StanChart CEO plans to cut about 1,000 top staff

SINGAPORE/LONDON: Standard Chartered's new Chief Executive Bill Winters plans to cut up to a quarter of the bank's most senior staff to reduce costs, according to a memo sent to staff, which is likely to see about 1,000 top jobs go. Winters said he planned to reduce the number of staff who are graded in bands 1-4 by a quarter, according to an internal memo seen by Reuters. Those bands cover bankers at director level and higher, and include about 4,000 staff.

"Our situation requires decisive and immediate action. Each member of the management team has a mission to drive through improvements in our returns and part of this will be further streamlining of our organisation, eliminating management layers and duplication of roles," Winters told staff.

Winters, a former JP Morgan investment bank boss who took over in June, said the bank would also make disposals and cut clients as part of his strategic review. Disposals would be in areas where the bank was "not differentiated" or an activity or location "was not critical to a core strength."

Standard Chartered shares were up 3.6 percent at 775.6 pence by 1030 GMT, the top performing European bank stock. Standard Chartered has had a troubled three years, hurt by weakness in many of its key emerging markets, rising losses from bad loans in India, China and on commodities, as well as fines from US regulators and strained relations with shareholders. Its shares have fallen 43 percent since the start of 2014.

"We lost some discipline during that time, leading to our recent problems with loan impairments and relatively high expenses," Winters said in the memo. He is expected to outline his plans to investors and staff in November or December. "We have a clear sense of our direction of travel and the key areas of focus - superior execution, targeted investments, divestment where we are not advantaged and innovation in our product and process design," he said in the memo.

The bank would tighten its belt through targeted reductions and not across-the-board cuts, he said. Winters halved Standard Chartered's dividend in August and said the bank would raise capital from investors if needed. It said at that time it had cut 4,000 staff since the start of the year, to about 88,000. Winters said his plans were not all about cuts, however, and he had identified areas for investment. He said to make room for investment the bank would cut the number of its clients. "We will focus on those clients who value our capabilities and compensate us accordingly. For others, we will be there when they need us but will withdraw resources in the meantime."

Standard Chartered has also been fined more than $1 billion for breaching US sanctions, including with Iran, and authorities there are still investigating some issues. Winters said the bank was making progress in improving its processes and systems, its behaviors and remediating past issues, and told staff any violations would not be tolerated. A spokesman for Standard Chartered said a note sent to staff by Winters this week said kick-starting performance was a priority. It said the bank had indicated in July there could be personnel changes to come. — Reuters

Oil extends gains, shrugs off Goldman warning

Brent set for biggest weekly rise since 2009

LONDON: Oil extended gains yesterday and was set for its biggest weekly rise in over six years after US. Federal Reserve minutes suggested it was in no hurry to raise interest rates and an influential forecaster predicted a price rally. Brent crude, the global benchmark, was up 75 cents at $53.80 a barrel at 1211 GMT, 1.3 percent above the previous close and on track to rise 12 percent this week alone. US crude was up $1, or 2 percent, at $50.43 a barrel, the highest level in more than two months.

The US central bank's meeting minutes showed more policymakers than expected agreed to keep the first interest rate hike in a decade on hold. The news also supported equity markets yesterday, with top European stocks climbing to a one-month high.

Forecaster PIRA Energy Group issued a bullish oil price prediction on Thursday, saying oil would hit $70 a barrel by the end of next year and trade at $75 in 2017.

"The Fed minutes and the PIRA price forecast are driving prices today," said Tamas Varga, oil analyst at London brokerage PVM Oil Associates.

"The rally may sustain for the short term but it should run out of steam sometime next week because we are in a generally oversupplied market." Investors were awaiting indications on US production with the weekly Baker Hughes rig count expected later yesterday.

In the Middle East, tensions rose in the Syrian conflict after an Iranian Revolutionary Guards general was killed near Aleppo, where he was advising the Syrian army.

ANZ lifted its 2016 forecast for WTI crude by an average of 10 percent, saying it saw a quicker run-down in US crude stocks as a valid reason for the upgrade. It raised its WTI forecast for the third quarter of 2016, for example, to $47 a barrel from $41.

Analysts at Swiss-based consultancy Petromatrix were more cautious on further gains on the commodity. "Crude can try to stabilize around the $50-per-barrel WTI front anchor but to gain another $10 it will need some support from products and that is not currently the case," they said.

On Brent, Energy Aspects is forecasting prices to average $68 in 2016 and $98 in 2017, analyst Richard Mallinson told the Platts Asian Crude Oil Summit in Singapore yesterday.

