FIS

Weekly Oil Report

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Market Review:

Crude oil market—Short term bearish with Brent crude to range $70-75 per barrel, due to split views over Omicron impacts on demand.

Bunker market— Short term bullish due to supply tightness with Singapore VLSFO to range $600-610/mt.

Prices movement	13-Dec	10-Dec	Changes %	Sentiment	
Brent Crude	74.39	75.15	**-1.01%**	**Bearish**	↓
WTI Crude	71.29	71.67	**-0.53%**	**Bearish**	↓
VLSFO (Singapore)	602.50	598.50	**0.66%**	Bullish	↑

Crude Oil Market :

Market jittery over Omicron's impact on demand

Market sentiment was divided over Omicron's potential impact on the oil demand, as some health experts and scientists claimed that the variant was 'mild'.

However, this market view may not stop countries adopting stricter lockdown measures to contain the virus spread, with the UK and Norway to considering further social restrictions to mitigate the risks.

In the meantime, some trade participants were more optimistic, expecting the 'mild' variant as a signal of a move towards something the world can live with.

Thus, banks like JP Morgan predicted strong crude prices of $125 per barrel in 2022, then $150 per barrel in 2023, due to limited oil supply amid growing oil demand.

OPEC unfazed by new variant threat and maintains bullish outlook

OPEC expects the Omicron variant to be short-lived with limited impact on major global economies as markets were more prepared to handle volatility.

Thus, the cartel kept global oil demand outlook unchanged for full-year 2022, with an average 100.79 million barrels per day (bpd), ...*(continued on page 2)*

Brent Crude Price

WTI Crude Price

Source: Nasdaq

Crude Oil and Bunker Prices

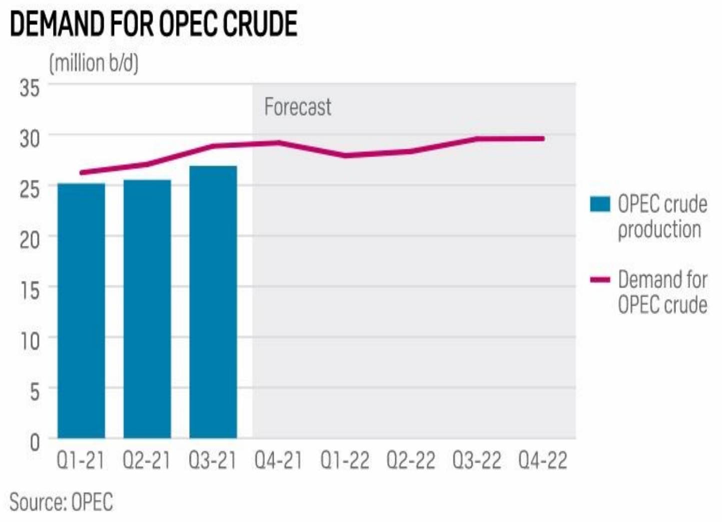
	Last	Previous	Change
Brent Crude	74.39	75.15	-1.01%
WTI Crude	71.29	71.67	-0.53%
VLSO (Singapore)	602.50	598.50	0.67%
MGO (Singapore)	656.50	660.00	-0.53%
IFO380 (Singapore)	427.00	426.50	0.12%
VLSO (Rotterdam)	548.00	550.50	-0.45%
MGO (Rotterdam)	623.00	622.00	0.16%
IFO380 (Rotterdam)	414.50	416.00	-0.36%
VLSO (Fujairah)	598.50	591.50	1.18%
MGO (Fujairah)	760.00	758.00	0.26%
IFO380 (Fujairah)	438.00	441.50	-0.79%
Americas Average VLSO	667.50	669.00	-0.22%
APAC Average VLSO	645.50	642.50	0.47%
EMEA Average VLSO	589.00	588.00	0.17%
Global Average Bunker VLSO Price	633.00	632.00	0.16%

Crude Oil Market (cont)

while the full-year 2021 demand at 99.63 million bpd.

Similarly, OPEC will maintain its previously agreement of boosting monthly output by 400,000 bpd in January 2022, despite concerns about the new variant.

The production uptick was in line with the cartel's gradual incremental output increase with rising oil demand, as reflected in November production with an increase of 290,000 bpd to 27.72 million bpd.



