FIS Weekly Oil Report

info@freightinvestor.asia | freightinvestorservices.com | (+65) 6535 5189

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Market Review：

Crude oil market—Short term bearish with Brent crude to range $85-90 per barrel, amid geo-political tension and market optimism on higher demand amid limited supplies.

Bunker market— Short term bullish due to supply tightness with Singapore VLSFO to range $675-685/mt.

Prices movement	14-Jan	13-Jan	Changes %	Sentiment	
Brent Crude	86.06	84.47	**1.18%**	**Bullish**	↑
WTI Crude	83.82	81.62	**2.07%**	**Bullish**	↑
VLSFO (Singapore)	679.50	677.50	**0.30%**	**Bullish**	↑

Crude Oil Market :

Geo-political tensions and super cycle for oil

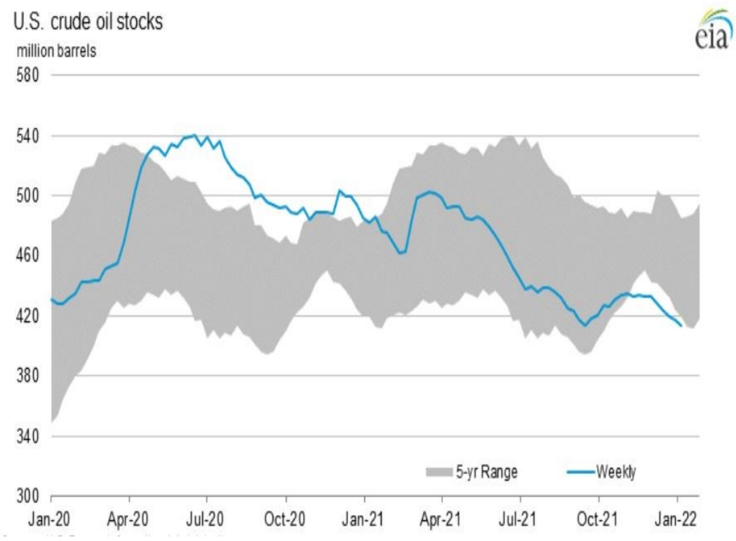
Oil prices rose into the new year after rallying in late Dec, building on market fears of omicron virus fear and threats of escalating geo-political tensions.

However, these fears then drove up the prices of crude prices further upon market optimism that the omicron virus impact was limited and moving to a less threatening endemic instead.

Then, the cold winter in northern hemisphere supported heating demand, while there were market concerns if the current supplies and productions were sufficient to meet demand, even though there was some easing of unrest in Libya and Kazakhstan to lift supply.

Meanwhile, the uncertainty of geopolitical threats between Russia and Ukraine continued to support crude prices amid market fears in the interruption of production and distribution of the strategic supplies if conflict broke out and sanctions being implemented by NATO members.

The sum of the all these fears made some bank institutions like Goldman Sachs predict 'a decade long commodity supercycle' for oil, due to the big deficit of 2% of global demand, with inventories about 5% below the 5-year moving average.



Source: Energy Information Administration

US crude oil stocks had fallen around 5% below the 5-year moving average.

Source: Baker Hughes

US Oil Rig count had improved but no way near its pre-covid years levels.

Crude Oil Market (cont)

