



Monthly Fuel Oil Report

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September-2021

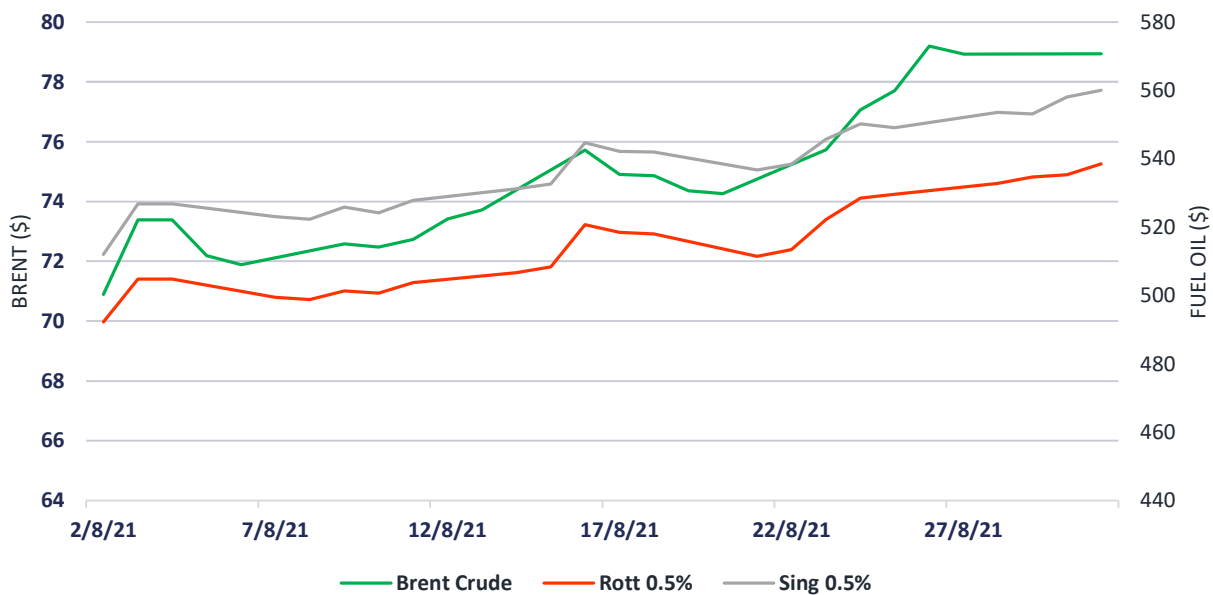
Month Overview

Crude prices rallied after US stockpiles tumbled to the lowest levels since October 2018, adding that oil market fundamentals were turning bullish as concerns of an economic slowdown in China eased and amid forecasts that supply shortages for natural gas could lead to increased demand for oil. The catalyst driving oil prices strength continues to be the bullish demand outlook and near-term constrained supply, leading to a greater-than-expected drawdowns in crude inventories over the past few weeks. Crude stock however posted a surprise build in the last week of September which sparked some concern for the short-term.

Hurricanes Ida and Nicholas, which swept through the U.S. Gulf of Mexico in August and September, damaged platforms, pipelines and processing hubs, shutting most offshore production for weeks. Also weighing on supply, top African oil exporters Nigeria and Angola will struggle to boost output to their quotas set by the Organization of the Petroleum Exporting Countries (OPEC) until at least next year as underinvestment and nagging maintenance problems continue to hobble output, sources at their respective oil firms warn.

China is in the grip of a power crunch as a shortage of coal supplies, tougher emissions standards and strong demand from manufacturers and industry have pushed coal prices to record highs and triggered widespread curbs on usage.

Brent Crude (NOV) and 0.5% Fuel (OCT)



