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FSIM Oil Report

By Mark Sibthorpe

Banks are impacted by \$65/barrel oil. For this reason the Financial Services Industry Monitor (FSIM) has chronicled the effect of oil prices on Canada's economy, with a particular focus on banks. The approach of this report was to synthesize and aggregate key news items, opinions and reports from various media and leading commentators.

FSIM reports: <http://www.banknews.tv/fsim.htm>

Cheap Oil Overview

According to recent news, it is time to hit the panic button if the Bank of Canada and Alberta's premier are to be believed. Here is what they had to say:

No Albertan will be spared pain if oil prices remain low

Alberta premier, Jim Prentice.

Canada's housing could be 10% to 30% overvalued

Bank of Canada review.

These opinions are just two of the possible outcomes resulting from cheap oil. Less apparent is the positive effect cheap oil will bring to Canada and the world:

- Cheap oil has reduced the rouble to rubble. A follow on from this being that [Ukraine's](#) military authorities say they are suspending hostilities against Russian-backed separatists in the east in line with a truce declared last week.
- Canada's manufactures and ICT sectors stand to gain. Increased spending in these sectors could help banks make up for some potential oil losses.

Breakdown of banks possible oil loss risk

- Canadian banks generate about [30% of their underwriting revenue](#) from the energy sector.
- Many banks also have loan portfolios geared to natural resources, such as, [Canadian Western Bank which has 40%](#) of its loan portfolio in Alberta. 5% of its portfolio has direct impact from oil.

If oil prices remain depressed, there will be some strain on some of these loans

BMO's chief risk officer Surjit Rajpal

Oil is currently trading below \$65/barrel. Morgan Stanley analysts [Adam Longson and Elizabeth Volynsky slashed forecasts](#) for oil to bottom as low as \$43 a barrel in 2015. Not surprisingly, Morgan Stanley, under investigation for commodities manipulation, had attempted to shed all of its oil related assets as reported in June. It managed to unload NGL Energy which paid \$200 million for [TransMontaigne](#), the business and working capital. Morgan Stanley isn't expected to record a gain on the sale of the inventory, which is valued at as much as \$550 million, because it already is marked on the firm's books to market prices, a person familiar with the deal said. Incidentally, NGL's share price went from a June high of [\\$45 to \\$26](#) a share today.

In another Morgan Stanley deal, set last December with Russia's Rosneft, this has not gone so smoothly and has been put on ice. Which means that Morgan Stanley will lose out on \$400 million in cash and keep the liability of the oil inventory risk on its books. In 2008, in addition to storage assets and transport, it had 12.3 million barrels of oil inventories. This suggests a significant potential loss if the assets are not hedged.

This document chronicles these stories by aggregating the news and also providing context in the form of selected research reports.

Document organization

The document is divided into two parts. Part 1 is an aggregation of articles and reports that have made headlines since June 2014.

Part 2, beginning on page 16, is a collection of reports that put oil related issues into context. The Exxon, NRCan and Pembina Institute reports, in particular, provide valuable insights from three different perspectives. These reports provide detailed, well thought out analysis. An insightful take-away from the NRCan report is the price projections made in July 2010. Essentially, their forecast prices are more in line with today's reduced prices than the \$107 from June. Also from this report is insight into underlying market forces such as the (1999) repeal of the Glass-Steagall Act which led to increasing participation in the risky investment by banks in crude oil and gasoline futures markets. According to the report, this had a significant impact on crude oil prices.

Part 1

News and reports from newest to oldest

Canada U.S. Europe Asia-Pacific International

Oil below \$65 for first time in 5 years

(FT) – Oil

Bearish Opec cuts demand forecast amid increasing US shale output

Dec 10

NO ALBERTAN WILL BE SPARED PAIN IF OIL PRICES REMAIN LOW, SAYS PREMIER JIM PRENTICE

(FP) - Oil

Premier Jim Prentice says if oil prices continue to remain low, they will blow a \$6 billion to \$7 billion hole in the \$40-billion provincial budget

OPEC IS FINISHED AND THE OIL CRASH WILL CONTINUE, WARNS BANK OF AMERICA

(FP) – Oil

Revolutionary changes are sweeping the world's energy industry and the 'consequences are profound and long-lasting,' America's second biggest bank predicts

SLUMPING OIL PRICES EXPECTED TO COOL GROWTH OF CALGARY'S RED-HOT HOUSING MARKET IN 2015

(FP – Alexandra Posadski) - Indicator

Home price gains will likely fall by half next year as more buyers sit on the sidelines to see if the plunge in oil prices will make houses cheaper, says Re/Max...