China to refine another record high volume of crude in 2022

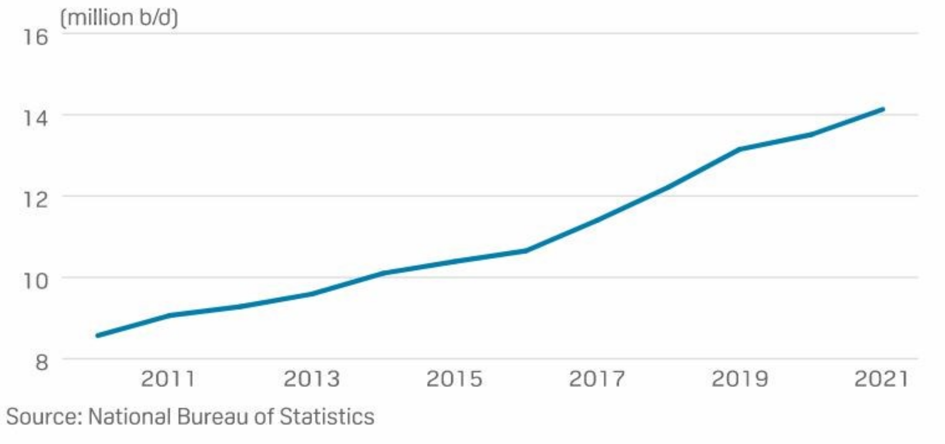
China refined a record high volume of crude oil in 2021 and might increase its refined volume in 2022 with more facilities coming online.

Based on Bloomberg data, the Chinese refiners processed 14.13 million bbls daily, up 4% on-year in 2021, while remaining as the largest global importer of crude for the seven years in a row.

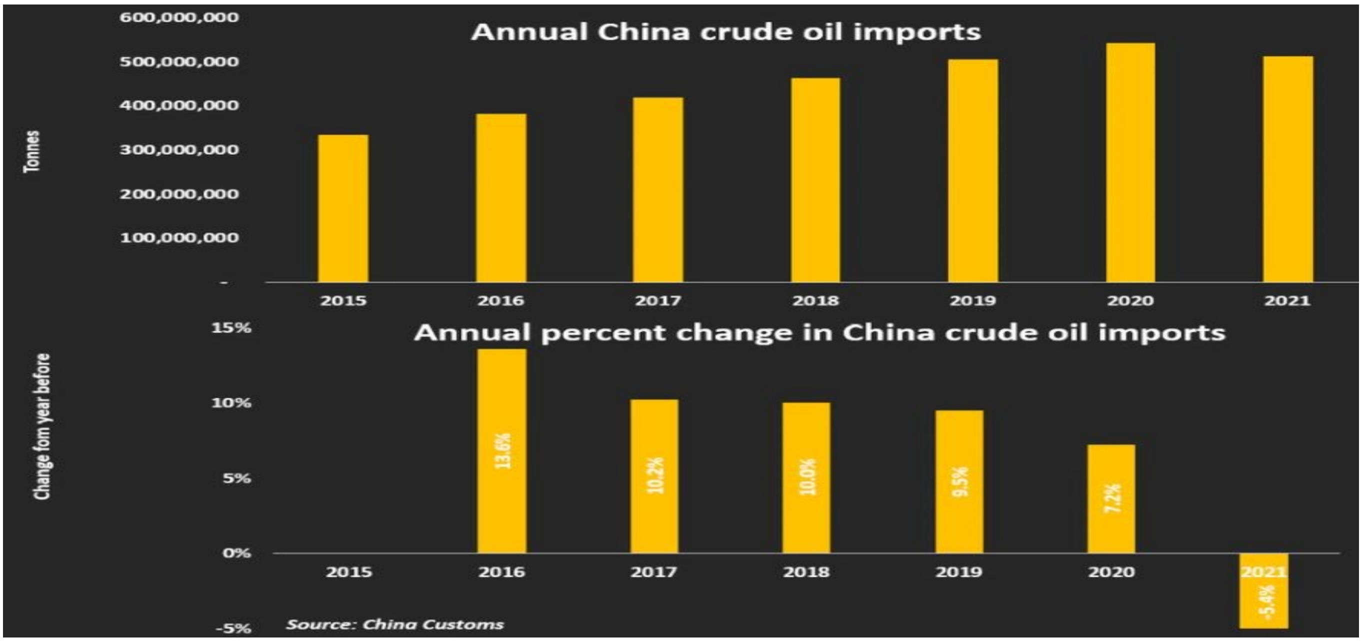
The record high volume of refining crude oil was unlikely to scale down in 2022, as two new facilities are scheduled to come online this year with PetroChina's new capacity to process 400,000 bpd, while Shengdong Group is lined up to introduce new capacity of 320,000 bpd.

