

FIS Weekly Oil Report

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Market Review:

Crude oil market—Short term neutral to bearish with Brent crude to range \$85-88 per barrel, amid waiting for the outcome of geo-political tension between Russia and Ukraine, and US Fed monetary tightening policy.

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

Prices movement	24-Jan	21-Jan	Changes %	Sentiment	
Brent Crude	86.27	87.89	-1.84%	Neutral /Bearish	↘
WTI Crude	83.31	85.14	-2.15%	Neutral /Bearish	↘
VLSFO (Singapore)	690.50	687.50	0.43%	Bullish	↑

Crude Oil Market :

Tightening of US Monetary policy affects the oil rally

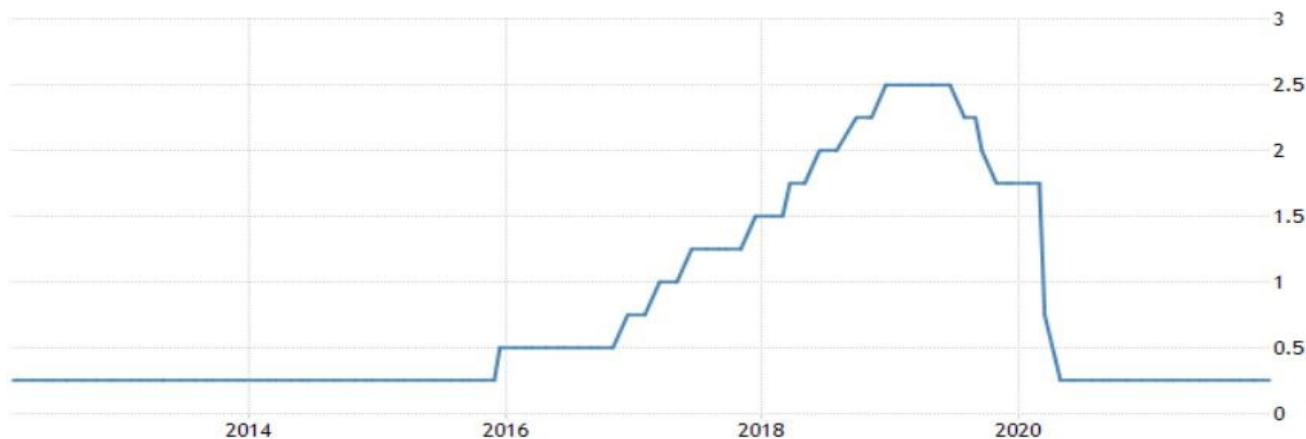
Oil prices went into a correction phase after a month-long rally amid market concerns over possible escalation of tensions between Russia and Ukraine that supported the market after these falls.

However, the recent oil prices seemed to follow the sell-off in the US stock market, as the US Federal Reserve was poised to raise interest rates to fight soaring inflation.

Hence, prices of commodities like crude oil came tumbling down on the strong US dollar that contributed to the sell-off, as market investors tried to limit their risk exposure.

On the contrary, oil demand also seemed to improve despite the sell-off and headed close toward the pre-pandemic demand level, according to Saudi Aramco.

The refiner remained bullish on oil prices and demand in view of the lack of capex investment into further oil exploration that may accelerate the supply tightness.



Source: Federal Reserve, Trading Economics

The played-out scenario of the US Fed rate hike will be an increase of rate at 0.25% in Mar, then another 0.5% in Jun and finally 0.75% in Sep 2022, then perhaps added another two rate hikes to reach 1.25% in 2023.

Crude Oil Market (cont)

