



# Monthly Fuel Oil Report

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## July-2020

### Month Overview

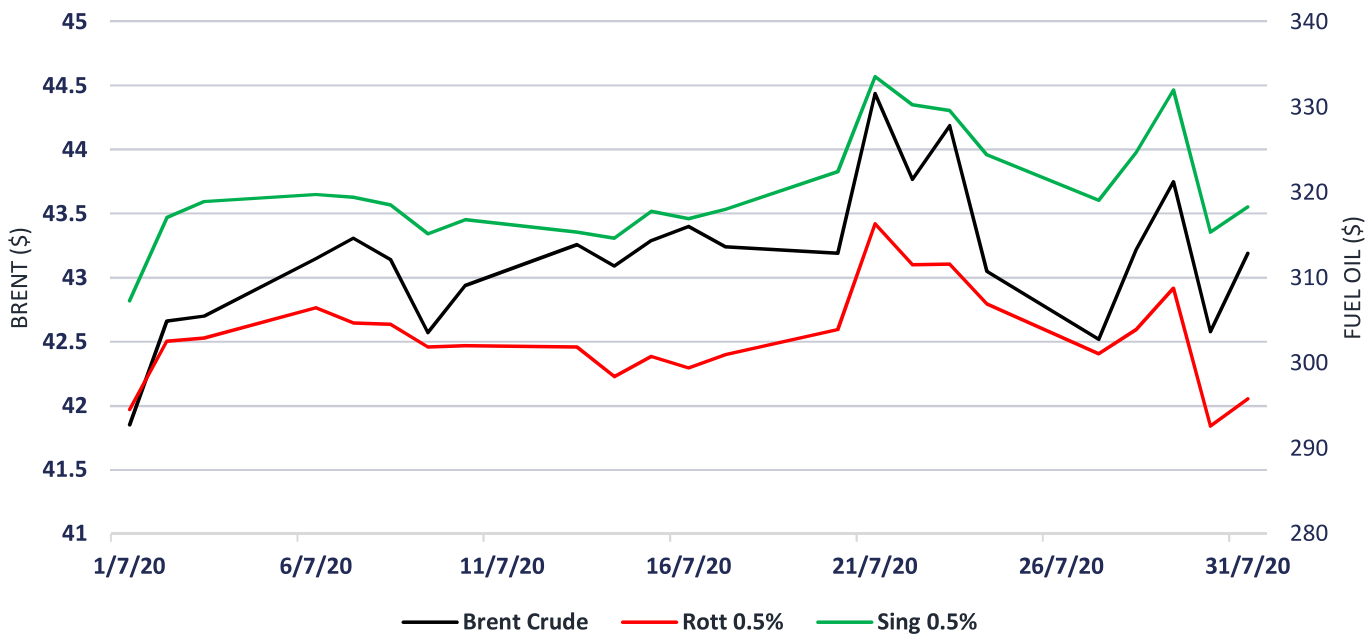
After the turbulence of the first half of this year, the second half has begun with relative calm. Brent crude has been stuck in a range from \$42 to \$44.5, with much of July staying in a narrow band of \$42.5 and \$43.5.

The narrow range of Brent has also been reflected in products. The Singapore 0.5% spent much of July in a \$20 range between \$320 and \$330, and Euro 0.5% between \$295 and \$310.

The slow return of oil demand and the controlled nature of supply from OPEC has led to a flat immediate term outlook, but increasing demand has caused a flip back into backwardation of both HSFO and VLSFO contracts. The market is taking a pause as it waits to see the outcome of the economic damage of the virus, and to what extent the world economy can recover.

All eyes are now focused on the severity of a second wave of the virus and how this, along with other factors like the escalation of China-US relations or stimulus packages, will impact the recovery towards some sense of 'normality'.

