



Monthly Fuel Oil Report

London +44 20 7090 1134 - Sam Twyford - SamT@freightinvestor.com

October-2021

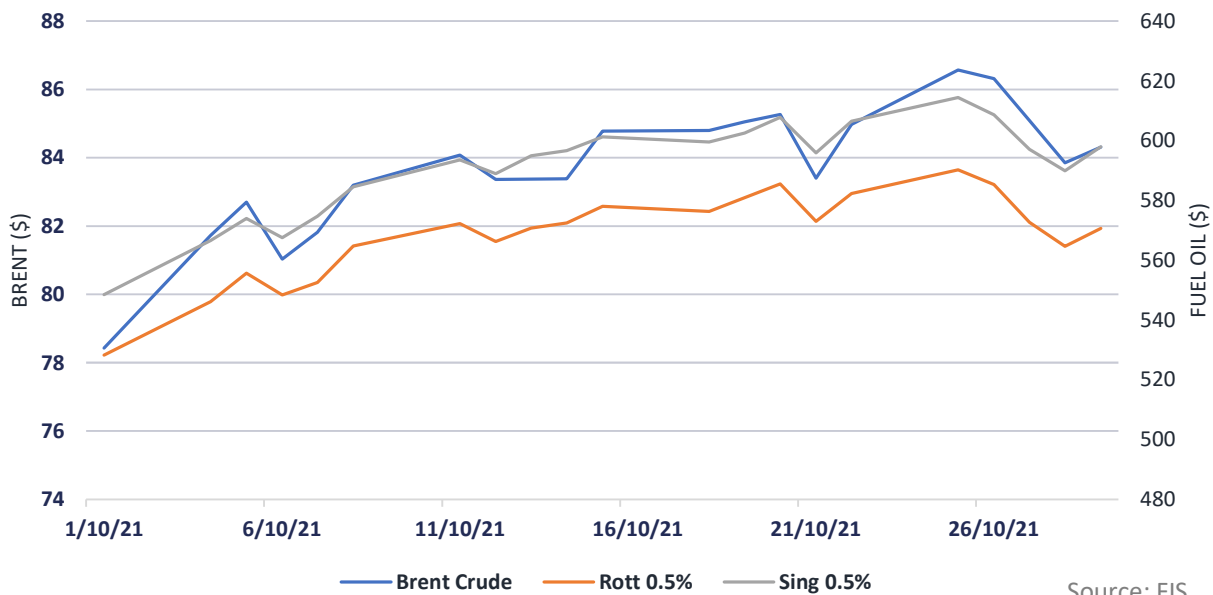
Month Overview

Crude prices hit seven year highs as both Brent and WTI traded above \$80/bbl as the energy crisis continues with shortages of natural gas, LNG and coal. These short falls could boost demand by 500 kb/d in to the winter as power producers switch to oil to maintain power production. Combined with increased mobility leading to higher levels of commuting and air travel the market remains bullish.

Stockpiles remain low globally as the economic recovery strengthens, but oil supply is growing as the Organization of the Petroleum Exporting Countries (OPEC) continues to add production that was cut during covid. However they remain "cautious" and only plan to increase supply by 400 kb/d each month. The U.S. has bounced back as well as offshore production is brought back online after Hurricane Ida last month.

After Q3's disappointing refinery output refiners are cranking up output in a bid to cash in on the inventory build up for the coming winter. Global refining margins have increased with Singapore at \$8/bbl, \$9/bbl in Europe, and \$14/bbl in the US Gulf Coast all driven by pre-covid level of demand in refined products.