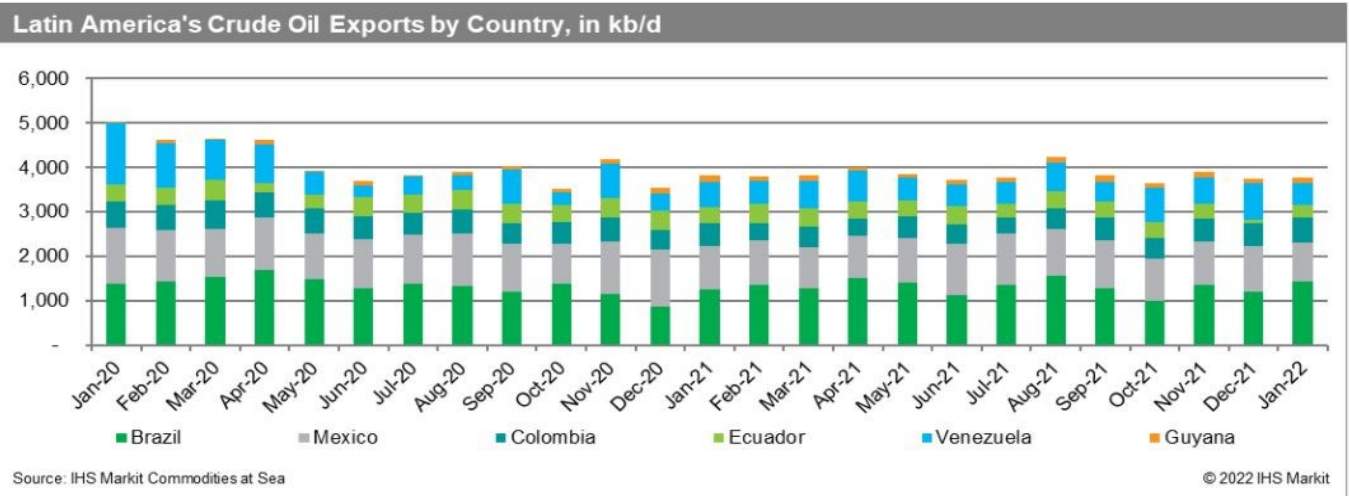
Latin America to the rescue with more exports

Oil producers of the Latin America played a significant role in increasing supply with growing exports since Q4 2021.

According to IHS Markit's Commodities at Sea Service data, the crude oil exports of Latin America excluding Panama reached around 3.77 million mt barrels in Jan 2022, up 0.82% month-on-month.

Guyana's oil exports contributed to the rise with shipments estimated at 157,000 bpd as of Jan 20, which matched its previous record-high export level of 157,000 bpd during Sep 2021.

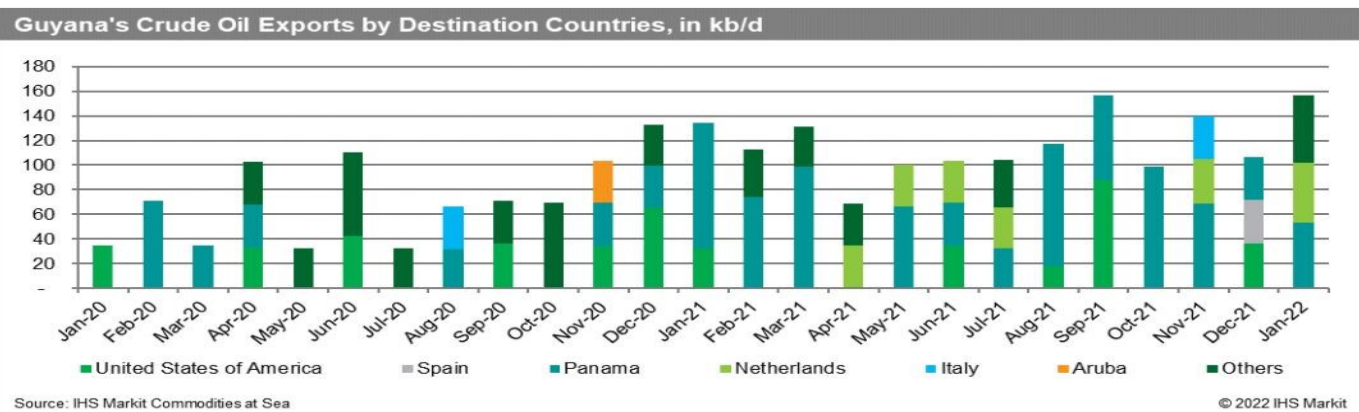
So far, the country's oil exports have risen almost 60% year-on-year in 2021, due to the contribution of ExxonMobil's ongoing exploration and development in the Stabroek Block with reserves at around 10 billion



Latin America's Crude Oil Exports										
by Origin (kb/d)	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 H1	2021 H2	Nov-21	Dec-21	Jan-22	2021 Q4
Brazil	1,142	1,299	1,355	1,406	1,327	1,299	1,367	1,200	1,447	1,191
Mexico	1,121	961	1,039	1,103	1,000	1,047	974	1,042	866	990
Colombia	490	457	430	438	443	463	509	505	565	489
Ecuador	413	401	393	359	397	311	346	88	282	263
Venezuela	474	575	554	513	564	616	578	805	487	718
Guyana	102	126	91	126	109	120	140	106	130	115
Total (excl. Panama)	3,743	3,818	3,861	3,945	3,840	3,856	3,914	3,746	3,777	3,767

Source: IHS Markit's Commodities at Sea Service

Latin America's oil exports had been consistent since 2021, with slight increase of shipments estimated for Jan 2022.