However, there was some dips in Chinese oil imports during 2021, recorded at 512.98 million mt, down 5.42% on year, as compared to 542.39 million mt recorded in 2020.

The decline was due to less restocking activities in 2021, as most of the purchases occurred in 2020, when oil prices reached new lows that attracted refiners to buy oil barrels on bargain prices.



China's refining of crude oil reached a record high in 2021 and is expected to increase in 2022.



Source: China Customs

China's oil imports suffered an annual decline in 2021, the first time in 20 years, due to the economic impact of the covid pandemic on oil consumption and demand.

Technical view of the Crude Oil Market:

March futures- USD 83.00 was the key resistance last week which price had traded up to, but not above, leaving the technical in balance. We noted an increase in aggregate open interest and volume, supporting a bull argument. As highlighted on the morning technical and E.U close reports, upside moves above USD 83.00 would target USD 85.50 and USD 86.70, this morning price traded to a high of USD 86.71. The technical is bullish supported by volume and open interest; however, the new high has created a negative divergence with the RSI, this is not a sell signal, but it is a warning of the potential for a momentum slowdown. Intraday Elliott wave analysis would suggest that the move that started on the 20/12/21 is an extended wave 3 suggesting corrective moves lower should be considered as countertrend. Downside moves that hold at or above USD 75.21 will support a bull argument, below this level the Elliott wave cycle is considered as neutral.

FIS senior analyst, Edward Hutton

Chart source: Bloomberg

Daily technical reports are available from FIS. You can sign up for these on our website.

Bunker Market :

Easing in Zhoushan but supply tightness persists in Singapore

Singapore's supply of LSFO bunkers had improved slightly from December 2021, but the market expected supply tightness to last throughout the month of January 2022.

Hence, the lead time for VLSFO bunkering extended to an estimated 8-9 days, while the LSMGO lead times were shorter at 4-5 days waiting period.

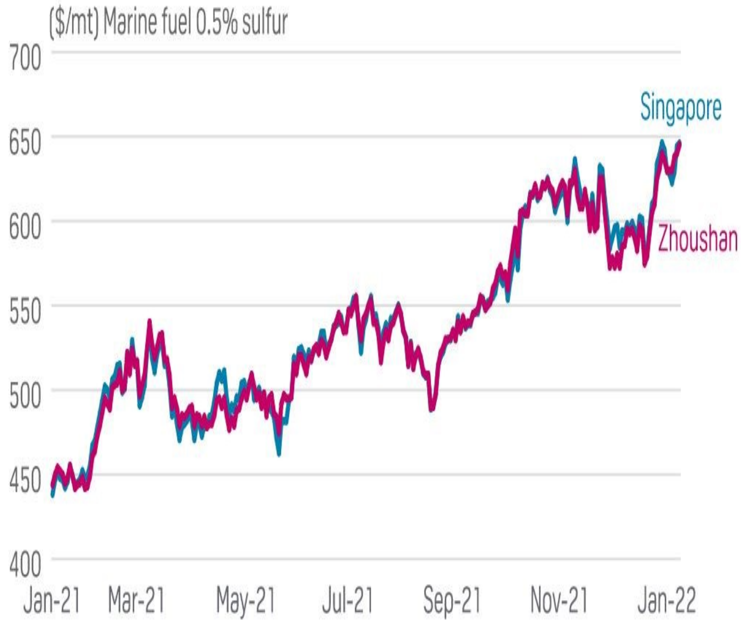
Similarly, the city-state's supply of HSFO bunkers is expected to remain tight due to lower stocks for HSFO blending pool, with lead times for HSFO380 estimated at about 10-12 days.

Though the demand of HSFO bunkers is expected to rise in H2 January in the port of Singapore, as more delivery slots are being made available and provided more support to price upticks.

On the contrary, there was some easing of the backlog in Zhoushan with more supplies of VLSFO and LSMGO grades being more available, resulting in the lead time of one day roughly.

