

# Citi says commods "growth area" despite Phibro sale

Fri Oct 9, 2009 4:00pm EDT

By Barani Krishnan

NEW YORK, Oct 9 (Reuters, excerpt) - Citigroup Inc ([C.N](#)) said on Friday it will grow its commodities division after the sale of profitable energy unit Phibro, and headhunters said they expect new hires at the bank's oil, agriculture and index-investing businesses.

"It's a growth area," Citigroup spokeswoman Danielle Romero-Apsilos told Reuters, referring to the investment bank's commodity business, which includes trading in oil, gas and power, base and precious metals and agriculture.

"We've always had a client-facing commodities business," Romero-Apsilos said. "It just never really was in the news to the extent that the Phibro business was in there."

"Their focus areas include oil, agriculture and index-investing," said [George Stein](#), [Managing Director of [Commodity Talent LLC](#)], who estimated earlier this year that Citigroup would hire about a dozen commodity professionals through 2009.

Stein said Citigroup took in about 80 staff for commodities in 2008, including some metals traders who used to work at Merrill Lynch, now a part of Bank of America ([BAC.N](#)).

Stein, who writes [articles](#) periodically on commodities staffing at U.S. banks and investment firms, said Citigroup posted a record \$400 million revenue for commodities in 2008 as it benefited from government backing for its balance sheet after a public bailout during last year's financial crisis.

This report contains personal information obtained on a confidential basis. Therefore, its use should be controlled and strictly limited to those professionals involved with the selection of the candidate. Complete references have not been provided to substantiate the information in this report, but Commodity Talent LLC will do so at the appropriate stage in the process. No contact should be made with this individual without the prior consent of Commodity Talent LLC.

George H. Stein, CFA  
Managing Director, Commodity Talent LLC  
T +1 917 545-9850  
E [ghstein@commoditytalent.com](mailto:ghstein@commoditytalent.com)

"Citigroup ... has seen clients who routinely used to give all their commodity trading to Goldman ([GS.N](#)) and Morgan Stanley ([MS.N](#)) come its way in the second half of 2008," Stein said in a [January article](#), adding this was partly because of the perception that Citigroup was a "less shaky counterparty" in commodity transactions than some of its bigger rivals.

He also said Citigroup, which acquired in 2008 part of the power trading business of Swiss investment banker Credit Suisse ([CSGN.VX](#)), was targeting a net revenue of \$1 billion for commodities by 2010.

Citigroup does not break down earnings for its commodities division.

Citigroup sold Phibro to Occidental Petroleum Corp ([OXY.N](#)) for \$250 million -- a price viewed by many market observers as a pittance, considering the big profits the energy trading firm had once netted the investment bank. [ID:nN0930601]

The deal came after regulators were outraged by the \$100 million pay package that Citigroup had been obliged to pay Phibro's star trader Andrew Hall.

Citigroup said in a statement the Phibro sale did not affect its client-facing commodities business lines, which it said will continue operating and serving customers worldwide.

Still, some market observers said Citigroup might wind down some of the big risks it once took in energy trading through Phibro, which used to operate like a hedge fund.

"What it might affect is the liquidity," Steve Platt, a futures trader at Chicago's Archer Financial Services said, referring to the Phibro sale.

"They (Citigroup) might have been using (Andrew) Hall's group to lay off some of the risk for ... clients. Now the risk is with the bank, rather than Hall's group," Platt said.

This report contains personal information obtained on a confidential basis. Therefore, its use should be controlled and strictly limited to those professionals involved with the selection of the candidate. Complete references have not been provided to substantiate the information in this report, but Commodity Talent LLC will do so at the appropriate stage in the process. No contact should be made with this individual without the prior consent of Commodity Talent LLC.

George H. Stein, CFA  
Managing Director, Commodity Talent LLC  
T +1 917 545-9850  
E [ghstein@commoditytalent.com](mailto:ghstein@commoditytalent.com)