
IRAQ CONSIDERS MASSIVE OIL HEDGE AKIN TO MEXICO'S

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Oil Price (25 May 2017)

Top Iraqi oil marketer Falah Al Amri suggested that Iraq is interested in creating an oil price hedging program that would lock in prices for future trades well in advance [] like Mexico's existing strategy, but almost twice as large in size.

We will not rush. This is a long process, SOMO chief Al Amri said. We must make sure we do not lose money. You know the Iraqi parliament, it would not accept that.

Iraq is still in the early stages of exploring the possibility, the official said, adding that the proposal could add a new facet to SOMOs traditional marketing role.

Transforming SOMO is unstoppable. It will do more than just market Iraqi crude, he said.

Bloomberg calculations put the size of the Middle Eastern countrys hedge at 400 million barrels, compared to the Mexican finance ministrys 250 million barrels, which generate \$3 billion from its options last year. State-owned PEMEX hedged its own oil production separately this year as well.

The Only Metal Trump Wants More Than Gold

An extraordinary metal is about to enter a super-cycle as demand is rapidly increasing and supply is vanishing. One small company has positioned itself to profit hugely from the coming price shock.

We are sending people for training with international companies and they will learn about hedging and how we can do it, Al Amri said. We will study and make a proposal to the government.

Private oil companies, especially American shale producers, commonly hedge oil prices to lock in incoming cash flow, but Mexico has so far been the largest country to make a federal strategy out of it. Ecuador, Ghana, and a few other nations have employed similar hedges in the past.

The hedge takes the form of mass purchases of options contracts that allow, but do not obligate, a government to sell oil at a predetermined price. The size of the hedge could affect the macroeconomics of barrel prices, and several analysts have said the Mexican policy contributed to bearish markets in 2008 and 2014.