Thus, Zhoushan's bunkering price had been traded at discounts to Singapore port ports for sustained periods in recent weeks.

However, things were not so rosy for bunker deliveries along the Yangtze River Ports with delays from the shortage of pilots amid stringent covid measures that disrupted the berthing timetable and resulted short-term delays in bunkering deliveries schedules.



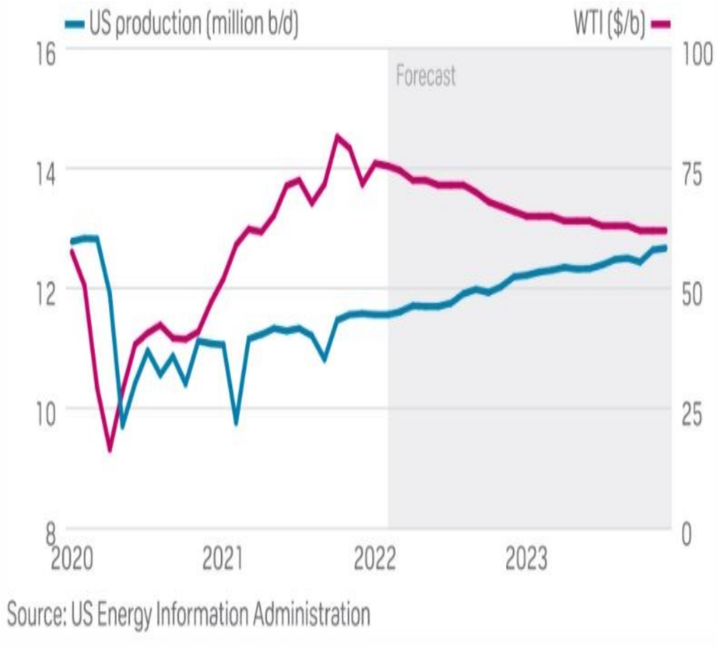
Sources: Platts

Zhoushan marine fuel 0.5% sulfur prices' catching up with Singapore prices.

Hi5 and FOGOs

Singapore Hi5 spread climbed on the prolonged supply tightness in port, with firmer demand in later half of January, though more supplies are expected to ease in late Q1.

However, bunker sales in Singapore might lose some ground to China's Zhoushan due to fewer delays and competitive prices that weakened the bunkering demand in the city-state.



Source: Energy Information Administration

US crude oil production to recover and exceed pre-pandemic levels by 2023.

Sources: Engine, FIS

Bunker Market (cont)

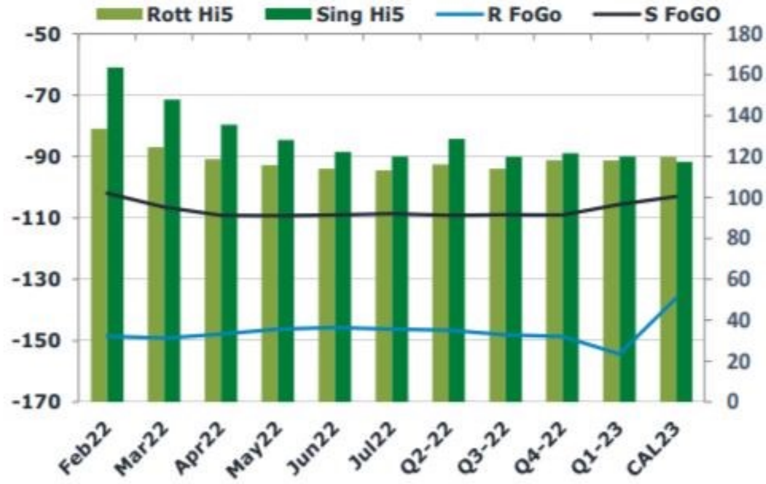
Meanwhile, the FOGO spreads are expected to flatten later in Q1, as winter heating demand eases and with more production coming online.