Guyana's Jan 2022 oil exports had levelled to previous record high level seen in Sep 2021 for a promising start of the new year.

Technical view of the Crude Oil Market:

March futures - We remain bullish on the longer term technical based on our Elliott wave analysis as this would suggest that downside move should be considered as countertrend.

Corrective moves lower that hold at or above USD 76.15 will support a bull argument, below this level the pullback is considered as deep and the technical phase neutral.

The intraday futures look to be entering a complex corrective phase, a downside move below USD 85.71 will warn that we have the potential to test the USD 81.78 Fibonacci support.

Geopolitical events would also support our Elliot wave analysis that this move to the downside should be considered countertrend.

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 :

Supply tightness persists in Singapore and low bunker sales in Rotterdam

Singapore’s supply of LSFO bunkers remained tight and lent support to further price upticks, though the bunkering hub faced increasing competition from port of Zhoushan, where supplies were more abundant.

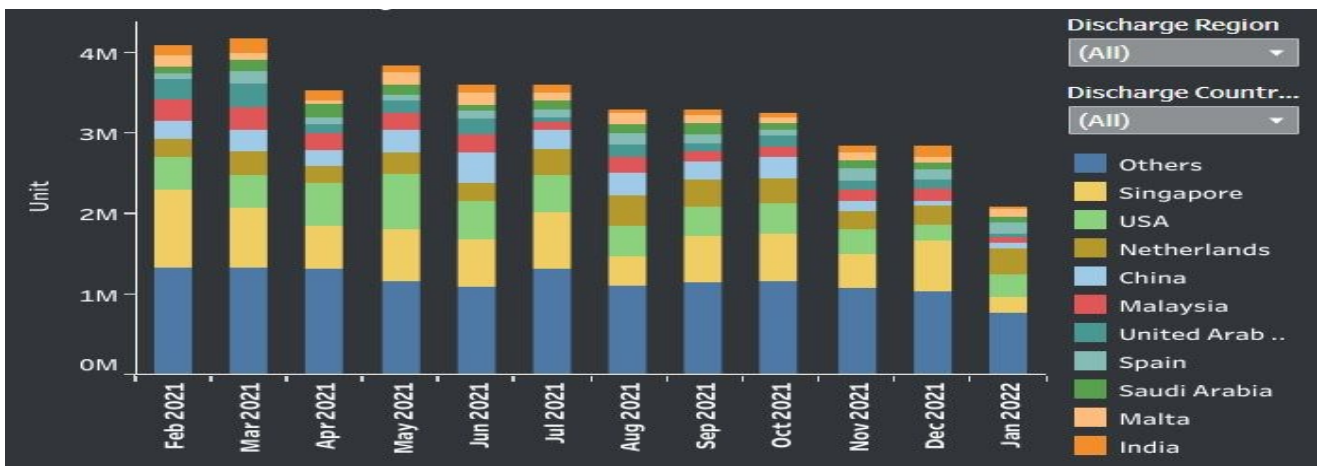
Thus, it was estimated that the lead time recommended for Singapore is set around 8-11 days for VLSFO, then the suggested lead time for LSMGO is expected around 6-7 days.

However, the HSFO380 remained tight in Zhoushan but the bunkering port is scheduled to replenish stock some time later this week to make up the shortfall.

In the meantime, Rotterdam’s conventional bunker sales took a dive on the Q4 2021, amid soft demand, according to the data from Port of Rotterdam.