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



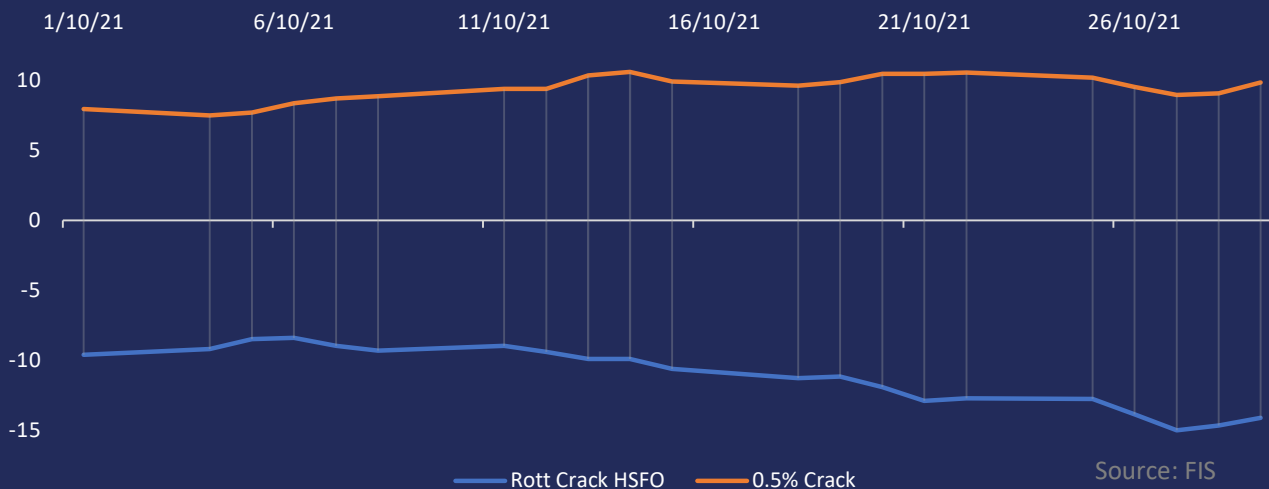
Source: FIS

Crack Market

The HSFO crack market did not perform as strongly as was expected a month ago with demand from utilities in Asia and the Middle East failing to meet expectations. Following last month, October started at -9.60 but lost momentum ending at -14.10. Over the course of the month the crack averaged at -11.09, lower than the prior month at -10.40.

The expectation is for VLSFO to continue to increase and surpass \$10/bbl before the end of the year. After HSFO cracks declined in October some are indicating they expect the prices to jump again with a colder than usual winter and continuing soaring gas and coal prices.

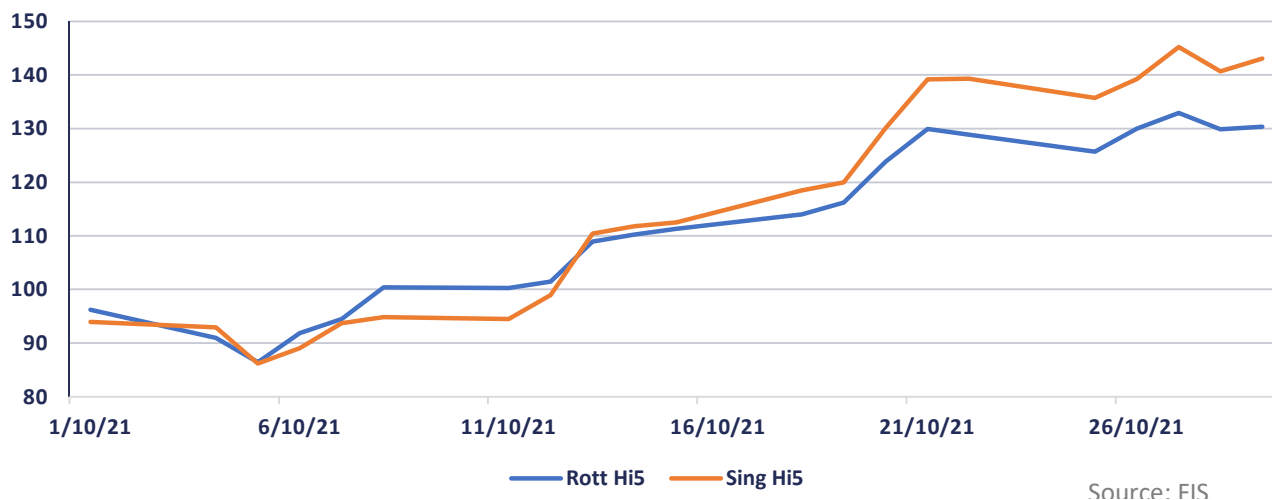
Rotterdam Crack (NOV)



Hi5 Spread (VLSFO v HSFO)

The VLSFO-HSFO spread will likely trade at above \$100/t in Singapore and Rotterdam for the rest of 2021. The spread strengthened significantly in October due to surging oil demand driving up VLSFO prices surpassing \$600/MT for the first time since the IMO2020 cap was implemented in January 2020. This combined with HSFO prices remaining consistent with the month prior resulting in Rott Hi5 ending the month at around \$130 and Sing Hi5 at around \$143.