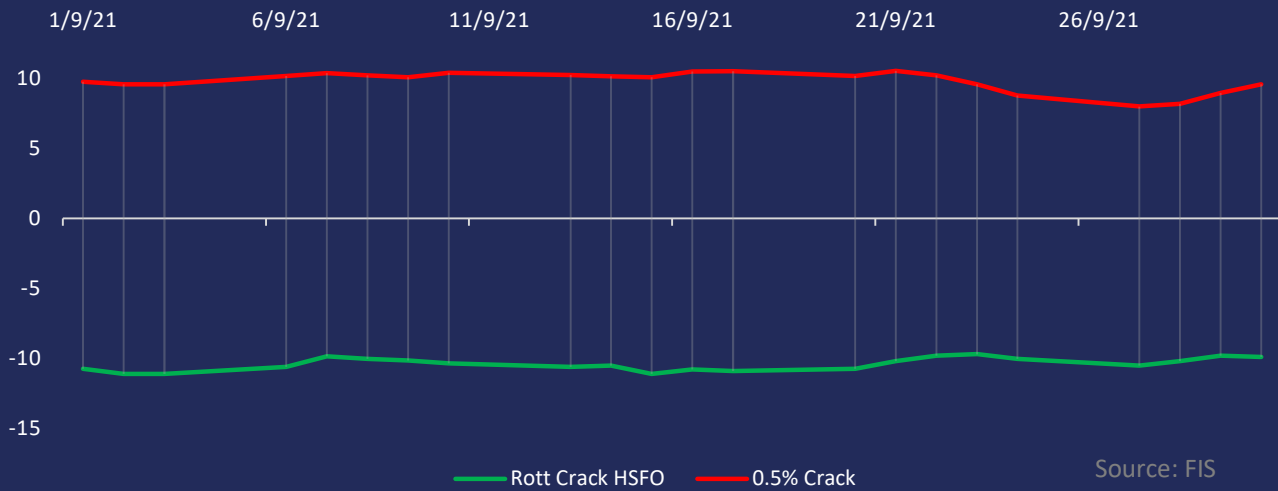
Source: FIS

Crack Market

The HSFO crack market was the big talking point of the month with the push in the gas prices forcing the power sector to move over to HSFO in power generation. the crack averages at -10.40 over the course of the month but ended much stronger going into October at -9.90.

The expectation is for VLSFO and HSFO cracks to increase and reach levels of \$8/bbl and -\$1/bbl, respectively, by the end of the year according to some analysts as the demand for HSFO/VLSFO increases in the cases that the northern hemisphere has a colder than expected winter.

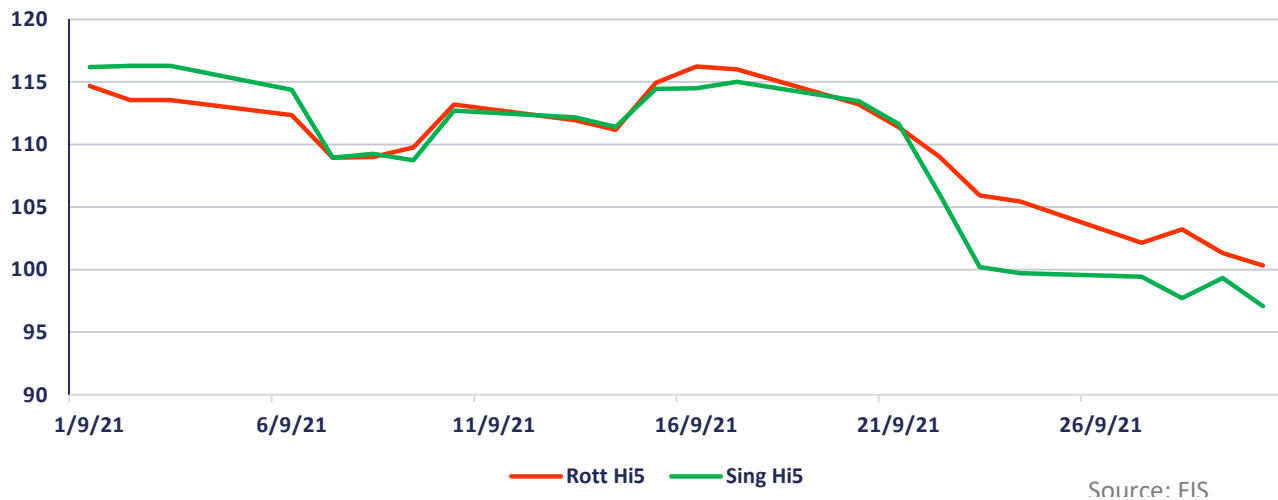
Rotterdam Crack (OCT)



Hi5 Spread (VLSFO v HSFO)

The VLSFO-HSFO spread will likely trade at around \$100/t in Singapore in the months ahead, and slightly higher elsewhere. The spread weakened significantly through September as the HSFO gained momentum, and as such the Rott Hi5 ended the month printing at around \$100 with the Sing at around \$97.