After the July nuclear agreement, Iran will ramp up exports much slower than expected by the market, Mallinson said. If sanctions are eased, Iran will be able to increase crude exports by 250,000 to 400,000 barrels a day by around mid-2016. After that, significant extra volumes will only come in 2017 or 2018, Mallinson said.

Timespreads for West Texas Intermediate (WTI) and Brent futures have strengthened significantly over the last month as fears about another big build up in crude oil stocks eased.

The discount for WTI delivered in November 2015 rather than May 2016 has shrunk from $3.33 per barrel to $2.75 since Sept. 14. Between June and August, spot prices and timespreads for both major crude benchmarks tumbled as traders worried about another big build in stockpiles after the end of the US driving season. Spot prices and timespreads have been strengthening for the two benchmarks over the last month. Sentiment in the market has become markedly less bearish over the last four weeks as the narrative has shifted from bulging stockpiles to the strength of fuel demand and prospective declines in US shale production.

Researchers at Goldman Sachs, one of the most influential banks in the oil market, have questioned whether the rise in spot prices is justified by fundamentals. "We do not believe that data releases over the past week suggest a change in oil fundamentals," they wrote in a note circulated on Thursday ("Oil rally to fade given still weak fundamentals", Oct 8).

The market remains oversupplied, according to Goldman, and a continued low price of $40-45 for WTI is required to curb US production in 2016 and bring supply back into line with demand. — Reuters

TOKYO: A businessman walks past a share prices board illustrating various world stock markets in Tokyo yesterday. Tokyo stocks ended up 1.64 percent yesterday, picking up a strong lead from Wall Street after minutes from the Federal Reserve's latest policy meeting suggested it could keep interest rates at record lows into 2016. — AFP

Gold rises to three-week high on dovish Fed minutes

LONDON: Gold rose to a three-week high yesterday after minutes from the Federal Reserve's last policy meeting showed the US central bank was in no hurry to raise interest rates.

Spot gold was up 1.4 percent at $1,154 an ounce by 1130 GMT, after touching a three-week peak of $1,157.10 earlier in the session. Prices were supported by Fed minutes released on Thursday, suggesting the central bank was deeply cautious about tightening monetary policy even before last week's soft jobs data showed a sharp slowdown in US hiring. "We still see fairly strong demand," said Hamza Khan, head of commodities strategy at ING Bank. "The stage on the fundamental side is set for higher prices and the longer the Fed holds off on a rate hike, the stronger the picture is for gold."

Khan added the metal could rally as high as $1,200 in the next week, hitting levels last seen in late June. But the market remained somewhat cautious yesterday, taking note that the minutes also revealed most Fed policymakers thought the central bank's first rate increase in nearly a decade should still come in 2015.

Gold has come under pressure from expectations that the Fed will raise interest rates this year, potentially lifting the opportunity cost of holding non-yielding bullion. But weak US economic data and worries about the global economy have prompted many to push back expectations, which has helped gold gain about 3.5 percent so far this month. A possible delay in a rate increase has also weighed on the dollar, which has been supportive for the gold market by making the metal cheaper for holders of other currencies.

Yesterday's rally helped gold recover some of the losses from the previous session, when it closed 0.6 percent down despite a softer dollar. The metal is on course to gain 1.4 percent for the week. — Reuters

Malaysian CB urged criminal prosecution of 1MDB

KUALA LUMPUR: Malaysia's central bank said yesterday it had urged the country's attorney general to begin criminal prosecution of troubled fund 1MDB after completing its investigation, piling more pressure on Prime Minister Najib Razak who chairs the fund's advisory board.

At the centre of a political crisis over its debt of nearly 42 billion ringgit ($11.5 billion) and alleged financial graft, 1MDB is the subject of several probes by different authorities, including Malaysia's central bank. The central bank's statement comes just one day after the attorney general said it had seen a report of the central bank's investigation and concluded that 1MDB officials had not committed any offence. The attorney general, appointed by the prime minister in late July, also said it had rejected a central bank request for a review of the decision.

In its statement, the central bank also said 1MDB had secured permits for investment abroad based on inaccurate or incomplete disclosure of information, thus breaching domestic regulations. The central bank added it revoked three permits granted to 1MDB for investments abroad totalling $1.83 billion and ordered the state fund to repatriate the funds to Malaysia. 1MDB did not immediately respond to a request for comment. The attorney general's office declined to comment. In July, the Wall Street Journal reported that investigators looking into 1MDB had identified a payment of nearly $700 million into a bank account under Najib's name. Reuters has not independently verified the report. — Reuters