Hi5 Diffs (NOV)



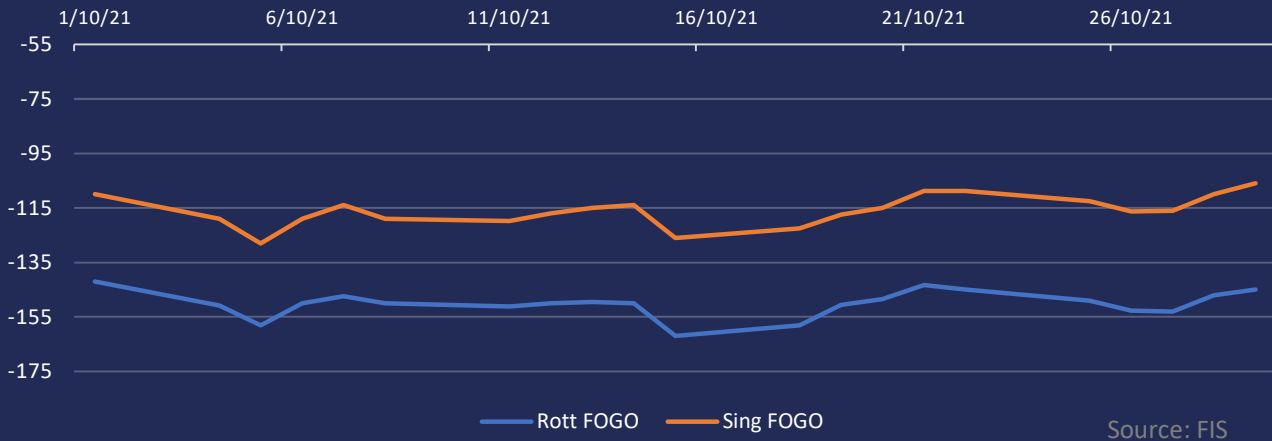
VLSFO v Gasoil, Gasoil Movements and EWs

Higher fuel oil prices and cracks are expected as oil production is outpaced by global demand topping 100 million barrels a day at the end of October. With the current supply constraints coal and LNG are experiencing the strong increase in demand is expected to continue.

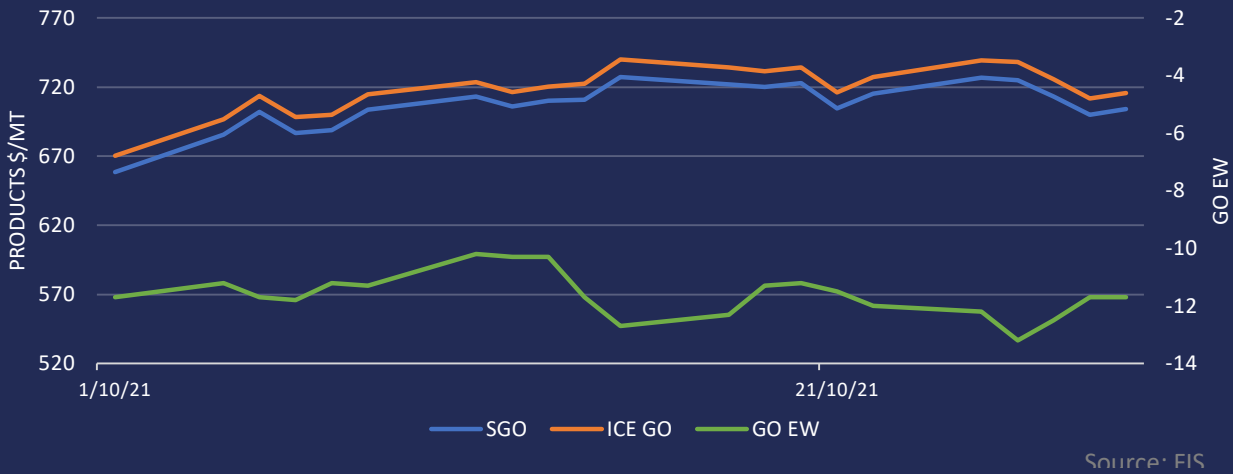
Both the Euro and Singapore Fogo spreads have grown substantially from the month prior as gasoil hits 2021 highs of \$727 and \$739 respectively. Spreads exceeded -100 with the Euro averaging at -150 and Singapore at -115.