'SELL CANADA!' TSX TUMBLES MORE THAN 300 POINTS INTO CORRECTION TERRITORY AMID OIL PLUNGE

(FP – Eric Lam) - Indicator

Damage was widespread across market sectors as investors try to gauge how a 40% drop in oil prices will impact on the Canadian economy

Dec 9

ANOTHER NEW LOW FOR OIL SENDS TSX DOWN 329 POINTS

(CBC) – Oil

The Toronto Stock Exchange shed 329 points or two per cent of its value on Monday as oil prices continued their slide and a major U.S. investment bank said there is plenty more downside left.

CANADIAN OIL PRODUCERS BRACE FOR 'PRICE WAR' AS OIL HITS FIVE-YEAR LOWS

(G&M – Jeff Lewis, Carrie Tait) – Oil

Oil tumbled to five-year lows amid escalating fears of global oversupply, forcing more Canadian producers to slash budgets as they brace for an extended period of weak prices.

WORLD BANK SAYS RUSSIA ECONOMY TO CONTRACT 0.7 PCT IN 2015 IN BASE SCENARIO

(Reuters) – Oil

The World Bank said on Friday it expected the Russian economy to contract by 0.7 percent in 2015 in its new baseline scenario before growing by 0.3 percent in 2016.

WEAKER ENERGY STOCKS HIT EUROPEAN SHARES, TESCO SLUMPS

(Reuters) – Oil

European shares fell sharply on Tuesday, with a further slide in crude oil prices hitting energy stocks and British grocer Tesco plunging after another profit warning.

UPDATE 1-RUSSIAN ASSETS EXTEND DECLINES AS OIL SLIDE CONTINUES

(Reuters) – Oil

The rouble and Russian share indexes declined further on Tuesday as global oil prices fell to new five-year lows, with mounting expectations the Russian central bank will...

Dec 8

OIL PRICE DROP THREATENS REVENUES AT CANADA'S BANKS

(CBC) – Oil

Oil prices that reached a five-year low on Friday are starting to take a bite out of profits at TD Bank and are raising concerns for the rest of the country's top lenders.

CANADA LOST 10,000 JOBS IN NOVEMBER

(CBC) – Oil

Monthly numbers released by StatsCan in line with economists' expectations

HOW THE OIL PRICE WILL AFFECT CANADIAN BANKS

The plunging value of crude oil has beat up energy stocks and halted new projects, but Canadian lenders say their loan portfolios and investment banks can withstand even a prolonged dip in oil prices.

COULD OIL'S FALL FINALLY BURST THE REAL ESTATE BUBBLE?

(G&M – Ian McGugan) – Oil

The two-speed market is raising concerns that real estate is in for tougher times after years of generous giving. Teranet's index, which tracks the resale prices of homes, indicates real estate prices in Canada's major markets have shot up roughly two and a half times since 1999.

FALLING OIL PRICES SPUR BETS ON GROWTH

(WSJ – Ian Talley) – Oil

Many of the world's top policy makers are rewriting their economic forecasts for the U.S., Europe, Japan and elsewhere, betting plummeting oil prices will lead to an overall boost in the global economy.

AN IMBALANCED GLOBAL ECONOMY AWAITS MORE AGGRESSIVE REFORMS

(G&M) – Oil

The U.S. is motoring along but feeble growth and inadequate structural reform in key regions and fading growth prospects in emerging markets are hindering a worldwide recovery

'LEVEL PLAYING FIELD': WHY A CHINESE CURRENCY HUB WILL HELP BOOST CANADA'S OIL SECTOR

(FP) - Oil

The hub would also allow Canadian energy companies to number among the very few producers in the world to sell oil in a currency other than the U.S. dollar

OIL PRICE SLIDE WILL SHAVE 1/3 OF A POINT OFF 2015 GDP, SAYS BANK OF CANADA'S POLOZ

(FP – Anthony Esposito) – Oil

The slide in oil prices will probably cut Canadian economic growth by 1/3 of a percentage point in 2015, not the ¼ point the BoC estimated in late October.

Dec 5

IS THE LOWER OIL PRICE IMPACTING CANADIAN WESTERN BANK?

(BNN - Video) - Oil

BNN takes a look at Canadian Western Bank's latest quarter with President & CEO Chris Fowler. 40% of loan portfolio is in Alberta. 5% of portfolio has direct impact from oil.

WILL CHEAP OIL LEAD TO BIG MERGERS?

(WSJ – Justin Scheck, Shayndi Raice) – OIL

Is it time for another wave of acquisitions to sweep through the energy business. A look at the consolidations that followed oil-price crashes in the last three decades says don't bet against it.

SAUDI OIL-PRICE CUT PROMPTS CANADIAN ENERGY STOCK SLIDE

(G&M – *Shawn McCarthy*) – Oil

Saudi Arabia slashed the price it will charge for crude in Asia and the United States as the OPEC giant battles to maintain its share in an over-supplied global market.