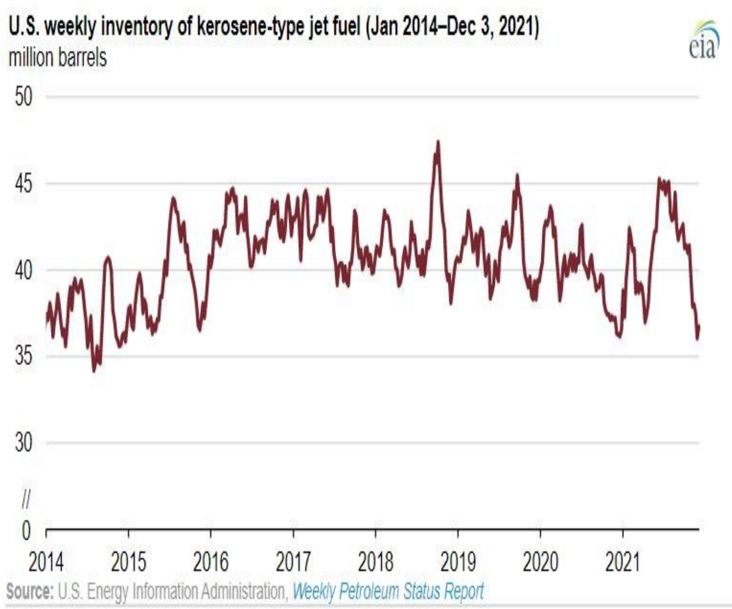
OPEC increases global oil demand forecast to 1.1 million barrels per day for Q1 2022.

More jet fuel demand for travel

Some of the market optimism pointed to the easing of travel restrictions that resulted in more consumption of jet fuel, though there might be some changes if some Omicron-affected countries want to implement stricter border controls.

So far, the high jet fuel consumption was linked to more mobility in the US, Europe, and in China with some market sources claimed that Chinese mobility had returned to almost pre-Covid level of 2019.

This claim concurred with US jet fuel inventories which showed a dip towards 35 million barrels, their lowest level since late 2014, based on data from EIA as of Dec 3.



US jet fuel inventory declined due to less output in October and increased demand toward year-end.

Bunker Market :

Supply tightness persists in Singapore

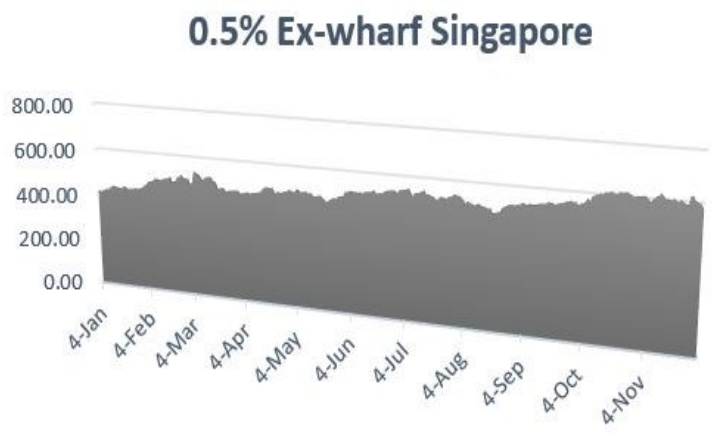
Singapore's supplies of upstream low sulphur fuel oil inventories continued to tighten that supported ex-wharf premiums for term supply in December.

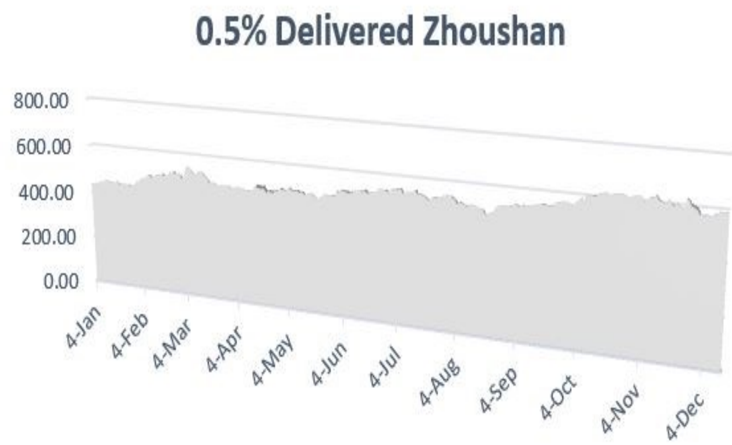
The uptick of ex-wharf premium then reduced bunker margins, which some buyers were heard to get around by deferring term contractual demand and sought purchases for smaller lots of spot ex-wharf cargoes to meet their downstream demand.