The EW0.5% grew strongly ending the month at \$27.25, up \$5.75 over September's close of \$21.50. The EW380 dropped at the start of the month then climbed back to a high of \$25.25 matching September before dropping by over \$10 to close out the month.

FO/GO Spreads (NOV)

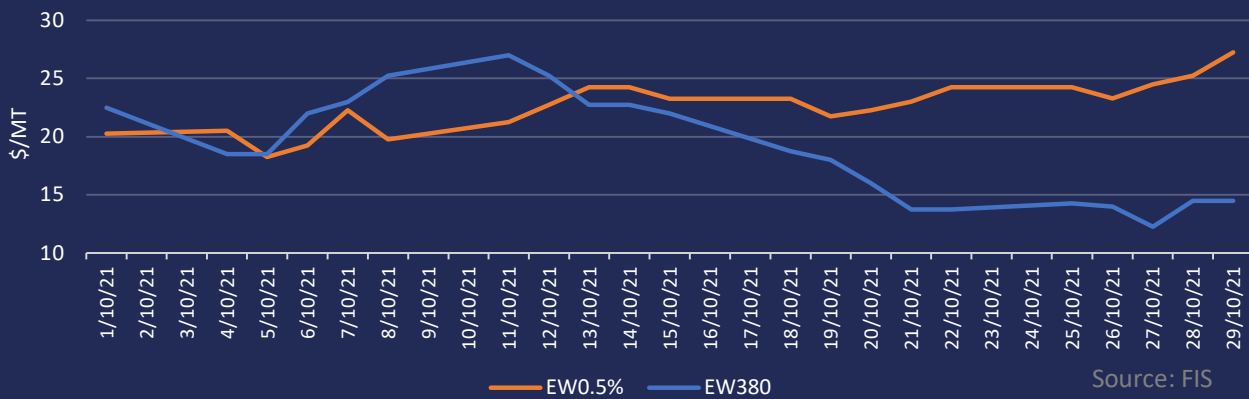


Gasoil (NOV)



Slight softening of the EW HSFO and 0.5%

EWs (Front Month)



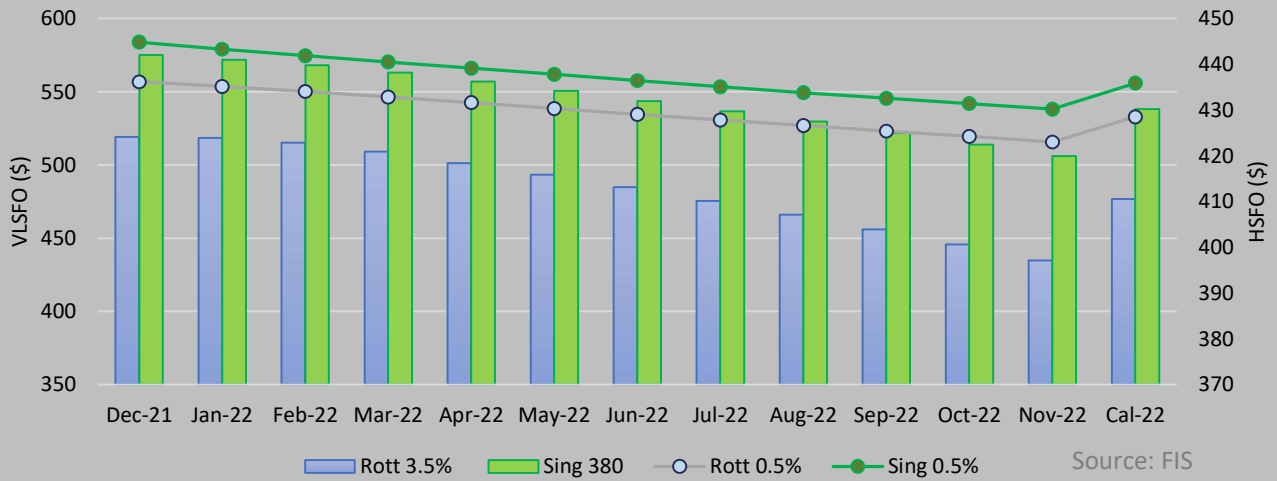
Index Settlements Averages

	Rott 3.5%	Sing 380	Rott 0.5%	Sing 0.5%	Rott Hi5	Sing Hi5
Settled	460.71	482.91	573	593.11	112.29	110.2
Previous	409.66	447.78	516.51	541.54	106.85	93.76
% m2m	11.1%	7.3%	9.9%	8.7%	4.8%	14.9%
YTD	379.6	396.78	486.24	507.93	105.63	109.35