The move prompted another sell-off among skittish traders, who are wondering where the floor in prices is. The 12-member Organization of Petroleum Exporting Countries last week refused to cut its production quota in the face of a global glut, sending oil prices into a tailspin.

FALLING OIL PRICES CREATE A CENTRAL BANKING CONUNDRUM

(NY Times – *Neil Irwin*) - Indicator

One result is to drive down inflation worldwide, at a time when inflation is already lower than central bankers consider ideal.

EXTREME OIL BEARS GAMBLE ON \$40 CRUDE

(FT – *Gregory Mayer*) – Oil

Such 'put options' are probably a low-risk, low-cost bet, analysts say

The number of options to sell US crude at \$40 a barrel by December 2015 was equivalent to 880,000 barrels, after more than quadrupling in the past two weeks, according to [CME Group](#) exchange data. Similar options with a \$35 a barrel strike price climbed to 669,000 barrels from none.

Dec 4

PUTIN DEFENDS FOREIGN POLICY AS NECESSARY FOR RUSSIA'S SURVIVAL

(G&M – AP) – Governance

Russian President Vladimir Putin has defended the Kremlin's aggressive foreign policy, saying the actions are necessary for his country's survival.

Russia annexed Ukraine's Crimean peninsula in March and was later accused of supplying pro-Russian separatists in eastern Ukraine with ammunition and manpower.

FLOW OF OPEC PETRODOLLARS SET TO DRY UP

(FT – *Anjil Raval*) – Indicator

"This is the first time in 20 years that Opec nations will be sucking liquidity out of the market rather than adding to it through investments," David Spegel, global head of emerging market sovereign and corporate research at BNP Paribas.

QATAR REPLACES HEAD OF \$300BN FUND

(FT – *Staff*) – Governance

Member of royal family takes helm at global investor QIA

The change comes only a year after Mr Sayed took up the role in the days after Sheikh Hamad bin Khalifa al-Thani passed the reins of power of the resource-rich Gulf country to his son Sheikh Tamim bin Hamad al-Thani.

NIGERIA'S TUMBLING CURRENCY A VICTIM OF FALLING OIL PRICES

(*WSJ – Staff*) – Indicator

Nigeria overestimated oil prices this year by a wide margin--and is now suffering. Economists fear weak oil prices may prevent Africa's most populous nation from hitting the 7% growth the International Monetary Fund has forecast for this year.

Dec 3

OIL PRICE DROP CREATES WINNERS AND LOSERS

(*CBC*) – Indicator

The price of oil has dropped by about 40 per cent in the last few months and the fluctuation is playing havoc with anything related to the always volatile commodity — and in Canada, that's a lot.

Dec 2

BLACK GOLD FRIDAY

(*Economist*) – Indicator

IF IT had happened in a stockmarket, we would be talking about a crash (the equivalent decline for the Dow would be more than 1000 points). Oil's [6.7% fall yesterday](#) was all the more remarkable in that the event that triggered it - Opec's decision not to cut production - had been widely trailed (Mark Tinker of Axa thinks that someone got the wrong side of a leveraged trade; think [Amaranth in 2006](#)). There will be plenty of speculation about why the cut didn't happen but it is worth remembering that Saudi Arabia is the lowest-cost producer. Estimates from [Bloomberg New Energy Finance](#) suggest that many US fracking sites, including Bakken, are not profitable at the current price of \$72 a barrel.

Dec 1

LOONIE CLOSES SHARPLY LOWER DESPITE SOLID CANADIAN GDP DATA

(*G&M – Malcolm Morrison*) – Indicator

However, the data weren't enough to lift the Canadian dollar. Like other commodity-based currencies, the loonie is getting hammered this week by a collapse in crude prices after the OPECoil cartel opted to leave its daily output unchanged at 30 million barrels a day, rejecting intense lobbying by some of its 12 members to cut production to put a floor under prices.

Oil prices have plunged about 35 per cent from mid-summer highs because of a higher U.S. dollar, lower demand and most particularly, a glut of global supply.

OIL PRICES COULD COLLAPSE TO US \$30 A BARREL, SAYS CANADIAN NATURAL RESOURCES CHAIRMAN

(FP – *Claudia Cattaneo*) – Indicator

Canada's oil industry faces a year of "tough slugging," including the deferment of many projects, as oil prices collapse to as little as US\$30 a barrel then likely stabilize around US\$70 to US\$75 a barrel, oil entrepreneur Murray Edwards predicted Friday.

