A view of the Marathon Petroleum Corp's Los Angeles refinery in Carson, California on April 25, 2020 after the price for crude plunged into negative territory for the first time in history on April 20.

PHOTO: AFP

Oil price spike leaves limited options for Biden

REUTERS, *New York*

Two months after US President Joe Biden announced an unprecedented effort among major oil consuming economies to work together to bring down rising fuel prices, prices are again approaching multi-year highs. And Biden has few options to stop the rally.

Global benchmark Brent crude LCOc1 passed $84 a barrel on Wednesday and leading analysts are forecasting that oil could pass $100 a barrel in the first quarter.

Biden spearheaded a coordinated release of oil from strategic reserves with Japan, India, South Korea, Britain and China in November that helped quell prices - even though, in the end, China did not take part.

Brent briefly dropped below $70 a barrel, but the effects were short-lived.

Rising oil prices present a political headache for Biden and any US president, because the United States is the biggest consumer of gasoline globally, burning roughly 9 million barrels per day (bpd) of the motor fuel.

Crude prices make up about two thirds of the price of gasoline, making the commodity's price an important part of consumers' budgets.

Republicans are pointing fingers at climate-focused policies supported by Biden, a Democrat, for rising prices, but the reality is that oil market is linked to global factors beyond any US political party's control.

Investors have been buying oil on expectations that the Omicron coronavirus variant will have a limited effect on global economic activity.

Currently US pump prices are about 80 cents a gallon below their all-time record hit in 2008, but they are expected to rise.

Worldwide oil demand recovered to pre-pandemic levels at roughly 99 million bpd, but supply is at least a million bpd short of that, according to the International Energy Association.

Economists say the combination of strong demand, weak investment and a lack of spare capacity has caused prices to rise. The Organization of the Petroleum Exporting Countries and its allies, including Russia, a group known as OPEC+, have been routinely falling short of targeted supply increases.

"OPEC+ remain steadfast in adding 400,000 bpd back to the market each month, but our data suggests that monthly additions tally closer to 250,000 bpd," Mike Tran, commodity strategist at RBC Capital Markets, said in a note to clients.

US production averaged roughly 11.3 million bpd in the second half of 2021, compared with a peak of about 13 million bpd at the end of 2019.

Biden last year joined his predecessors who at one time or another pressed OPEC to raise output, with variable success.

The president announced several steps to try to bring fuel prices down in November. The White House, in conjunction with Japan, South Korea and India, announced a release of barrels from its strategic reserves.

Biden had also said China would be involved, but the country, the world's largest crude importer, said it would sell from its reserves on its own schedule.

The group cut supply by a record 9.7 million bpd in early 2020 as the pandemic broke out.

It has been slowly restoring output, but currently OPEC+ is still withholding more than 3 million bpd in supply.

Biden could increase sales from the US Strategic Petroleum Reserve (SPR). However, that supply is limited, and pales in comparison to the size of the global market. SPR crude inventories have fallen to 593 million barrels, their lowest since November 2002.

Biden's announcement in November was for a release of 50 million barrels in sales and loans - roughly half of one day's global consumption.

The president could also consider a federal gas tax holiday; the federal excise on gasoline is 18.4 cents a gallon.

In 2008, lawmakers floated this idea in response to a surge in prices that brought gasoline costs to more than $4 a gallon - but because refiners cannot quickly produce more gasoline, such a move would likely only boost demand, which would ultimately send prices higher, economists have argued.

Stocks end flat

STAR BUSINESS REPORT

The prime index of the Dhaka Stock Exchange (DSE) ended flat yesterday while its turnover experienced a rise.

The DSEX, the benchmark index of the DSE, edged up 2 points, or 0.03 per cent, to 7,019.

At the DSE, 182 stocks advanced, 151 declined and 45 remained the same.

The investors optimistic about the economy are betting on stocks although the pandemic is getting worse again with the rising cases of infections caused by the new coronavirus variant Omicron, said a stock broker.