However, the escalating geo-political tensions in Europe might tighten supplies again and push prices upward. Regardless, OPEC's promise to increase production in 2022 with surplus capacity at 3.9 million bpd in both 2022 and 2023, looks set to increase supplies somewhat, even though this is down 6 million bpd as compared to 2021.

In the meantime, US crude oil production is slated to grow throughout in 2022 to top the pre-covid levels in 2023 at an estimated 12.41 million bpd, due to continued increases in upstream development activity.

Hence, the US Energy Information Administration estimated US oil production would increase 640,000 bpd in 2022 to 11.8 million bpd, but still lowered than the average production of 12.3 million bpd in 2019.

Rotterdam and Singapore Hi5 and FOGOs



Sources: FIS

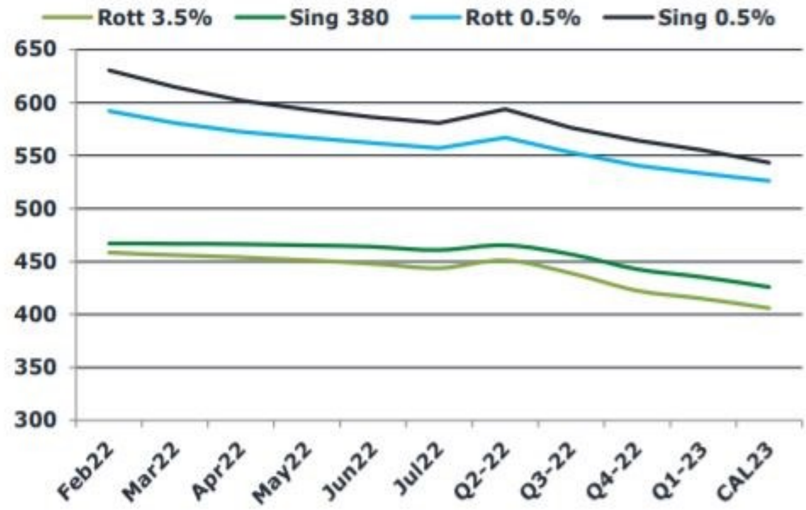
Prompt Hi5 prices expected to firm in Q1, before softening in Q2, due to improved market supply.

Hi5 Forward Curve Values

	Rott Hi5	Sing Hi5
Feb-22	134	164
Mar-22	125	148
Apr-22	119	136
May-22	116	128
Jun-22	114	122
Q1-22	113	120
Q2-22	116	129
Q3-22	114	120
Q4-22	118	122
CAL22	118	120
CAL23	120	117

Sources: FIS

Rotterdam and Singapore FO Futures



Sources: FIS

Bunker prices followed a downtrend as supply tightness eased and improvement of port congestions and delays.

Tanker Market :