Nov 28

ENERGY STOCKS AND THE LOONIE ARE GETTING HAMMERED TODAY — WITH NO SIGN OF BOTTOM YET

(FP – *NP*) – Indicator

Energy stocks on the TSX slid the most since 2011 Thursday as oil prices plummeted following the outcome of an Organization of the Petroleum Exporting Countries.

OIL PRICE LOSS SEEN AS GAIN FOR CONSUMERS: 'WHAT IS SAVED AT THE PUMPS WILL BE SPENT AT MALLS'

(FP – *Gordon Isfeld*) - Governance

Ottawa isn't fretting, just yet, over the drain on Canada's finances caused by a seemingly endless weakening in oil prices

THE PETRODOLLAR EFFECT: JUST HOW MUCH IS THE LOONIE TIED TO OIL PRICES?

(FP – *Geoffrey Morgan*) - Indicator

More than ever, economists are split on whether or not the term makes sense any longer in describing the correlation between the value of our Loonie and the price of oil

Nov 27

ALBERTA SHIFTS FROM OIL AS PRICES PLUNGE

(G&M – *Carrie Tait*) – Indicator

The suddenly weakened oil market presents a major challenge for Alberta's new Premier, Jim Prentice, who vowed to keep Alberta out of deficit and start shifting the province away from its long-held reliance on healthy oil prices in order to keep government revenue flowing.

Nov 24

CHINA'S RATE CUT SHOWS DEPTH OF CONCERN OVER GROWTH

OIL PRICE SLIDE MAY CURB GULF STATES' SPENDING PLANS

(WSJ – *Asa Fitch*) – Indicator

Lower oil prices are threatening to curtail the spending energy-rich Persian Gulf governments have used to shore up support since the Arab Spring.

Leaders in the Gulf have begun talking more openly about spending adjustments and economic diversification away from energy.

Nov 20

GOLDMAN, MORGAN STANLEY COMMODITY HEYDAY GONE AS UNITS FAULTED GOLDMAN SACHS SAID IN A 2011 (*Bloomberg*) – Structural Issues / Competitive Issues Nov 20, 2014

Goldman Sachs said in a 2011 presentation to its board that the commodities unit produced more than \$10 billion of pretax earnings in the previous five years, with a margin of about 60 percent, according to the report. The bank said in that presentation that margins were shrinking amid increased competition.

Nov 19

OIL PRICE DROP SHOWS WALL STREET BANKS' COMMODITY RISK

(*Bloomberg* – *Dan Murtaugh*) – Risk

Morgan Stanley, which borrowed \$107.3 billion from the [Federal Reserve](#) in September 2008, held as much as 12.3 million barrels of oil inventories worth about \$979 million in 2010, according to the report on Wall Street involvement with physical commodities from the Senate's Permanent Subcommittee on Investigations. Such stockpiles pose a threat to financial institutions because of the possibility of falling prices.

GOLDMAN, MORGAN STANLEY AND JP MORGAN NAMED IN COMMODITY MANIPULATION INVESTIGATION

(*Forbes Maggie McGrath*) – Regulatory Issues

"[Wall Street](#)'s massive involvement in physical commodities puts our economy, our manufacturers and the integrity of our markets at risk," senator Carl Levin (D-Mich.), the subcommittee's chairman, said in a statement Wednesday afternoon. "It's time to restore the separation between banking and commerce and to prevent Wall Street from using nonpublic information to profit at the expense of industry and consumers."

When asked for comment, JP Morgan referred to a September 2014 fact sheet in which the bank said it has remained regulatory compliant and that it has a good risk management program that includes risk management for physical commodities. In July of 2013, JP Morgan agreed to pay \$410 million to settle charges by the [Federal Energy Regulatory Commission](#) that it manipulated the energy market in California and the Midwest.

SENATORS URGE FED TO LIMIT BANKS' COMMODITIES ROLE

(*Argus*) – Risk Nov 19, 2014

Morgan Stanley until recently controlled 55mn bl of oil storage capacity, along with 100 oil tankers and 6,000 miles of pipeline, the report said.

Morgan Stanley has been trying to sell its physical oil inventories, storage leases, supply contracts and 49pc stake in tanker company Heidmar to Russia's state-owned Rosneft. But that deal is on hold and could be scuppered by the US' Russia sanctions.

Nov 14

OIL DIVES BELOW \$75 US A BARREL ON SUPPLY WORRIES

(CBC) – Indicator

Oil was plunging on world markets Thursday, diving below \$75 for the first time in three years, as traders focused on rising production and lower global demand. The oil-sensitive Canadian dollar dropped by half a cent to below 88 cents US

Nov 13

JOE OLIVER SAYS HE'LL BALANCE BUDGET DESPITE FALLING OIL PRICES, DIP IN GDP

(CBC) – Governance

Neither falling oil prices, [today's disappointing GDP numbers](#), nor the \$2.4-billion cost of the new income-splitting and baby bonus programs announced yesterday will prevent the federal government from balancing the budget in 2015, according to Finance Minister Joe Oliver.