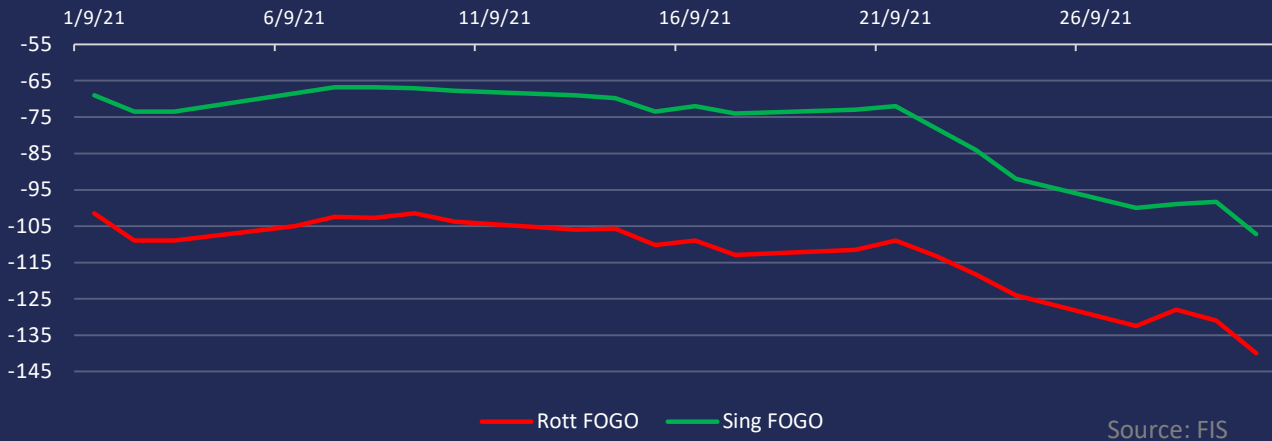
Hi5 Diffs (OCT)



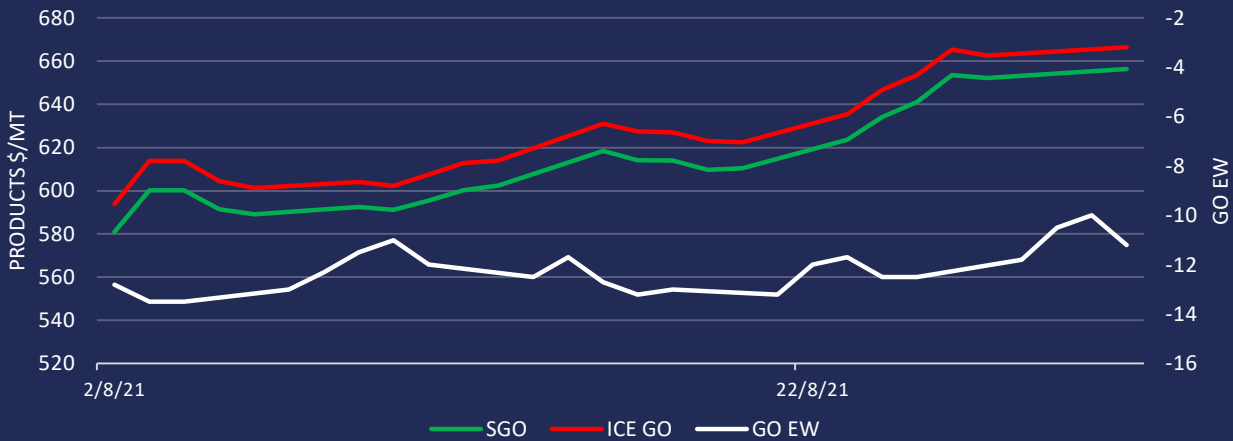
VLSFO v Gasoil, Gasoil Movements and EWs

Low stock levels and increased demand, mostly from natural gas-to-oil switching, will continue to support fuel oil prices and cracks. Asian fuel oil demand will increase seasonally by around 100 kb/d in 4Q due to higher demand for bunkering and heating during the winter period. Given current high LNG prices, there is the possibility of up to 80 kb/d of additional fuel oil demand from natural gas-to-oil switching. There is further upside of around 50 kb/d if the upcoming winter is colder than expected. The recent surge in fuel oil burning comes mainly from Pakistan and Bangladesh's power sectors. South Asia has driven fuel oil substitution so far, but expectation is for North Asia to take over in winter. (FGE)