**Brent Crude (Sep) And 0.5% Fuel (Aug)**



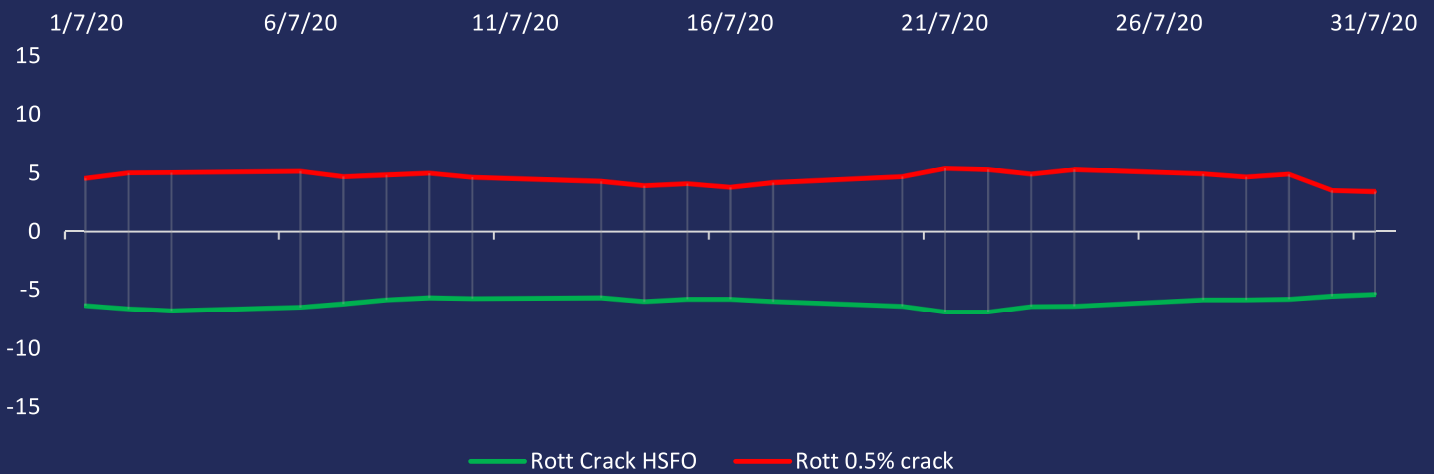
### Crack Market

The crack market has been flat across July. The 0.5% crack has come off slightly as demand for the product has been lacklustre and the Asian shipping hub being well stocked with supplies of fuel.

The HSFO crack has remained strong, driven by healthy demand for the residul fuel from the Middle East, especially Saudi Arabia, that has needed it to fulfil its increased demand for electricity to power the increased number of its citizens that have stayed home, rather than go aborad to cooler climates for the hot midsummer months.

As OPEC+ start to relax their cut agreement, this could increase the supply of heavier crudes from Russia and the Middle East to quench world demand for the heavier products, and therefore could reverse the slow trending up of the HSFO crack.

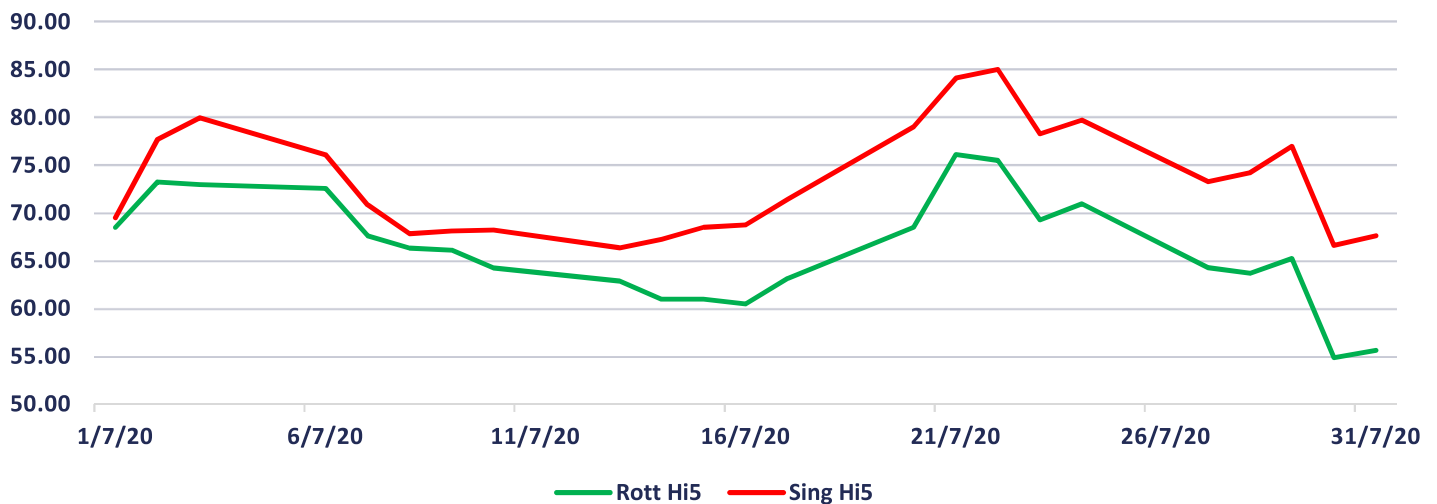
## Rott Crack (Aug)