However, the supply of high sulphur fuel oil remained sufficient in Singapore to meet bunker demand and stabilized prices by mid-December.

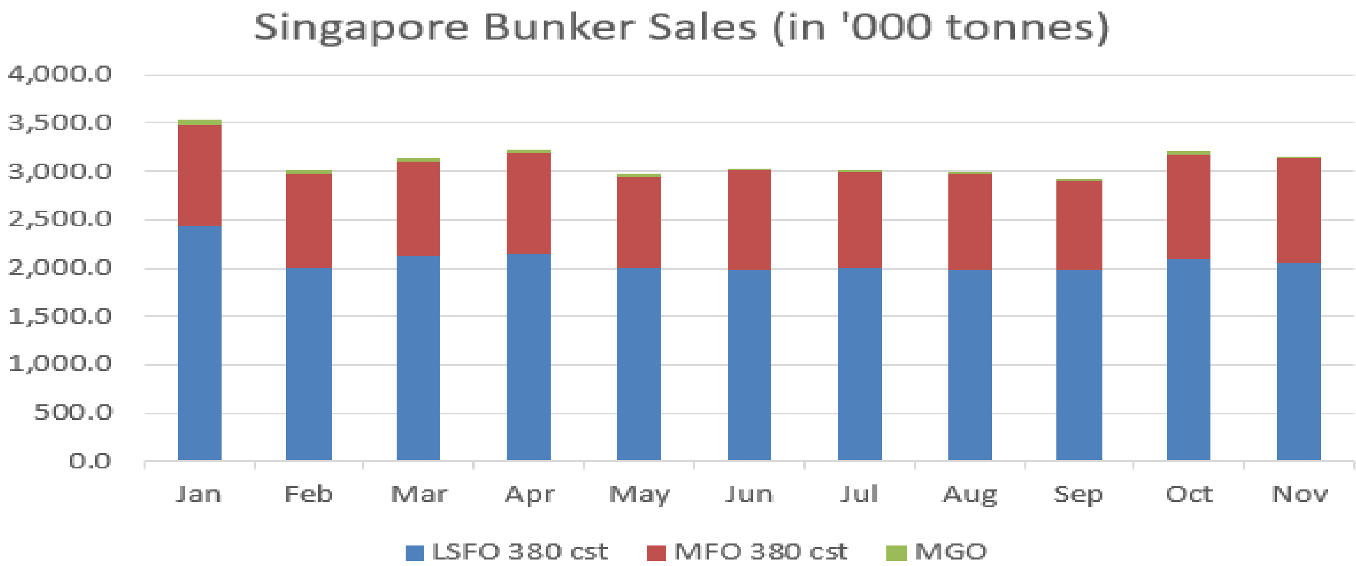
Meanwhile, there was adequate bunker supply in Zhoushan, though bunkering demand had slowed down in December, due to market concerns over economic impact of the new variant Omicron.

Similarly, the port of Hong Kong is well-supplied with marine fuel 0.5% for December, though the city state had drawn its supplies from Singapore which is likely to face tight supply for marine fuel 0.5% throughout this month.





Sources: ENGINE, FIS



Sources: MPA

Singapore is expected to experience less demand for HSFO bunkers in December, as shipowners were heard to refuel smaller lots at Fujairah first, before heading towards the port of Singapore.

Bunker Market :