Nov 3

RUSSIAN GROUPS' FINANCING STRUGGLES

(FT – Neil Buckley) – Risk

Sanctions taking toll and Chinese banks unable to come to rescue

EU and US sanctions, blocking access to western funding for more than 30 days, have targeted only a handful of the largest Russian banks and oil companies such as Rosneft and Sberbank. But what is now becoming clearly pernicious is the “self sanctions” phenomenon which has been observed since the early days of the Ukraine crisis. Western banks and financial institutions are refusing to finance even those Russian companies that face no sanctions at all, to insulate themselves from any potential risk.

Oct 30

FALLING OIL PRICES COULD STRIP QUARTER POINT OFF NATION'S GROWTH, BANK OF CANADA WARNS

(FP – CP) – Governance / Risk

Stephen Poloz says a quarter point will have a huge impact when Canada needs more than 2% growth to help close the output gap and help create jobs

Poloz says slowing the economy by a quarter point is significant when the bank is predicting moderate growth in the two- to 2.5% range.

The central banker says a quarter point matters a lot when Canada needs more than 2% growth to help close the output gap and help create jobs.

Poloz was set to testify at the committee last week, but it was postponed following the deadly Parliament Hill shooting.

Oct 28

WHY CHINA'S SLOWDOWN IS TAKING A HEAVY TOLL ON CANADA

(G&M – Jeff Rubin) – Risk

A slowdown in China's economic growth is exacting a heavy toll on resource-based economies like Canada's. Domestic coal mines are being shuttered due to tumbling coal prices. In Ontario, hopes to mine chromite deposits in the so-called Ring of Fire are fading as steel markets continue to weaken. At the same time, British Columbia's plans to ship liquefied natural gas to Asian markets are being scuttled as LNG prices come off their highs. Similarly, lower oil prices are prompting Big Oil to shelve plans for multibillion-dollar oil sands projects in northern Alberta.

Oct 27

BANK OF CANADA CITES OIL PRICE, HOT HOUSING MARKET AS FACTORS ROILING RATE DECISIONS

(G&M – Barrie McKenna) – Risk / Governance

The bank pointedly dropped the word “neutral” – a hallmark of interest-rate statements for the past year – even while saying that inflation risks remain “roughly balanced.”

Oct 23

CANADA'S BIGGEST BANKS SAY THE WORST IS TO COME FOR THE CANADIAN DOLLAR

(FP – Ari Altstedter) – Risk

The oil boom that powered Canada's recovery from its 2009 recession is turning into a bust for the nation's dollar

Oct 22

CRUDE OIL PLUNGE COULD HIT BIG BANKS' BOTTOM LINE: SCOTIA CAPITAL

(FP – Barbara Shecter) - Risk

Canadian banks will feel the bite of oil prices that have plunged 23% since July, especially in their investment banking divisions

Oct 21

CANADA'S STILL WAITING ON THAT \$225 OIL

(G&M – Jeffrey Simpson) – Indicator

Not too long ago, in 2009, a retired bank economist with a large public following made quite a splash with a book predicting how soaring oil prices would change our lives.

Oct 20

REPORT THAT LOOKS AT THE MAIN ISSUES AS TO WHY CANADA IS UNCOMPETITIVE.

(BankNews.TV – Mark Sibthorpe) – Oil

This report explores Canada's strategies to compete globally. The report begins with an analyses of the housing market, because housing is the canary in the coal mine; explores what happens in the event of collapse; and analyses the underlying problem (Oil) causing Canada to be uncompetitive.

The report is organized as follows:

Part 1: Examines 2008 US housing crash & Canada's looming housing bubble.

Part 2: Summarizes the Occupy (Rousseau) movement and outlines political risk.

Part 3: Examines Canada's economic strategies such as **tax incentives and oil based economy.**

Oct 16

ALBERTA IS HURTING BUT INDUSTRIAL CANADA COULD BENEFIT FROM OIL SHOCK

(*CBC – Don Pittis*) - Indicator

Oil prices are falling and, if history repeats itself, there's no reason they can't fall much further yet. If that happens, the impact on your life will be much more significant than saving a few dollars filling up your gas tank.