## Hi5 Spread (VLSFO v HSFO)

The Hi5 diffs (the difference between 0.5% and High Sulphur fuels) had made an attempt to recover from its incredible collapse in value from the start of this year. This, however, was somewhat shortlived as a sharp reversal of gasoil prices in the final third of the month pushed down the differential. With sideways movements on the fuel products, it has been the much faster moving gasoil that has dictated the movements of the Hi5 this month.

## Hi5 Diffs (Aug)



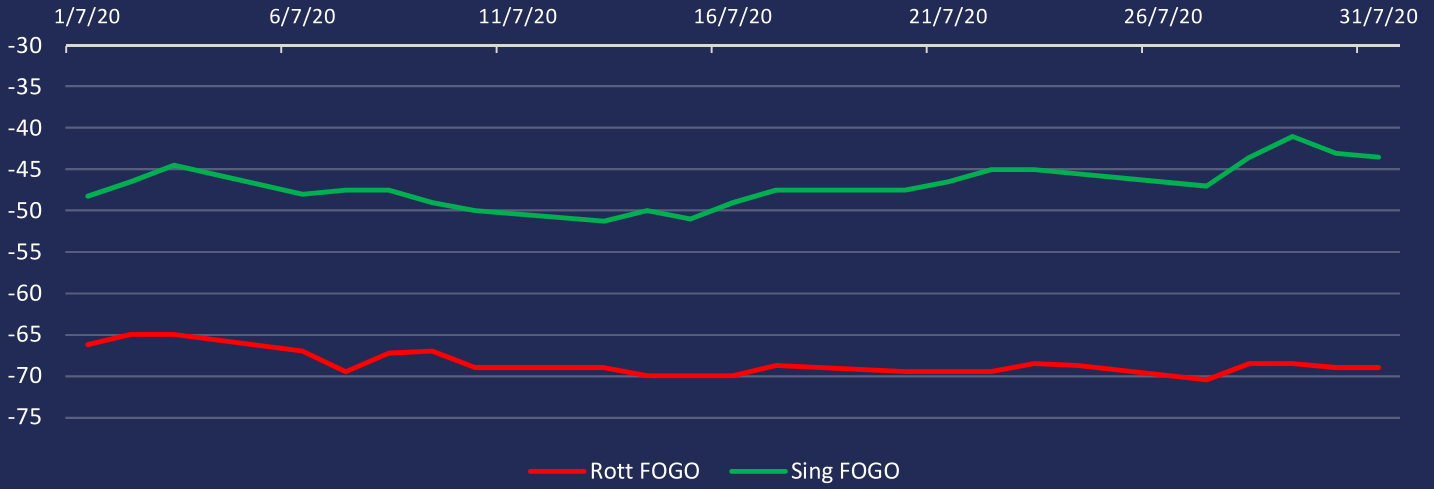
## VLSFO v Gasoil, Gasoil Movements and Collapsing EW

The FOGO spreads (diff between the VLSFO and Gasoil) have reflected the fuel oil market as a whole - flat. From the below graph you can see that the FOGOs, and the Rott especially, has been as flat as an anemic pancake. There is a bit more life in the Sing FOGO, rising from a low of -51.25 mid month, up towards the -40 at the end of the month.