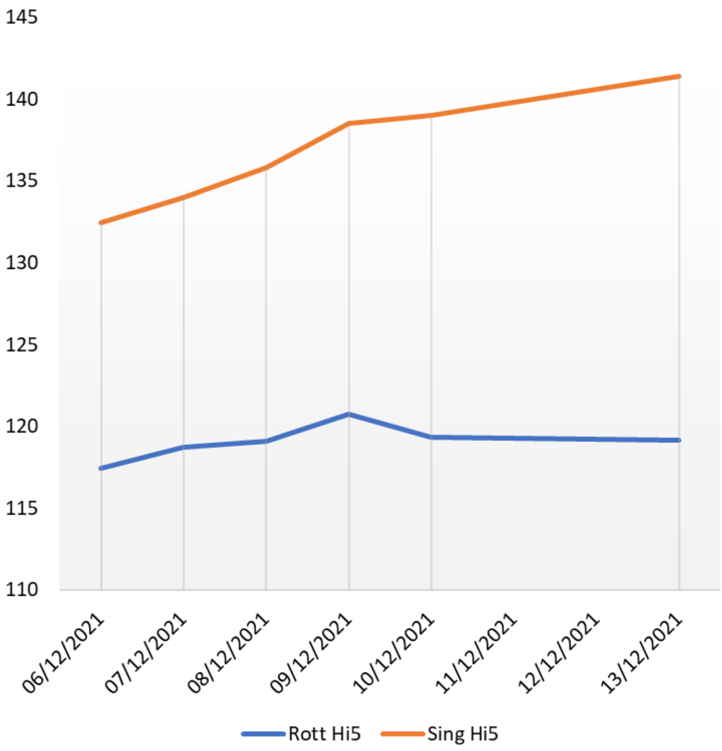
Hi5 and FOGOs

Singapore Hi5 spread continues its rise into the mid triple figures as the recent weakness of HSFO, along with a flatlining FOGO, continue to support the spread between the fuels. This has also been aided by the supply tightness of Singapore 0.5% fuel, leading this fuel to be rising relative to its European benchmark equivalent.

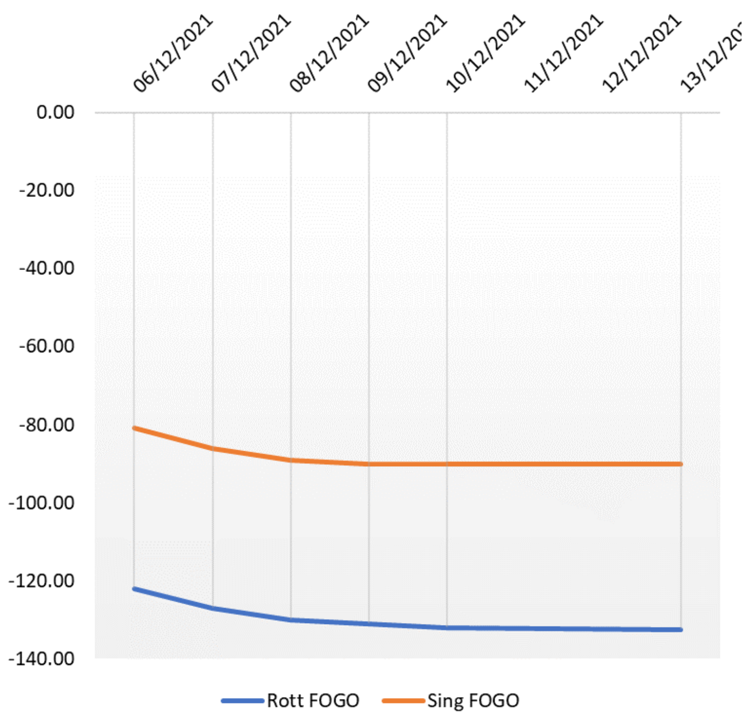
With tightness expected to continue and with no significant respite forecast for the HSFO product, it's reasonable to expect that this spread will continue to widen.

On the FOGO front, things have cooled off after a strong few weeks from the VLSFO. The gas supply problems in Europe seem to have fed through in to the ICE Gasoil and Singapore 10ppm products, with them recovering some ground against the VLSFO products. It has not been a significant move, with prices mostly flattening off, but it has, for the moment, stemmed the month on month movement towards a tightening of the spread.

Rotterdam and Singapore Hi5 spread (VLSFO vs HSFO)



Rotterdam and Singapore FOGO spread (VLSFO vs Gasoil)