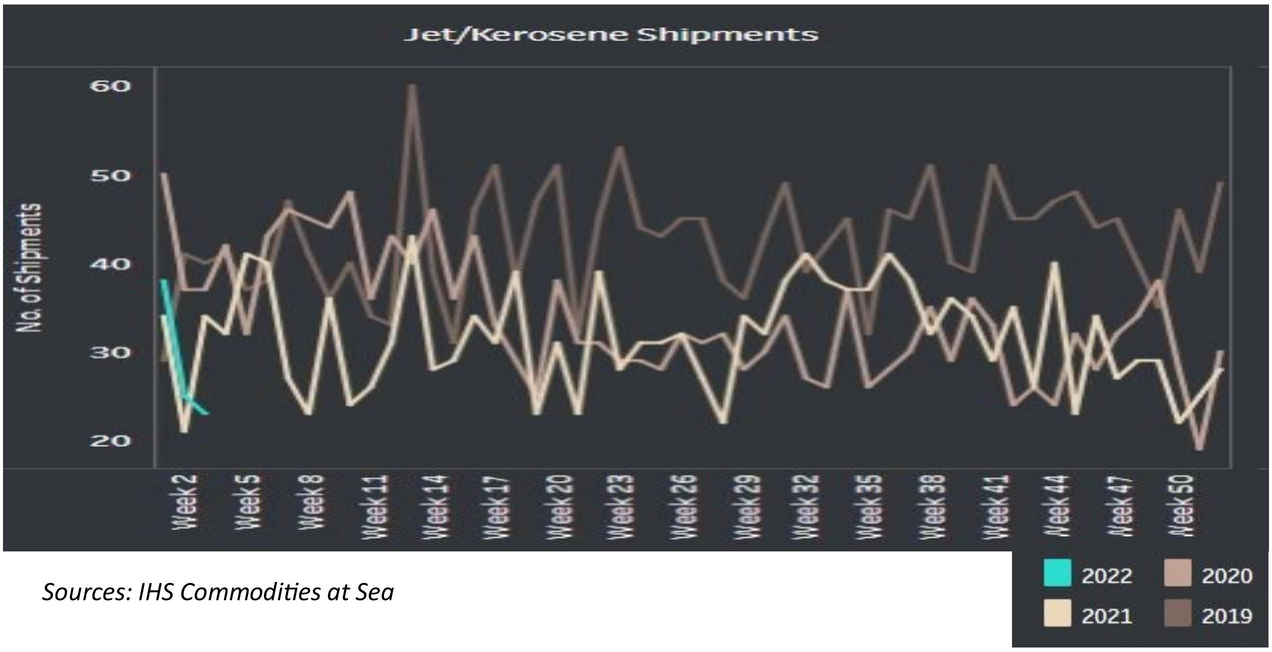
Oversupply market with more larger tankers

The tanker market is expected to see more large tankers entering the fold in 2022, despite a record low fleet-to-orderbook ratio, according to Lloyd's List.

According to Lloyd's data, there are around 340 crude, product, and chemical tankers above 10,000 dwt being scheduled to be added to the existing fleet of 14,485 tankers, that undermine freight rates for the year.

Moreover, one third of the deliveries belonged to crude tankers of 60,000 dwt or above that were scheduled for this year. Thus, the freight rates were expected to remain weak, though oil demand is expected to rise this year in view of more production from OPEC members and the US.

However, jet fuel demand is expected to lag in 2022, despite market expectation of Omicron virus being mild and ended up as an epidemic. Hence, the International Energy Agency (IEA) downgraded its forecasts for jet fuel demand to be 20% below pre-coronavirus levels by the end of 2022.



Sources: IHS Commodities at Sea

Jet fuel/kerosene demand dipped in early 2022, due to market fears of Omicron virus pandemic with IEA downgraded demand to drop 20% below the pre-covid year levels.

	Vessel Age Group				
	0-5	6-10	11-15	16-20	20+
VLCC	229	160	236	130	41
SUEZMAX	168	117	156	120	37
AFRAMAX	107	55	168	185	20
LR2	132	112	175	70	36
PANAMAX	12	3	5	30	4
LR1	46	47	179	113	11
MR	365	402	608	480	181
Handy GC		1			
Grand Total	1,059	897	1,527	1,128	330

There was still high numbers of old age tankers vessels above 20 years old in the VLCC and MR classes.

Sources: IHS Commodities at Sea

Technical view of the Tanker Market:

TD3C:

February futures- We remain technically bearish and in trend with price moving slowly lower over the last week.

Key support remains unchanged at USD 7.1781; downside moves that hold above this level will support a bull argument, below this level the futures will target the USD 7.0380 and USD 6.8000 support levels.

Upside moves above the USD 7.8820 and USD 7.9120 resistance zone will target the fractal resistance at USD 8.8850, only above this level is the technical considered bullish.

Technically bearish within trend the downside move is starting to slow, a close on the daily chart above USD 7.4534 will warn that momentum is improving Based on price.

FIS Senior Analyst, Edward Hutton

Written by **Titus Zheng Shujian**,

FIS Research Analyst

Edited by **Chris Hudson**,

FIS Communications Director