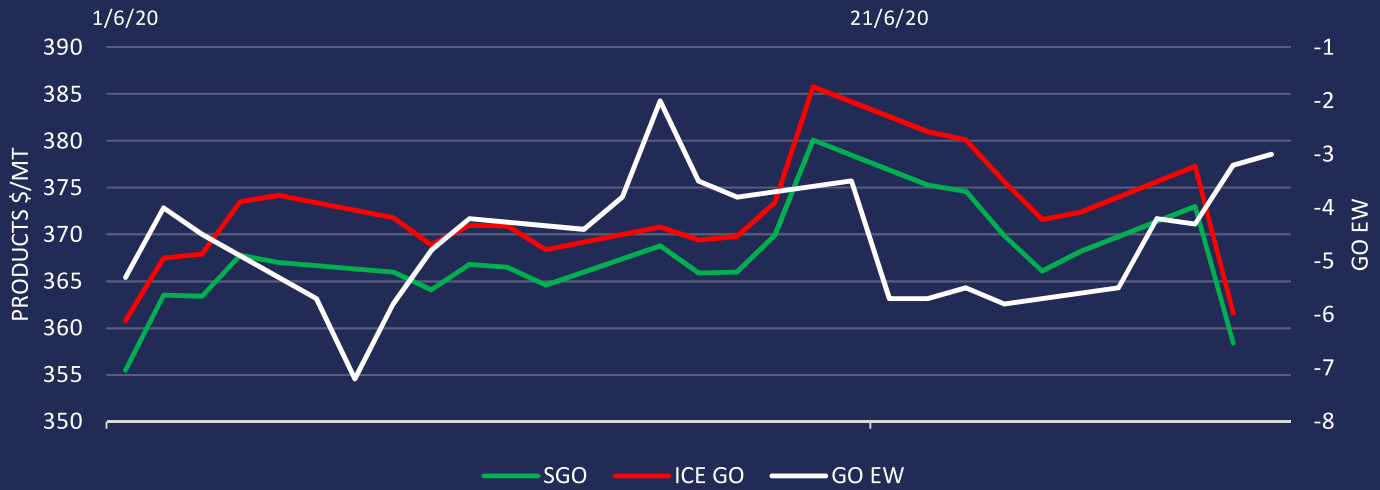
Gasoils have been more volatile than the fuel oil products, moving some \$30 across the month. The gasoil EW has also started to widen after knocking on the door of positive territory for several months, it has now camped much more firmly in negative territory.

This widening EW can also be seen in the fuel markets. From almost parity last month, the EW 380 and especially the EW 0.5% has widened. This has been caused by the dropping supply of VLSFO from Asian refiners, as well as lower