Oct 15

CANADIAN ECONOMY ON TRACK TO DELIVER TAX BREAKS, JOE OLIVER SAYS

(*FP – Gordon Isfeld*) - Risk

Finance minister also said the recent drop in oil prices is 'an issue of supply and demand' that could have a negative impact on Canadian energy companies

Oct 10

STOCK MARKET SELLOFF DEEPENS AS OIL PRICES PLUNGE BELOW US\$90 FOR FIRST TIME SINCE 2012

(*FP – John Shmuel*) - Risk

Thursday's broad declines were triggered by data that showed that the eurozone's biggest economy, Germany, is now likely heading into a recession

TSX — 14,460.60 -205.87 -1.40%

S&P 500 — 1,928.21 -40.68 -2.07%

Dow — 16,659.25 -334.97 -1.97%

Nasdaq — 4,378.34 -90.26 -2.02%

MORGAN STANLEY'S ROSNEFT DEAL FLOUNDERS

(*WSJ – Staff*) – Regulatory Issues

[Morgan Stanley's deal to sell](#) an oil trading business to [Rosneft](#), the state-owned Russian oil group, is close to collapse amid the profound chill in relations between Russia and the US.

TSX SINKS AS OIL HITS 18-MONTH LOW

(*CBC*) - Indicator

North American stock markets sold off sharply Thursday following an upsurge a day earlier, as the reality of a bleak view on the U.S. economy from America's central bank sank in.

Oct 3

DISSIDENT CONTINUES ANTI-PUTIN MOVEMENT

(*NY Times – Peter Baker*) – Risk / Governance

Mikhail B. Khodorkovsky, who once led the Yukos oil company, vows to lead a drive to counter Putinism but has not yet dared to return to Russia.

Oct 02

FALLING OIL PRICES DRIVE DOWN TSX AGAIN

(*CBC*) - Indicator

The Toronto stock market extended its losses Thursday with energy stocks leading a decline caused by the falling price of oil.

Oct 1

CANADIAN DOLLAR FALLS AS U.S. GREENBACK STRENGTHENS

(*CBC*) – Indicataor

Loonie closes at 6-month low of 89.24 US cents while oil prices fall \$3 a barrel

Oct 1

FALLING COMMODITIES FLASH GLOBAL WARNING

(*FT – Ralph Atkins*) – Indicator

Price slide reveals mounting concern about China

Tumbling prices for metals, oil and agricultural products fit with a narrative of [a slowing China](#) and of growth spluttering in advanced economies, despite exceptional levels of central bank support. It is hard, however, to find anyone in equity, bond or currency markets getting seriously concerned – yet. If anything, the opposite is the case.

Sept 29

MORGAN STANLEY DOESN'T HAVE MUCH TO WORRY ABOUT EVEN IF ROSNEFT DEAL COLLAPSES

(*Forbes*) – Risk Sept 29, 2014

Morgan Stanley is one of just two U.S. banks (beside Goldman) legally allowed to own and run infrastructure for the manufacture, storage and operation of physical commodities, it may reconsider its decision to sell the unit itself – now that the scrutiny on banks over this issue has been quelled to a great extent. Either way, the improved commodity market conditions point to an increase in the bank's FICC (fixed-income, currencies and commodities) trading yield in the near future.

Sept 16

CANADA AND DUTCH DISEASE

(CBC – Video) – Indicator

Economist Emanuella Enenajor on why the oil economy has been so bad for Canada's manufacturers

Sept 2

CLOSING BELL: RESOURCE STOCKS PULL TSX DOWN AMID MIXED MANUFACTURING DATA AND FALLING COMMODITIES

(FP – CP) – Indicator

Falling resource stocks left the Toronto stock market with a minor loss Tuesday amid mixed manufacturing data and tumbling oil and gold prices.

DRAGHI SEES TURBULENCE AHEAD

(WSJ – Simon Nixon) – Governance

Analysis: The ECB chief thinks the euro zone's growth challenge is now so serious that it needs to act more like a political union, but that puts him on a collision course with Berlin.

To most observers, his call for governments to allow fiscal policy to play a greater role in pulling the currency bloc out of its slump came out of a clear blue sky. Like most central bankers, Mr. Draghi has tended to avoid commenting on fiscal policy beyond emphasizing the need to maintain the credibility of the euro zone's fiscal rules. Yet here he was apparently calling time on the euro zone's austerity policies.

To add to the puzzle, no data had emerged over the summer to trigger such a dramatic change of tone. Certainly, second-quarter growth was weaker than expected and growth forecasts for this year and next are being pared back. Headline inflation also fell to just 0.3% in July, but this largely reflected falling oil prices, which should boost consumer spending; importantly, core inflation actually rose to 0.9%. The euro has fallen 5% since the start of the summer on a trade-weighted basis, providing a further boost. Most economists expect the ECB to downgrade its inflation forecast next week, but not by much.