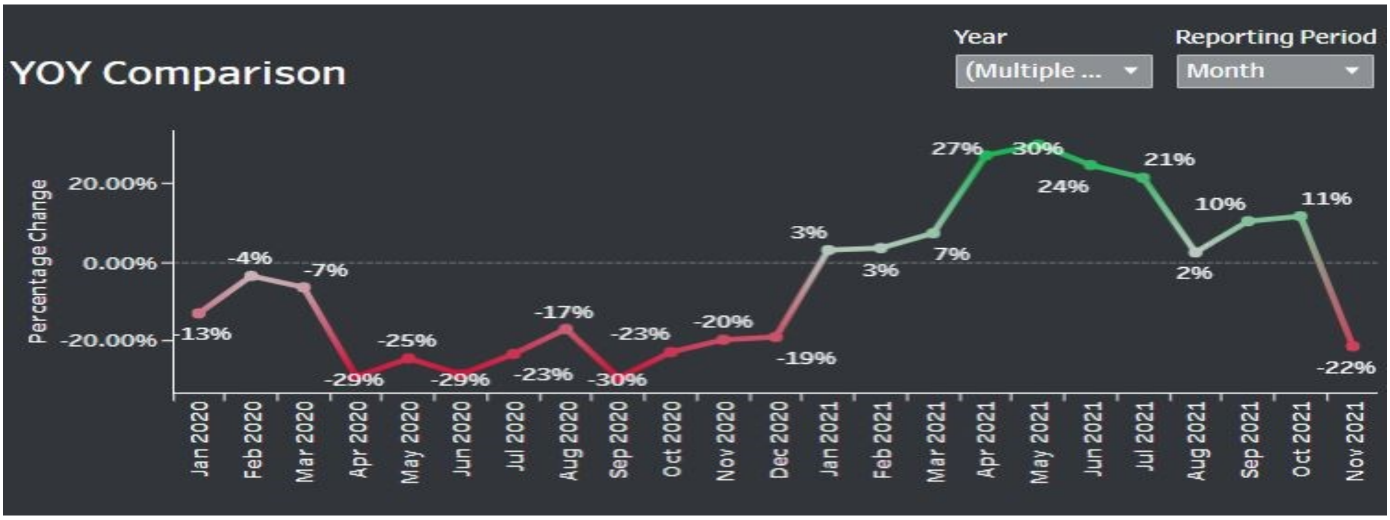
Hi5 Forward Curve Values

	Rott Hi5	Sing Hi5
Jan-22	115.14	140.14
Feb-22	111.14	126.64
Mar-22	108.14	119.64
Apr-22	105.89	115.39
May-22	104.14	112.89
Jun-22	102.89	110.89
Q1-22	111.5	128.8
Q2-22	104.31	113.06
Q3-22	102.89	109.14
Q4-22	106.39	109.89
CAL22	106.27	115.22

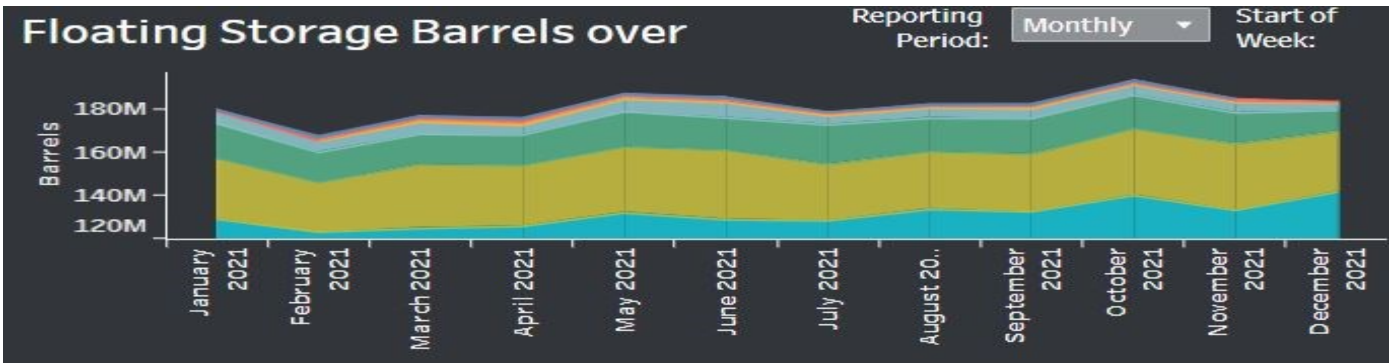
Sources: FIS

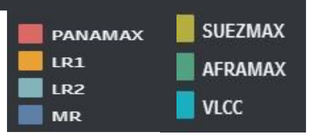
Market Analysis

Fuel oil volumes continued to decrease towards year-end with many vessels still in transition which may aggravate the supply tightness situations, according to IHS Markit data. As some countries were heard to keep fuel oil stocks as backup for power plants feedstocks, to cater for any power spike demand during winter heating season.



The falling year-on-year comparison of fuel oil volumes might indicate that the supply tightness could follow well into the new year of 2022, while other factors, like possible lockdowns and extreme weather, might disrupt supplies and shipments further.