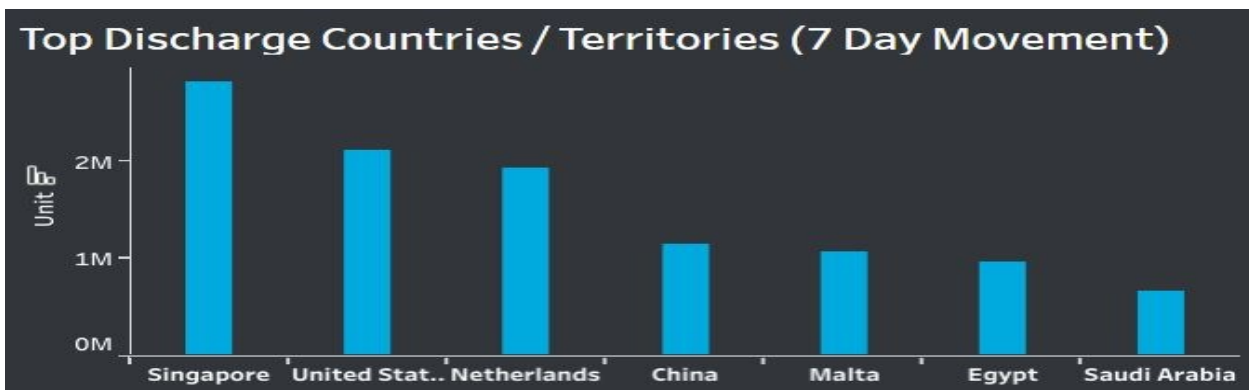
During the same quarter, total conventional bunker sales reached 2.4 million mt, down 2.4% year-on-year but rose 2% on quarterly basis. Overall, the conventional bunker sales of Rotterdam fared poorly against other bunkering hubs like Singapore which saw slight gains of 0.3% during the quarter, while Panama and Fujairah saw yearly gains of 5.7% and 5.1% respectively.

Despite the low conventional bunker sales, the sales of alternatives continued to rise, with the VLSFO sales gained by 3.9% year-on-year to 1 million mt, while ULSFO’s sales increased by 4.7% yearly to 186,993 mt.



Source: IHS Markit’s Commodities at Sea Service

Declining fuel oil shipment flows due to the global energy crunch, as fuel oil was used as feedstocks for power generation for winter heating demand.



Sources: IHS Markit’s Commodities at Sea Service

Singapore remained the top recipient for fuel oil shipments, which might ease its supply tightness.

Bunker Market (cont)

Hi5 and FOGOs

The Singapore Hi5 spread was elevated amid supply tightness, though more shipments were expected to arrive to ease the shortfall later in Q2.

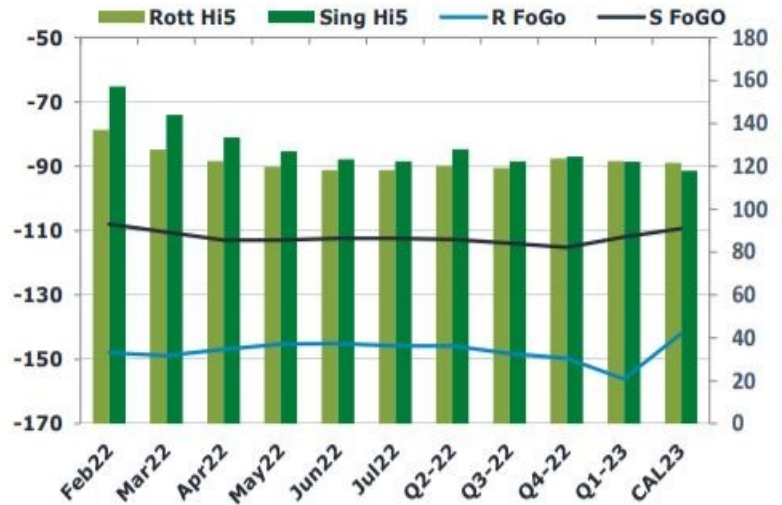
In the meantime, buyers were uncomfortable with the high VLSFO prices that were heading toward \$700/mt levels, but they had little alternative as prices of marine gasoil were high as well.

Meanwhile, the FOGO spreads are expected to flatten later in the year, with increasing production and supplies from oil producing countries.

The recent surprise build in commercial US crude inventories had also ended a seven-week drawdown and enforced beliefs that the market is heading toward equilibrium.

Moreover, OPEC+ compliance with production quotas recorded 122% in December, up from 117% in November, according to Argus Media.