## FO/GO Spreads (Aug)

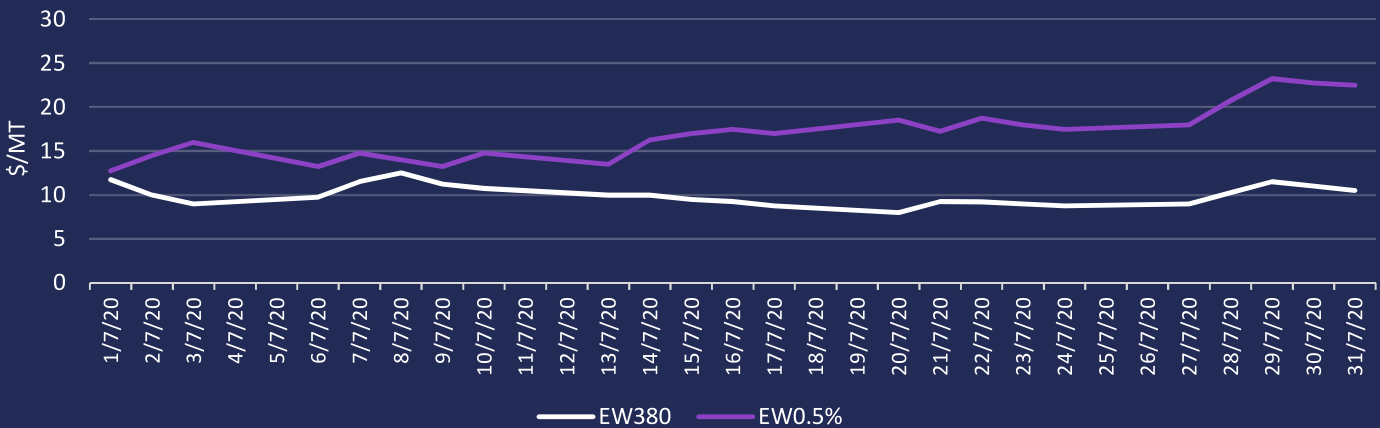


## Gas oils (Aug)



## Dropping EW for HSFO and 0.5%

### EWs (Front Month)

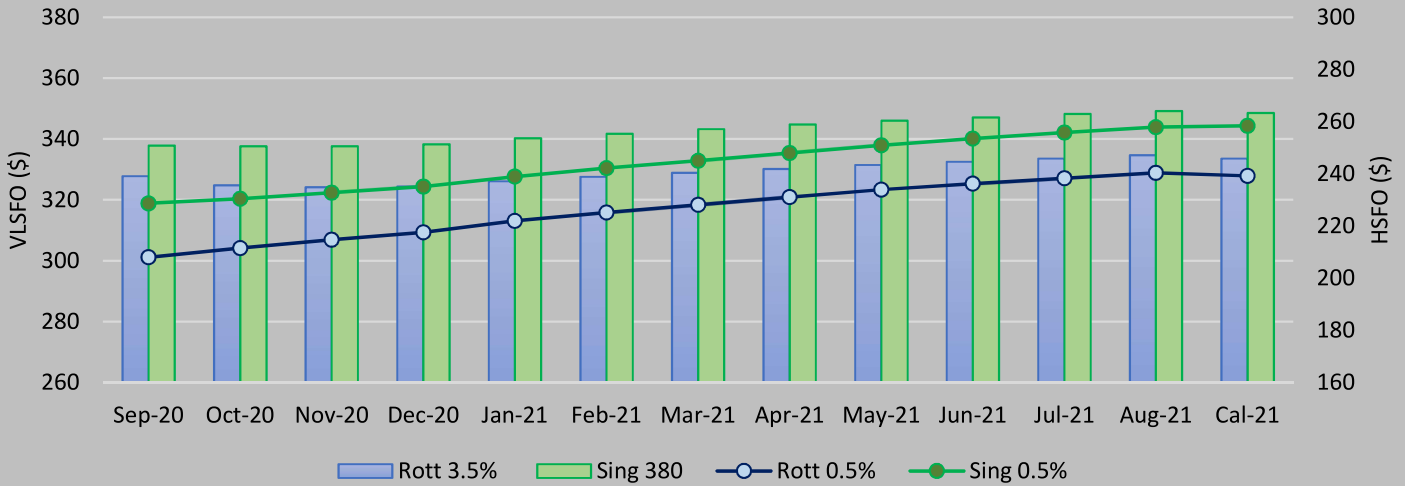


## Index Settlements Averages

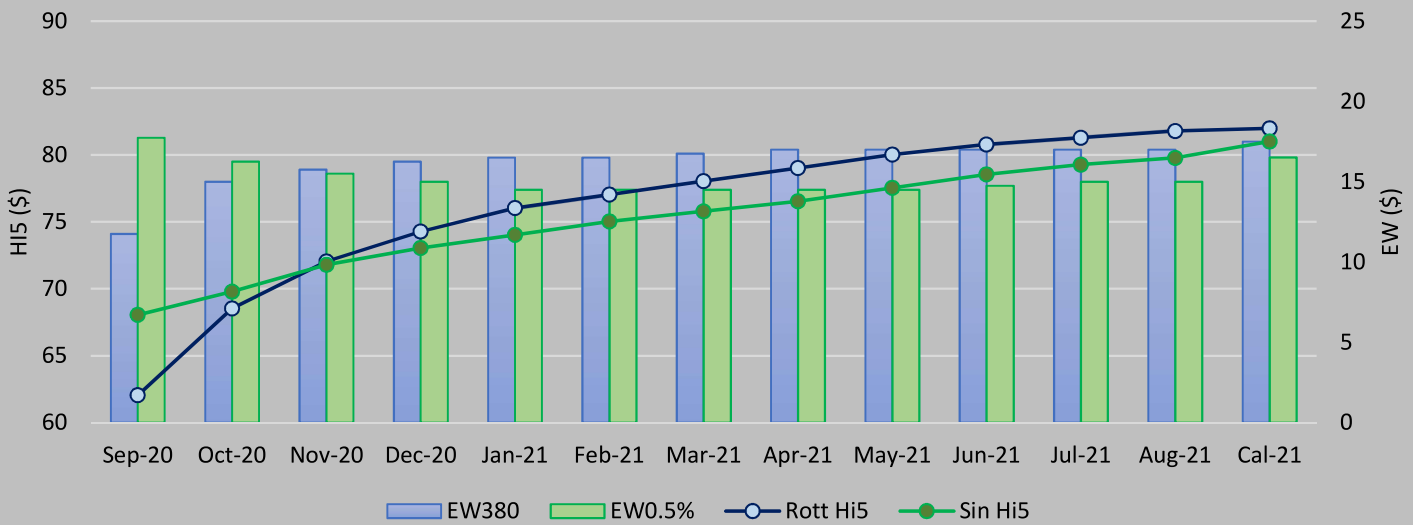
	Rott 3.5%	Sing 380	Rott 0.5%	Sing 0.5%	Rott Hi5	Sing Hi5
<b>Settled</b>	<b>238.62</b>	<b>247.51</b>	<b>296.85</b>	<b>319.3</b>	<b>58.23</b>	<b>71.79</b>