They believe the economy will not get affected this time the way it was hit earlier as the impact of Omicron has so far been comparatively lower than it was feared to be, he said.

On the other hand, some tensed investors are selling their shares, he added.

Aziz Pipes topped the gainers' list that rose 10 per cent followed by Union Insurance, BD Autocars, Prime Life Insurance, and Apex Foods.

Beximco became the most traded stock with shares worth Tk 87 crore changing hands followed by Fortune Shoes, RAK Ceramic, Paramount Textile and Power Grid.

Bashundhara Paper Mills shed mostly that eroded 5.17 per cent followed by Daffodil Computers, Robi Axiata, Eastern Cables, and Runner Automobile.

Institutional investors are quite shaky now while the general investors are found to be more optimistic, according to a merchant banker.

People will not be loser if they invest after examining a company's fundamentals properly, he said. They will be impacted in case of purchase of junk or low-performing companies' shares, he added.

Among major sectors, ceramics, services and real estate and textile closed positive while miscellaneous, telecom and mutual fund faced correction. The Chittagong Stock Exchange also rose. The CASPI, the main index of the CSE, up 21 points, or 0.10 per cent, to 20,567.

Among traded 306 stocks 152 up, 115 fell and 39 remained unchanged.

China, US trade relations normal

Chinese commerce ministry says

ANN, *Beijing*

Economic and trade relations between China and the United States are mutually beneficial and China hopes the US can create favorable conditions for the two nations to expand their trade cooperation, the Ministry of Commerce said on Thursday.

The phase-one economic deal between China and the United States is beneficial not only to the two countries but also the world, said Shu Jueting, spokeswoman of the Ministry of Commerce, when asked about the latest developments in implementing the deal.

China has exerted strenuous efforts to offset the negative impact of factors such as the Covid-19 pandemic, the global economic recession and the constraints of supply chains, to promote joint implementation of the agreement since the deal took effect, Shu said at an online media briefing.

PHOTO: SBAC BANK

M Shamsul Arefin, additional managing director of the South Bangla Agriculture and Commerce (SBAC) Bank, inaugurated a training workshop on online payments of customs duty and government tax, fees and charges through a real-time gross settlement system at the lender's training institute on Saturday. Md Abu Bayazid Sk, head of banking operations division, and Md Shahinul Alam, joint director of Bangladesh Bank, were present.

Banks are paying up for talent as hiring is competitive

REUTERS

Banks are facing cutthroat competition to hire and are being forced to pay more to recruit and keep talent, with both Citigroup Inc and JPMorgan Chase & Co saying they are having to pay competitively for top people.

Global banks have had to come up with perks like higher pay and bonuses to attract and retain talent as the economy recovers and people look to shift around.

"Hiring has been very competitive across the business," Citigroup Inc Chief Financial Officer Mark Mason said on a call with reporters. That's being seen at the entry levels as well, he said.

"We have seen some pressure in what one has to pay to attract talent," said Mason. "So yes, you've even seen it at some of the lower levels, I should say entry levels in the organization."

That included analysts or associate bankers, Mason said, adding there was a "lot of competitive pressure on wages." JPMorgan CFO Jeremy Barnum told reporters on a call that they are facing pressures.

"It is true that labor markets are tight, that there's a little bit of labor inflation and it's important for us to attract and retain the best talent and pay competitively for performance," Barnum said. CEO Jamie Dimon added to that, saying the bank wants to be "very, very competitive on pay" and "if that squeezes margins, so be it."

Wells Fargo CEO Charlie Scharf also said that hiring and retaining bankers was competitive. "We never want to lose good people, but it happens," said Scharf. "But it's not something we worry about hurting the franchise at this point."

"It's a very, very competitive workplace," Scharf said, adding that the bank's top leadership is not currently worried about the bankers who have left over recent months. "We are very knowledgeable about attrition happening at the company. We feel good about the people that are here and we are going to work hard to keep the people here."