FO/GO Spreads (OCT)

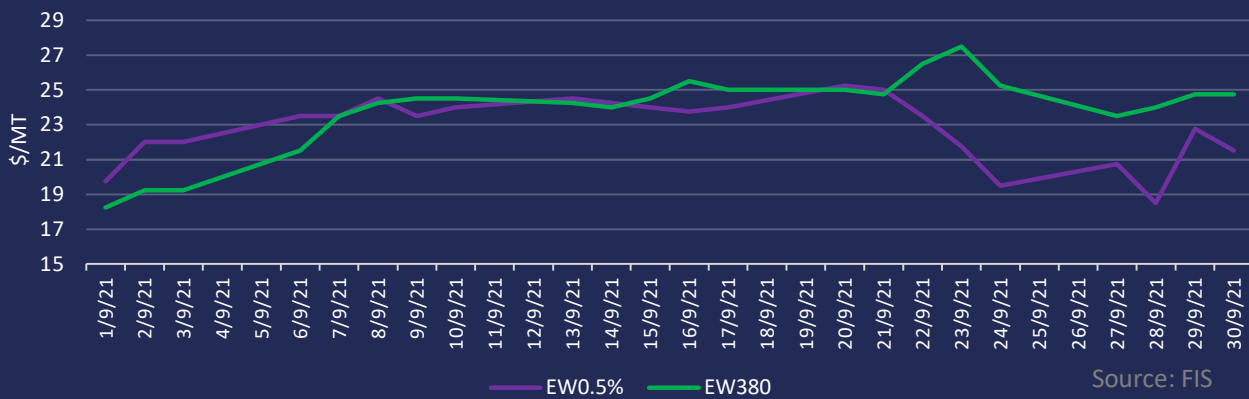


Gas oils (OCT)



Slight softening of the EW HSFO and 0.5%

EWs (Front Month)



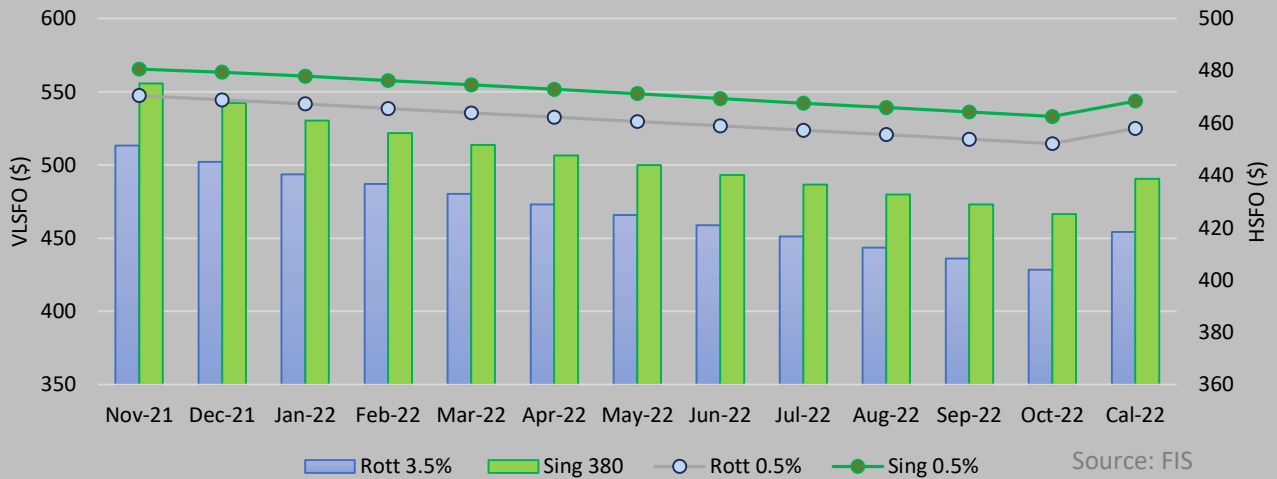
Index Settlements Averages

	Rott 3.5%	Sing 380	Rott 0.5%	Sing 0.5%	Rott Hi5	Sing Hi5
Settled	409.66	447.78	516.51	541.54	106.85	93.76
Previous	382.18	402.49	485.73	510.41	103.55	107.92
% m2m	6.7%	10.1%	6.0%	5.7%	3.1%	-15.1%
YTD	370.54	386.90	476.55	498.21	104.89	109.25

