

Commodity Traders' \$1 Million Bonus as Oil Doubles

Last Updated: August 17, 2009: 09:01 EDT

Aug. 17 (Bloomberg) -- Wall Street firms are again recruiting commodities traders with promises of \$1 million bonuses as prices of raw materials from oil to copper double.

Less than a year after oil tumbled a record 54 percent and the Reuters/Jefferies CRB Index was suffering its biggest drop ever, Bank of America Corp. plans to boost commodity headcount by 25 percent. London-based Barclays Plc will increase staff about 6 percent. Morgan Stanley is recruiting traders in shipping. The banks declined to comment on compensation.

"You are definitely seeing \$1 million or more guaranteed bonuses coming back for 2009," said George Stein, managing director at New York-based recruitment firm Commodity Talent LLC. "These bonuses would be for new hires who are 'movers and shakers,' those who can double the size of business within a short period of time."

Banks are recruiting after oil increased 94 percent since February and copper rallied 97 percent this year. Assets in commodity mutual funds, indexes and exchange-traded products rose about 19 percent to \$209 billion in the second quarter, according to Barclays Capital. The hiring also comes after financial firms cut more than 328,800 jobs, or 4.9 percent of the global total, after credit markets collapsed two years ago.

Goldman Sachs Group Inc. reported a record \$6.8 billion in revenue from fixed income, currency and commodities trading in the second quarter. Morgan Stanley said its commodities revenue expanded, without giving a figure. Barclays saw "significant growth," according to its second-quarter report. Royal Bank of Scotland Group Plc said first-half commodities income rose 34 percent to 467 million pounds (\$773 million).

'Emergency Hire'

"The business is picking up and banks had trimmed so much they are making emergency hires," said Jason Kennedy, chief executive officer of London-based Kennedy Associates.

Kennedy said he moved at least 10 people in the last two months with guaranteed bonuses of \$1 million, including commodity positions. Banks weren't making such offers last year, he said.

Compensation is coming under greater scrutiny after the world's biggest financial companies racked up almost \$1.6 trillion of losses and writedowns. Citigroup Inc., Bank of America, American International Group and Wells Fargo & Co. were among the biggest recipients of \$385 billion of government funds to financial firms contending with the worst global slump since World War II.

Citigroup Considering

Citigroup is said to be considering ceding control of its Phibro LLC energy-trading unit because a potential \$100 million payday for the unit's chief, Andrew Hall, is raising concern among lawmakers and regulators. Citigroup may try to persuade Hall to accept stock instead of cash in 2010, people familiar with the matter said.

Hall offered to modify his compensation contract in order to avoid confrontation with the U.S. government, the Wall Street Journal reported Aug. 13, citing people familiar with the situation. The bank advised the Treasury that Hall and another trader are exempt from federal review, the New York Times said Aug. 14, citing people involved in the process.

JPMorgan, Citigroup, Morgan Stanley and Zurich-based UBS AG are among banks said to have decided to increase salaries amid restrictions on bonuses. JPMorgan, Goldman Sachs and Morgan Stanley, all based in New York, repaid the government, removing them from restrictions on compensation.

Some firms have introduced a quarterly "loyalty" payout this year in addition to salaries and bonuses to retain top performers, said Jakob Bloch, managing director of Hampshire, England-based Commodity Appointments Ltd.

'Contributors Focused'

"It's a sweetener to keep some of the high profit-and-loss contributors focused and not talking to competitors," he said.

Credit Suisse Group AG, the largest Swiss bank by market value, hired three bankers who had worked at Merrill Lynch & Co. and AIG Financial Products Corp. last month for its commodities business in New York. Luis Molina joined to lead index trading and Oscar Bleetstein, commodity investor sales in the Americas. Dan Raab, from AIG, was named head of commodity strategies.

Barclays' hiring plan will expand the company's commodity staff to about 340 people.

Barclays may hire five commodity traders from JPMorgan, the Sunday Telegraph reported yesterday. The team, led by Todd Edgar, 37, was offered a combined \$25 million in salaries and bonuses and a share in future profits that may double the amount, newspaper said. The banks declined to comment. JPMorgan asked the U.K. Financial Services Authority to review the offer, the Financial Times reported late yesterday.

'Poach Your Talent'

"If you want to be top-five Wall Street commodity banks, you can't ignore your competitors' ability to poach your talent," Commodity Talent's Stein said.

Job losses at banks mounted last year as equities slumped and the CRB Index of 19 commodities plunged a record 36 percent.

"Banks have wanted to hire all year, but at the start of the year they struggled," said Elliot Pickering from London-based Human Capital Search Ltd., which specializes in energy and commodities.

The CRB index rallied 12 percent this year as the global economy showed signs of improving. Germany and France said Aug. 13 they returned to growth in the second quarter. The U.S. Federal Reserve said a day earlier the recession is easing.

'Deep Freeze'

"Some of the key areas of growth across our franchise will occur in our customer-facing business, Asia, metals and crude and products," said David Goodman, London-based co-global head of commodities at Bank of America. "We continue to look to grow and expand our metals and oil business."

Bank of America's commodities group is now about 600 people, people familiar with the matter said.

UBS said today it hired Olivia Ker and Tom Price from Bank of America Merrill Lynch. Ker joins UBS's mining research team in London and Price will become a director of the commodity research team in Sydney.

Bonuses paid by banks to their fixed income groups, which typically include commodities, should expand by 40 percent to 50 percent this year, according to Johnson Associates Inc., a New York-based compensation consultant.

"Commodity hiring was in a deep freeze for six to eight months as a result of economic turmoil," Stein of Commodity Talent said. "But when it thawed, it did with a vengeance."