IMF urges 'deep reforms' to Tunisian economy

AFP, *Tunis*

Tunisia's crisis-stricken economy needs "deep reforms" such as slashing its vast public wage bill, the International Monetary Fund's outgoing country chief has said as the government seeks a new bailout.

Jerome Vacher, speaking in an interview at the end of his three-year term as the global lender's envoy to the North African country, said the coronavirus pandemic had helped create Tunisia's "worst recession since independence" in 1956.

"The country had pre-existing problems, in particular budget deficits and public debt, which have worsened," he said.

Tunisia's debts have soared to nearly 100 per cent of Gross Domestic Product.

Its GDP plunged by almost nine percent in 2020, the worst rate in North Africa, only modestly offset by a three percent bounceback last year.

That is "quite weak and far from enough" to create jobs to counteract an unemployment rate of 18 per cent, Vacher said.

He said young graduates face particular challenges in finding work, despite the country being able to offer "a qualified workforce and a favourable geographic location".

PHOTO: EASTLAND INSURANCE COMPANY

Mahbubur Rahman, chairman of Eastland Insurance Company Ltd, virtually inaugurates the insurer's 35th Annual Conference-2022 on Saturday. Kamal Uddin Ahmed, Mohammad Arshad Ali, ASM Quasem, Mahbub Jamil, Md Tanvir Khan and Md Shamimul Islam, members of the board, Ghulam Rahman, executive vice-chairman, and Abdul Haque, chief executive officer, also attended the conference.

Higher costs hit JPMorgan Chase

AFP, *New York*

Higher labor costs bit into JPMorgan Chase's fourth-quarter results, but the US bank still reported on Friday record annual profits of $48.3 billion.

The financial giant pointed to a broadly solid US economy that allowed it to release reserves set aside previously in the Covid-19 pandemic in case of defaults, which boosted profits.

It has also seen an uptick in overall lending, another sign of increasing economic activity.

Two other large banks, Citigroup and Wells Fargo, saw a similar benefit and pointed to the healthy state of consumers and businesses that translates to low delinquencies and charge-offs.

But shares of both JPMorgan and Citigroup fell sharply as executives acknowledged an economic outlook clouded somewhat by rising inflation and lingering Covid-19 uncertainty.

"The economy continues to do quite well despite headwinds related to the Omicron variant, inflation and supply chain bottlenecks," said JPMorgan Chief Executive Jamie Dimon.

"We remain optimistic on US economic growth as business sentiment is upbeat and consumers are benefiting from job and wage growth.

"Citigroup Chief Financial Officer Mark Mason said it was still "early days" on the latest Covid-19 variant, but the bank is watching Omicron "and how that may impact sentiment.

"On inflation, Citi's business clients are mostly able to pass on higher costs and "not really yet feeling a pinch," he said.

"But again we're watching it closely and it's kind of early days to call." At JPMorgan, earnings came in at $10.4 billion, down 14 per cent from the year-ago period. Revenues were flat at $29.3 billion.

The fourth-quarter results included $1.8 billion in net reserve releases from funds that were set aside earlier in the pandemic in case of bad loans.

Strong points in the report included higher investment banking fees tied to what Dimon called "unprecedented" merger and acquisition activity offset somewhat by a drop in trading revenues in some businesses.

But the bank saw an 11 per cent jump in fourth-quarter expenses, with much of it due to higher labor costs. Chief Financial Officer Jeremy Barnum pointed to "somewhat elevated attrition" in the workforce that has resulted in wage hikes.

JPMorgan Chase also signaled spending would remain elevated, projecting 2022 expenses of $77 billion, up from $70.9 billion last year.

Dimon said the current uptick in inflation includes elements that are "not transitory," such as housing, oil prices and wages.

"They're elevated for a while," Dimon said on a conference call with journalists.

"And the Fed really needs to thread the needle... to slow down the growth in inflation a little bit without stopping the growth."

Eric Compton, senior equity analyst Morningstar, said in a note he was "a bit surprised" by the extent of the spending increases, as well as by JPMorgan's forecast on the benefit of higher Federal Reserve interest rates on net interest income.