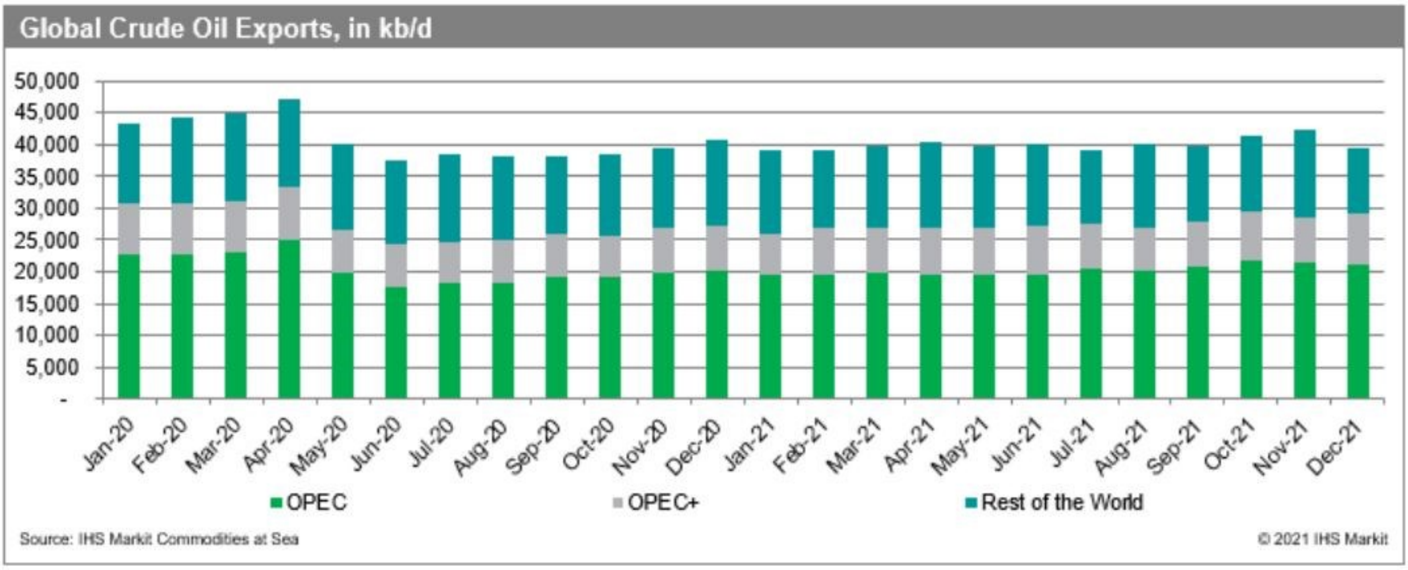




The declining floating storage of fuel oils also made it harder for the traders to relieve the supply tightness with dispatches at short notice to take advantage of higher bunker price movements near bunkering hubs.

Sources: IHS

OPEC+ rushes to fill up export gap



Sources: HIS Commodities at Sea

Sensing the urgency of supply tightness, more oil-producing minors were pushing for more crude oil exports to meet the demand gap.

OPEC Crude Oil Exports by Origin (kb/d)	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2020 H2	2021 H1	Oct-21	Nov-21	Dec-21	2021 Q3
Total OPEC	18,523	19,648	19,707	19,637	19,085	19,672	21,814	21,434	21,115	20,394
Total OPEC+	6,579	6,846	6,891	7,341	6,712	7,117	7,558	7,223	8,154	7,007
Rest of the World	13,205	13,045	12,706	13,135	13,125	12,921	11,856	13,658	10,076	12,220
Total Global	38,307	39,540	39,304	40,113	38,923	39,710	41,228	42,315	39,345	39,621

According to IHS Markit, OPEC + had hiked up their seaborne crude exports to 29.3 million bpd in early December, much higher than their average seaborne crude exports at 28.7 million bpd in November.

Some of the upticks were contributed by Kazakhstan, Mexico and Oman that filled the supply gap left by Russia, as Russian crude loadings went down by 7% on-month to 2.9 million bpd in November.

However, the tight crude exports are likely to be short term basis, as OPEC+ agreed in early December to ramp up output by another 400,000 bpd in January 2022 with Russia and Saudi Arabia's production cap to rise to 10.122 million bpd respectively.

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