Aug 15

VETERAN ENERGY FINANCIER TAPS FRESH FOREIGN CASH IN MAJOR PUSH BEYOND OIL SANDS

(FP – Yadullah Hussain) – Structural Issues

Richard Grafton's goal was to bring global investors to Canada's oil patch — and now he's planning a series of deals after securing funding from U.S., UAE

Aug 14

WORLD AWASH IN CRUDE OIL SHIELDS MARKETS FROM 2008-STYLE PRICE SHOCK

(FP – Bloomberg) – Attitude and Preference Issues

Fighting across Iraq, Libya, Ukraine and Gaza, and an accelerating economy, should mean higher oil prices. Instead, crude is falling. Here's why

Aug 8

FUND MANAGER PUSHES BACK AGAINST ARCAN RESCUE

(G&M – *Jeffrey Jones*) – Risk

Arcan, which is hobbled by heavy debt, announced in June a friendly transaction that involves Aspenleaf taking over 87.5 per cent of its light oil assets in the Swan Hills area of southern Alberta. Arcan would form a new junior oil company with the remaining Swan Hills interests, and Aspenleaf, which is backed by Arc Financial Corp. and Ontario Teachers Pension Plan, would own 6.7 per cent of it.

Aug 8

SHARES, DOLLAR TUMBLE AS U.S. AUTHORIZES AIR STRIKES IN IRAQ

(Reuters – *Marc Jones*) – Indicator

World shares and the dollar tumbled on Friday and oil and gold jumped after U.S. President Barack Obama authorized targeted air strikes in Iraq, raising worries of another drawn-out conflict in the region.

Aug 7

SECOND BOE OFFICIAL QUILTS IN ONE WEEK

(FT – *Sam Fleming, Alistair Gray*) – Governance

Julian Adams to take up role with Prudential next year

His decision to leave after more than a quarter of a century as a regulator comes just two days after the BoE's financial stability chief [Spencer Dale quit](#) for oil company BP.

July 29

UKRAINE SETBACKS AFFLICT PUTIN

(WSJ – *Gregory L. White*) – Risk

Pro-Russia rebels in eastern Ukraine saw some of their worst battlefield setbacks in weeks as the West agreed on tougher sanctions—posing fresh challenges on two fronts for the Kremlin.

At the same time, the U.S. and Europe said they would adopt the [harshest economic sanctions yet](#) on the Kremlin this week. The European Union—Russia's largest trading partner—is expected to move as early as Tuesday to restrict transactions with Russia's state banks, as well as limit technology exports vital for the country's oil and weapons industries. The U.S. has vowed to follow suit.

July 28

RUSSIA TOLD TO PAY YUKOS SHAREHOLDERS

(WSJ – *Lukas I. Alpert*) – Regulatory Issues

The Permanent Court of Arbitration in The Hague has ruled that Russia owes former shareholders of the now-defunct oil giant Yukos more than \$50 billion in compensation for the seizure of the company.

July 24

IN CANADA'S ECONOMY THERE'S ALBERTA, AND THERE'S EVERYWHERE ELSE

(FP – *Greg Quinn*) - Indicator

'Alberta is already by far the strongest province economically, and higher oil prices will only exacerbate the regional split'

Part 2

Reference reports from 2010 to present:

BANKS HOARD OIL IN STORAGE TANKS (May 21, 2008)

(*Peak Oil Debunked*) – Industry Conduct

An interesting phenomenon has happened in the last couple of days. The oil futures market has gone into a state known as "contango". I'm not going to go into any detail on the specifics -- if you're curious just do some googling. As a layman, all you really need to know is that, thanks to some complicated financial mumbo-jumbo, banks will now begin to hoard oil in storage tanks, driving up the price. And then they will sell that oil back to the public for obscene windfall profits.

OIL GLUTS, LATE-1970S STYLE

Continuing our series of [articles from the archives about falling oil prices](#), we look back at our prediction of an oil glut in 1978 due to rising production in non-Opec countries such as Britain and the United States. Although this initially proved to be wrong—the oil price more than doubled in 1979 due to constrained supply during the Iranian revolution—oil prices started to fall in real terms from 1980 onwards, eroding Opec's power over the global economy.

If you were Opec, you'd worry too

The oil sheikhs have no more idea what to do about the falling dollar than Mr Carter has; and they have an oil glut to worry about

Apr 1st 1978

Opec has changed the world, but is now the prisoner of the circumstances it has created. So complex is the trap into which Opec ministers have locked themselves that they cannot hold "informal meetings" on schedule, for fear that their mere presence together in the same room...[Continue reading](#)

IMPACT OF LOWER OIL PRICES ON THE CANADIAN ECONOMY

(RBC – Report) – Oil

View pdf by clicking link above.

Below are some links to the Canadian dollar forecast by the Canadian financial institutions. The financial institutions update their forecasts regularly, so you need to check regularly to see their latest update.

