

15 March 2015

Oil prices fell on Friday, with American crude down nearly 4 percent and headed for its worst week in three months, on a renewed rally in the dollar and warnings of an oil glut by the global energy watchdog. Benchmark Brent crude fell more than 2 percent on the day and was on track to its sharpest weekly decline in two months as a weaker American stock market applied further pressure on oil. Also weighing on the market was the prospect of Iran reaching a partial nuclear deal with world powers by end of March and a full agreement by June. Such a deal could end sanctions against Tehran, enabling it to export even more crude that would suppress prices. Data from oil services firm Baker Hughes showing a four-year low in the number of rigs drilling for oil in the United States also failed to stir buying. Baker Hughes said the rig count fell by 56 this week to 866, the lowest since March 2011.

Brent fell \$1.40, or 2.5 percent, to \$55.68 a barrel by 1:09 p.m. EDT (17:09 GMT), after hitting a one-month low at \$55.37. It was on track to a 7 percent drop on the week, its largest decline since mid-January. American crude was down \$1.81, or almost 4 percent, at \$45.24, after falling to a January 30 low of \$45.01. It was headed for a 9 percent loss on the week, its most since mid-December. American crude falling faster than Brent, the spread between the benchmarks, one of the biggest volume trades in oil, widened to nearly \$11 a barrel in Friday's session, the largest gap in 10 days. The focused efficiency of American oil producers has resulted in more production of oil per site. The Department of Energy estimates oil production in America will increase by 600,000 barrels per day this year.

The International Energy Agency (IEA), which advises industrialized nations on energy, stated that a global oil glut was building and America is quickly running out of empty tanks to store the crude oil. At present America holds 2 trillion barrels of stored crude oil just waiting for the right moment to be put for sale on the open markets. Additionally, the IEA stated that so far America's surplus of oil shows "very little sign of slowing down. Quite the contrary, it continues to defy expectations". OPEC output declined in February while total global supply was up by 1.3 billion barrels per day which was led by non OPEC output of a 1.4 million barrels per day surplus.

The American dollar rose again after Thursday's pause, eyeing for parity with the Euro. A stronger dollar makes dollar-denominated commodities, such as oil, costlier for holders of other currencies. As indicated above, a glut in oil would fuel the greenback to strengthen even more. Unfortunately, for American exports, a strong currency is a headwind for the economy. If the Federal Reserve allows rates to rise, it will only strengthen not weaken the dollar.

In Canada, retailers are growing. Loblaws will be adding 50 new stores across our nation and renovating another 100 stores. Overall 5,000 new jobs will be added and 1.2 billion of investment capital from Loblaws. Walmart is also growing in Canada by spending 340 million on expansion.