

JP Morgan

Energy Risk Manager of the Year, Asia

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Despite being a relative newcomer to the Asian commodities market, JP Morgan's rapid expansion across the region has landed the global investment bank this year's award for *Energy Risk Manager House of the Year, Asia*.

The bank's commodities presence in the region recorded strong growth over the past two years, with revenue increasing by 327% and two high-profile acquisitions having the potential to grow the business even further.

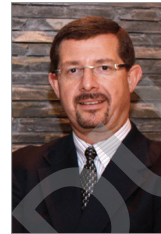
JP Morgan has been the most active investment bank in merger and acquisition activity over the past 12 months, acquiring Irish carbon origination company EcoSecurities in December 2009, and some commodities businesses from RBS Semptra in July this year. Post-acquisitions, JP Morgan's 75-strong Asian commodities front-office team is centrally based in Singapore, with additional offices in Tokyo, Beijing, Shanghai, Hong Kong and Sydney.

"Over the past six months our growth story has been about inorganic acquisitions, while prior to that we've been focused on organic growth," says Oral Dawe, managing director and chief executive officer of Asia Pacific commodities group at JP Morgan. "We now have a nearly complete platform of physical and paper capabilities of precious metals, base metals and energy products," he adds.

The investment bank has had a strong presence across the Asian commodity exchanges and has been directly involved with initiatives on the Singapore Exchange (SGX) and Singapore Mercantile Exchange (SMX). The bank has been actively trading palm oil across swaps, options,

exotics and investor products across the Singapore Commodity Exchange (Sicom), the Tokyo Grain Exchange (TGE), the Australian Securities Exchange (ASX) and Bursa Malaysia.

JP Morgan jumped up in this year's commodities rankings tables, prepared by *Energy Risk's* sister publication *Asia Risk*, gaining first place for crude oil &



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Oral Dawe, JP Morgan

refined products, gas oil, crude oil, fuel oil, naptha and structured products.

Another key development this year was JP Morgan's construction of a gold vault in Singapore to be fully functional from August 2010 to accommodate the trading of physically settled futures contracts on regional exchanges.

JP Morgan's ability to grow while competitors suffered from the impacts of the financial crisis has been a strength, says Dawe. "In some respects the financial crisis helped accelerate our growth. JP Morgan didn't have the same issues as other financial institutions and so we were able to attract clients while others were dealing with their internal issues," he adds.

JP Morgan attributes its success partly to its large geographical footprint across Asia and claims to either have the first or second spot in terms of volumes of physical cargoes across the bulk of countries

in the region. "We tend to be more localised, with a deeper presence inside particular jurisdictions," says Xiuzhang Ouyang, managing director, head of energy trading for Asia at JP Morgan. "Our local currency ability is almost unrivalled – for example, when we take physical assets in certain countries, we can pay storage providers in their local currency, which means it can appreciate down the forward curve."

The investment bank was one of the first to venture in the Australian power market in December 2009, relocating one of its London-based traders to the region to specifically develop this market. "Australia is one of our most important power markets and is extremely liquid. We have a much

larger footprint in Australia than any other investment bank," says Ouyang.

Another key differentiator is JP Morgan's breadth of activity, and the team constantly looks outside established regions in Asia for new business opportunities. "China is of tremendous interest but is a highly restrictive environment," adds Ouyang. "China has overtaken the US as the world's largest electricity consumer, so it's a key area of interest for us. Power is an interesting product to start with in the region and we're also looking forward to making the most of leveraging opportunities there."

"We're always trying to find ways to be a global business. The influence of Asia on financial and physical commodities both in terms of price and physical uptake continues to grow year on year," says Tim Wilson, managing director and head of Asia marketing for global commodities at JP Morgan. ■