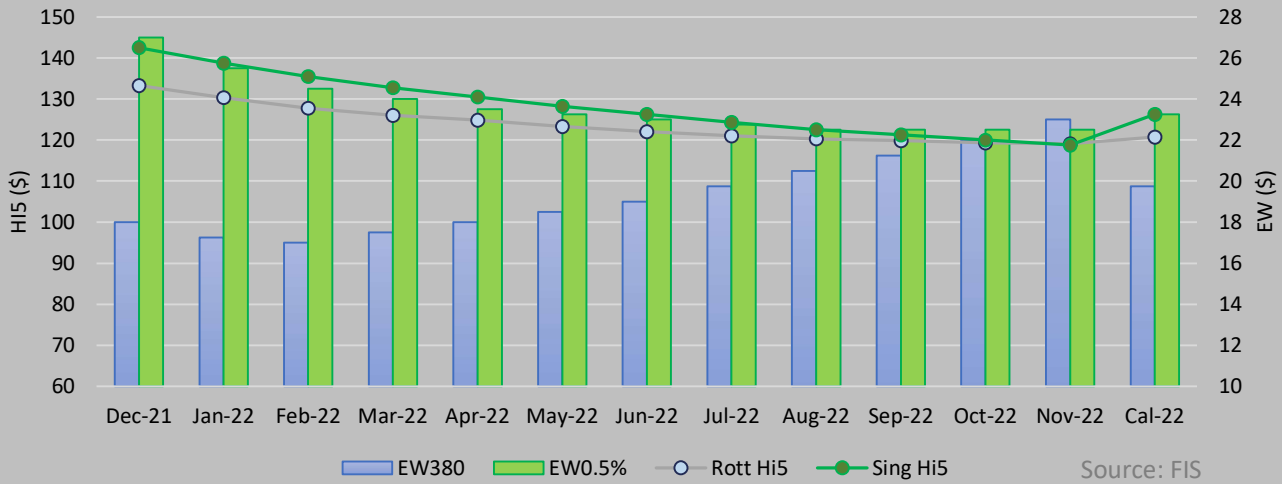
*Please note that these are not official figures from which to calculate margining or settlements

Current Forward Curves

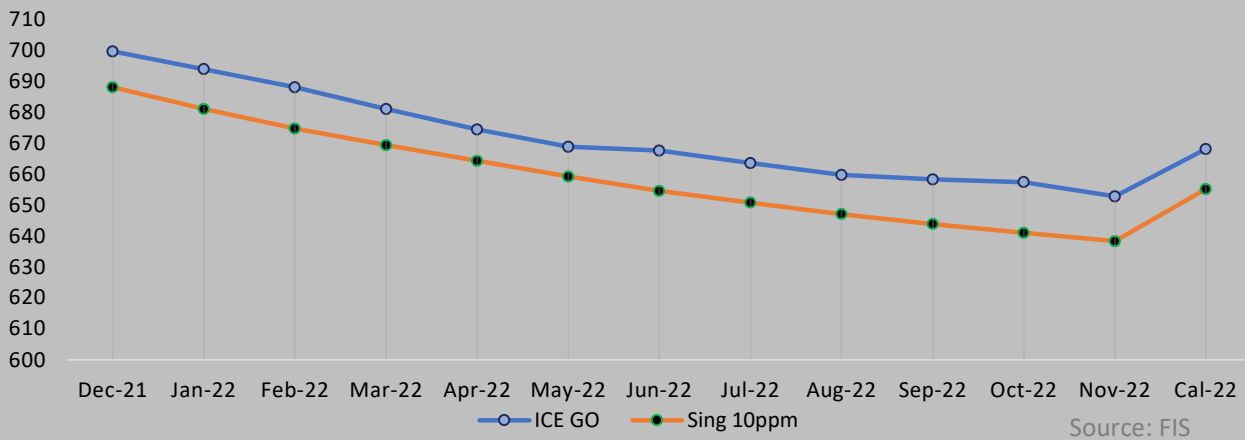
HSFO and VLSFO Forward Curves



Rott and Sing EW and Hi5 Forwards Curves



Gasoil Forward Curves



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