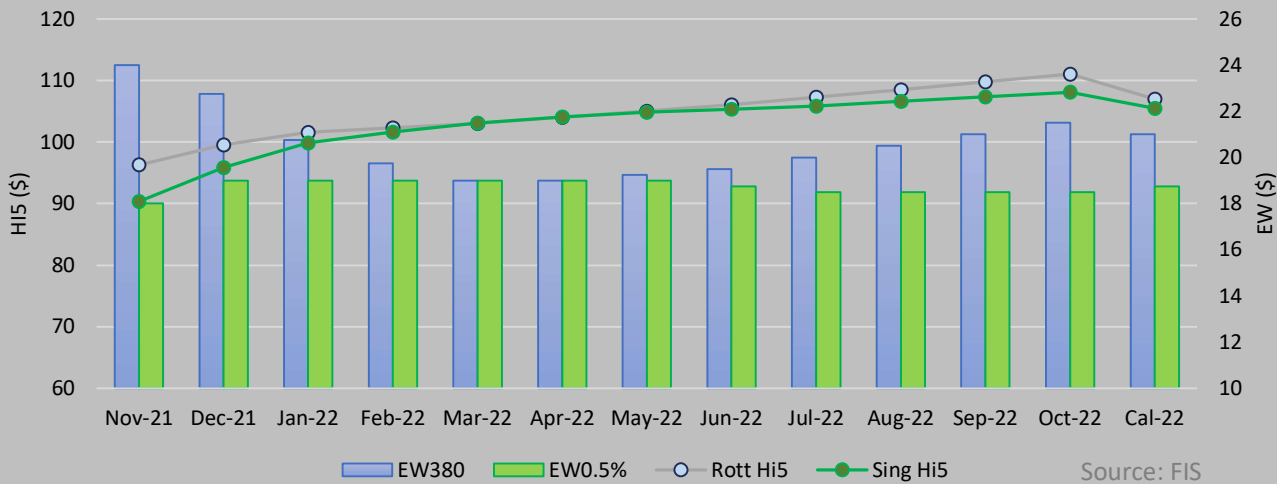
*Please note that these are not official figures from which to calculate margining or settlements

Current Forward Curves

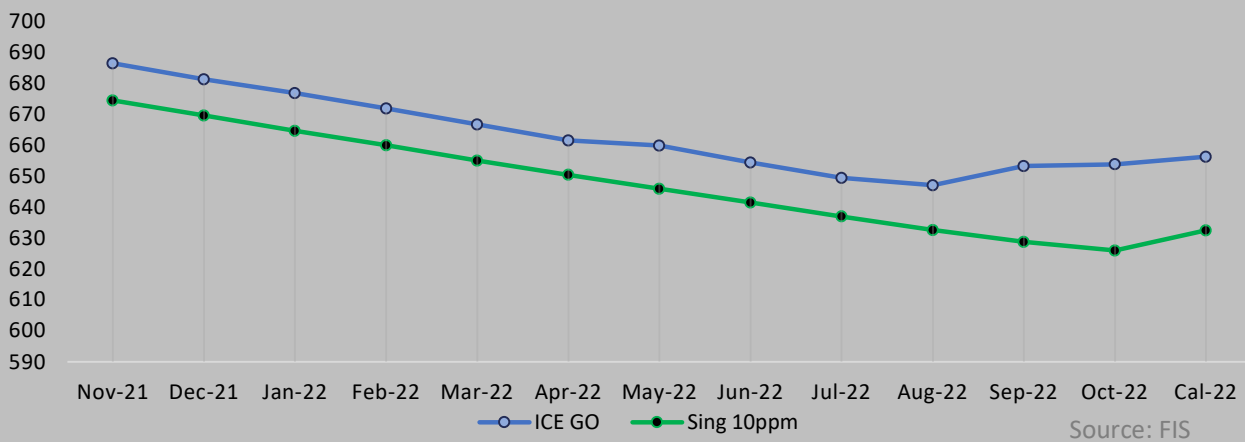
HSFO and VLSFO Forward Curves



Rott and Sing EW and Hi5 Forwards Curves



Gasoil Forward Curves



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