Oct 2014

Forecasts

VARIOUS CANADIAN DOLLAR FORECASTS

(Canadian Dollar Forecast) – Oil

Bank Currency Forecast	2014 USD/CAD	2015 USD/CAD
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Scotia Bank	1.12	1.11
RBC Bank	1.15	1.18
BMO Bank	1.11	1.14
CIBC Bank	1.08	1.08
TD Bank	1.15	1.11
National Bank	1.09	1.09

- [Scotia Bank Canadian Dollar Forecast](#)
- [RBC Canadian Dollar Forecast](#)
- [TD Bank Canadian Dollar Forecast](#)
- [BMO Canadian Dollar Forecast](#)
- [CIBC Canadian Dollar Forecast](#)
- [National Bank Canadian Dollar Forecast](#)
- [Desjardins Canadian Dollar Forecast](#)
- [Knightsbridge Foreign Exchange](#)

THE IMPACT OF THE HIGHER OIL PRICES ON THE CANADIAN ECONOMY

(CBJ – Tina Kremmidas) – December 2014 - Oil

Who would have thought that the desperate act of one fruit vendor in a small village in Tunisia would unleash a wave of revolution in countries across the Middle East and North Africa (MENA), toppling regimes and challenging the status quo. It serves as a reminder that unforeseen geopolitical events can quickly cloud the economic outlook, disrupt markets and propel oil prices higher.

CASE RAISES A TOUGH QUERY: WHEN DO TRADERS CROSS LINE?

WSJ – 2006

big oil companies have legitimate reasons to hold or sell large quantities of fuel, their power to move markets can be immense. While there is nothing inherently illegal about keeping assets in storage or distributing them to trade more effectively, experts say, traders must tread carefully, particularly in smaller markets like propane, where prices can be manipulated more easily.

WHERE HAS ALL THE OIL GONE?

(WSJ – Ann Davis) – Oct 2007

After Sitting on Crude, Speculators Unload It. The World's Eyes Fall on Cushing, Oklahoma

The financial players who have piled en masse into commodities trading in recent years have made oil markets more unpredictable. Some are simply betting that oil prices will rise over the long term. Others are pouncing on pricing anomalies as short-term trading opportunities. Many of them move in herds.

REVIEW OF ISSUES AFFECTING THE PRICE OF CRUDE OIL (2010)

(NRCan – Detailed Report) – Oil

The crude oil industry is central to Canada and the world's economy and its future.

This paper examines the economic impacts of oil price movements, and the outlook for crude oil prices, in both the short term (2010, 2011) and out to 2030. Some facts

Of the reference forecasts surveyed in this paper, the lowest price forecast for 2030 (in 208\$) is \$65 US per barrel, while the highest is \$123. Obviously there is no consensus for the price of oil, an important conclusion for the paper.

- 34% of energy today and 30% expected through oil;
- 2/3 of oil used for transport in Canada and the US;
- 20%-30% of TSX are oil and gas companies = 5% of Canada's GDP;
- 19% of exports are petroleum products;
- Canada ranks 6th place in global oil production and 2nd in terms of oil reserves;
- The (1999) repeal of the Glass-Steagall Act led to increasing participation in the risky investment such as crude oil and gasoline futures markets.
- Sharp increase in Asian demand contributed to increasing prices;
- Canada experience a 5.4% decline in GDP in the first quarter of 2009 due to global recession and corresponding drop in oil prices from \$147 to \$30 per barrel;
- The Canadian dollar tracks oil price trends;
- **The average projections for prices for 2015 were \$87, for 2020 \$94 and for 2030 \$101.**

BOOMS, BUSTS AND BITUMEN

(*Pembina Institute*) – 2013 Oil

A gold mine of statistical information for those debating the economic impacts of our petroleum windfall. The oilsands boom has defined Canada's economic development since the beginning of the millennium. Canadians owe it to themselves to understand better how oilsands development is reshaping Canada's economy

EXXON BACKS VIEW ON GLOBAL ENERGY DEMAND

Exxon left its outlook for global energy demand mostly unchanged on Tuesday, even as plunging oil prices have prompted energy companies to reduce their budgets and added pressure on countries that rely on oil revenue.

THE FED, QUANTITATIVE EASING AND OIL PRICES

(*FT – Javier Blas*) – Public Policy

Low US rates provide oil exporters less incentive to increase production

The opportunity cost of not producing oil has fallen dramatically. Thus, policy makers feel little pressure to increase production to lower oil prices.

End of U.S. QE is actually good for world economy

(*Reuters – Ian Campbell*) – Public Policy

With global investors' most influential source of QE gone, that stimulus has been removed. The Brent crude oil price is down by about 20 percent from its over-\$100 highs of late June and the Thomson Reuters CRB commodity index by 13 percent over the same period.