<b>Previous</b>	<b>218.65</b>	<b>223.71</b>	<b>272.03</b>	<b>288.58</b>	<b>53.39</b>	<b>64.87</b>
<b>% vs 2 mo</b>	<b>9.1%</b>	<b>10.5%</b>	<b>9.1%</b>	<b>10.5%</b>	<b>9.1%</b>	<b>10.7%</b>

# Current Forward Curves

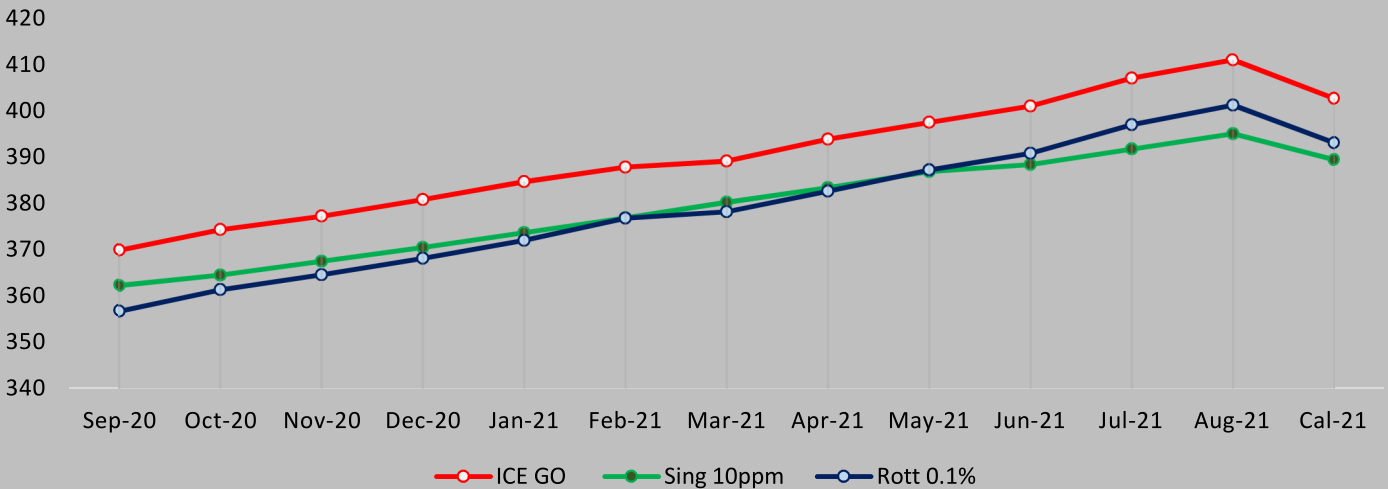
## HSFO and VLSFO Forward Curves



## Rott and Sing EW and Hi5 Forwards Curves



## Gasoil Forward Curves



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