months as the rising price of oil increased their fuel costs and cut into their profits. Delta stock is flat in 2018 and American Airlines has fallen 14pc.

Bond prices kept rising. The yield on the 10-year Treasury note fell to 2.93pc from 2.98pc.

The falling yields helped household goods makers break

**\$76.44**

a barrel was the price of Brent crude a barrel in London

out of their recent struggles. Toothpaste maker Colgate-Palmolive added 2pc to \$63.75 and cereal maker Kellogg rose 2.7pc to \$65.23. The stocks, and others that pay large dividends, have lagged behind the rest of the market as investors found technology firms and consumer-focused companies more attractive thanks to signs of strong growth in the US economy.

Fiat Chrysler fell 2pc to \$21.82 after saying it's recalling 4.8 million vehicles in the US because in rare circumstances drivers may not be able to turn off the cruise control. The company warned owners not to use cruise control until the vehicles can be fixed with a software update. Drivers can still stop the cars using the brakes.

Wholesale gasoline slid 2.3pc to \$2.18 a gallon. Natural gas remained at \$2.94 per 1,000 cubic feet. Germany's DAX rose 0.6pc and the CAC 40 in France fell 0.1pc. Britain's FTSE 100 rose 0.2pc. Japan's benchmark Nikkei 225 index rose 0.1pc and South Korea's Kospi lost 0.2pc. Hong Kong's Hang Seng shed 0.6pc.

## Tesla seeks to dismiss securities fraud lawsuit: US court document

Reuters | San Francisco

Tesla Inc on Friday asked a court to dismiss a securities fraud lawsuit by shareholders who said the electric vehicle maker gave false public statements about the progress of producing its new Model 3 sedan.

In a filing in federal court in San Francisco, Tesla said that its statements about the challenges the company faced with Model 3 were "frank and in plain language," including repeated disclosures by Chief Executive Elon Musk of "production hell."

The company says its Model 3 has experienced numerous "bottlenecks" from problems with Tesla's battery module process at its Nevada Gigafactory to general assembly at its Fremont plant.

Tesla is under pressure to deliver the Model 3 to reap revenue and stem massive spending that has put Tesla's finances in the red. The ramp of the Model 3, Tesla said in the court filing, was "the first



Tesla CEO Elon Musk (Courtesy of the Guardian)

of its kind," with difficulties likely to crop up after it got underway.

The lawsuit filed last October seeks class action status for shareholders who bought Tesla stock between May 4, 2016 through October 6, 2017, inclusive. It said shareholders bought "artificially inflated" shares. Tesla made such statements during the lead-up to, and early production of, its Model 3 sedan and failed to disclose that the company was "woefully unprepared" for the vehicle's production, the lawsuit said.

## Audi CEO: Crisis not over, vows to stay on

Frankfurt

Audi Chief Executive Rupert Stadler said the diesel emissions affair was not over and promised to stay at the helm of the German luxury car maker.

Stadler also told the Augsburg Allgemeine newspaper that he did not rule out further vehicle recalls. Audi said this month it had discovered emissions-related problems with a further 60,000 cars, dealing a fresh setback to its parent Volkswagen more than 2-1/2 years after it first admitted to cheating US diesel tests.

"We are still running into issues that we report im-



Audi CEO Rupert Stadler

mediately to regulators," Stadler told the newspaper. "The diesel crisis hasn't yet ended."

Audi's chairman appealed to workers earlier this year to ignore a media report that Stadler was about to be ousted in an effort to quell further unrest Volkswagen.

## End 'hide and seek' Brexit approach, Barnier tells UK

Brussels

The EU's Brexit negotiator urged the British government on Saturday to stop playing "hide and seek" over its aims for trade ties and warned that delays in agreeing on judicial oversight risk wrecking any Brexit deal.

In pointed remarks after an ill-tempered week of talks in Brussels, Michel Barnier insisted he would not be intimidated by what he called a "blame game" from London of accusing the EU of inflexibility in rejecting British demands for close cooperation on security, trade and other issues after Brexit.

In the text of a speech in Portugal to experts in EU law, he accused British leaders of failing to understand that it was the unique legal structures of the EU, to which Britain had contributed for 45 years, which underpinned trust among member states. These, he said, could not be



Michel Barnier, the European Union's chief Brexit negotiator

extended to a non-member. The former French minister's comments come two days after an EU official dismissed as "fantasy" London's ideas for a customs deal, the border with Ireland and other issues.

British ministers said those remarks were not "helpful". Both sides are hoping to make progress on a treaty before Prime Minister Theresa May meets the other 27 EU national leaders in a month in Brussels.

They aim to agree a treaty by October.

## Pre-deal oil levels possible: Russia

Russia had pledged to cut oil production by 300,000 bpd to 10.947 mln

● Putin said that the price of \$60 "suits Russia"

● Russia's output reached a 30-year high of 11.247 million bpd

● OPEC and non-OPEC ministers meet in Vienna on June 22-23

Reuters | Moscow

A return to the oil production levels that were in place prior to the 2016 deal to cut output is one of the options for easing curbs, Russia's energy minister said.

Sources said this week that Saudi Arabia and Russia were discussing raising OPEC and non-OPEC oil production to ease

17 months of strict supply curbs amid concerns that a price rally has gone too far.

"We have agreed that within a month we will additionally study this issue ... I can say that one of the options which could be considered is attaining the levels which were in place at the time of the signing of the agreement," RIA news agency on Saturday quoted the minister, Alexander Novak, as saying.

OPEC and non-OPEC ministers meet in Vienna on June 22-23, and a final decision will be taken there. The existing deal came into force on January 1, 2017, and envisaged that global oil producers would cut their combined output by 1.8 million barrels per day (bpd).

An industry source said that one of the options under discussion was to cap oil production in Russia at the level of October 2016, the baseline level for the current agreement. In Oc-



Russian Energy Minister Alexander Novak

tober 2016, Russia's oil output reached a 30-year high of 11.247 million bpd.

Russia had pledged to cut oil production by 300,000 bpd to 10.947 mln. But in March and in April this year it failed to fully comply with the deal, pumping at the pace of 10.97 million bpd, a 11-month high. OPEC's semi-annual meeting in Vienna on June 22 will be followed

by a meeting with non-OPEC producers including Russia the following day.

Novak was also quoted as saying he expected Iran to reduce its output by no more than 10 percent as a result of the move by the US to withdraw from a nuclear deal and reinstate sanctions against Tehran.



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