Rotterdam and Singapore Hi5 and FOGOs



Sources: FIS

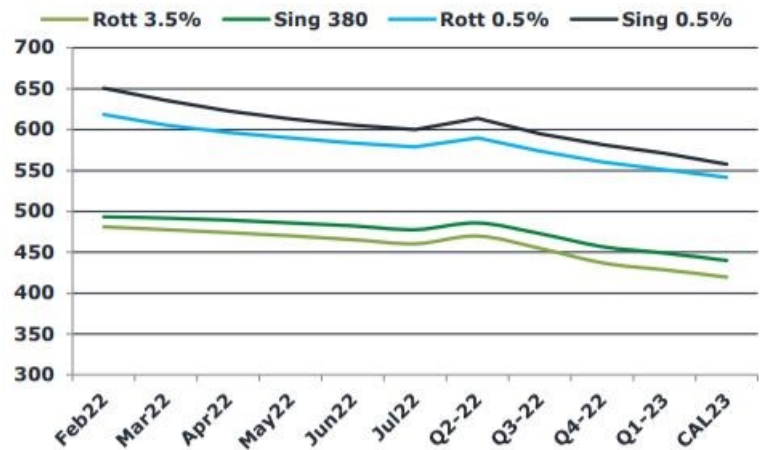
Prompt Hi5 prices are expected to soften later by Q2 with more supplies being delivered.

Hi5 Forward Curve Values

	Rott Hi5	Sing Hi5
Feb-22	137	157
Mar-22	128	144
Apr-22	123	134
May-22	120	127
Jun-22	120	123
Q2-22	120	128
Q3-22	119	122
Q4-22	124	125
Q1-23	123	122
CAL23	122	118

Sources: FIS

Rotterdam and Singapore FO Futures



Sources: FIS

Bunker prices are expected to drop with easing of supply tightness toward the latter half of the year.

Tanker Market :

More Indian gasoil heads for European market

India exported a total of 29.7 million mt of gasoil and diesel in 2021, up 4% yearly with a significant share going to the European market, according to data from IHS Market.

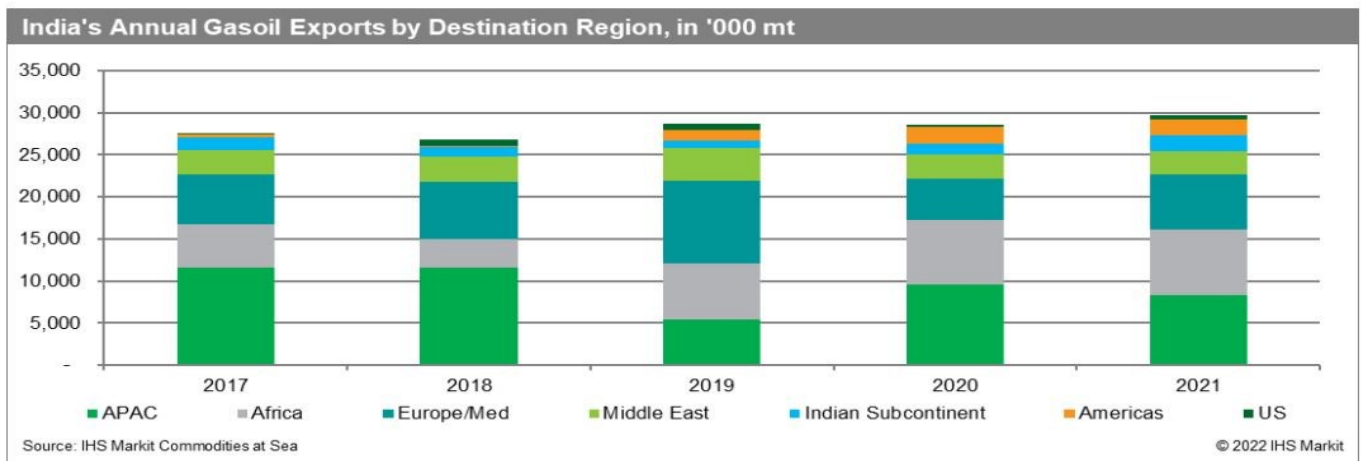
For instance, Indian gasoil exports had doubled in 2021 to 1 million mt and 402,000 mt for France and UK respectively, while shipment to the Netherlands also rose by 75% yearly to 650,000 mt in 2020.

The high export volume was due to European refiners producing less gasoil and diesels, and thus drawn cargoes from Asia such as from India, and they are willing to pay higher prices than other Asian buyers.

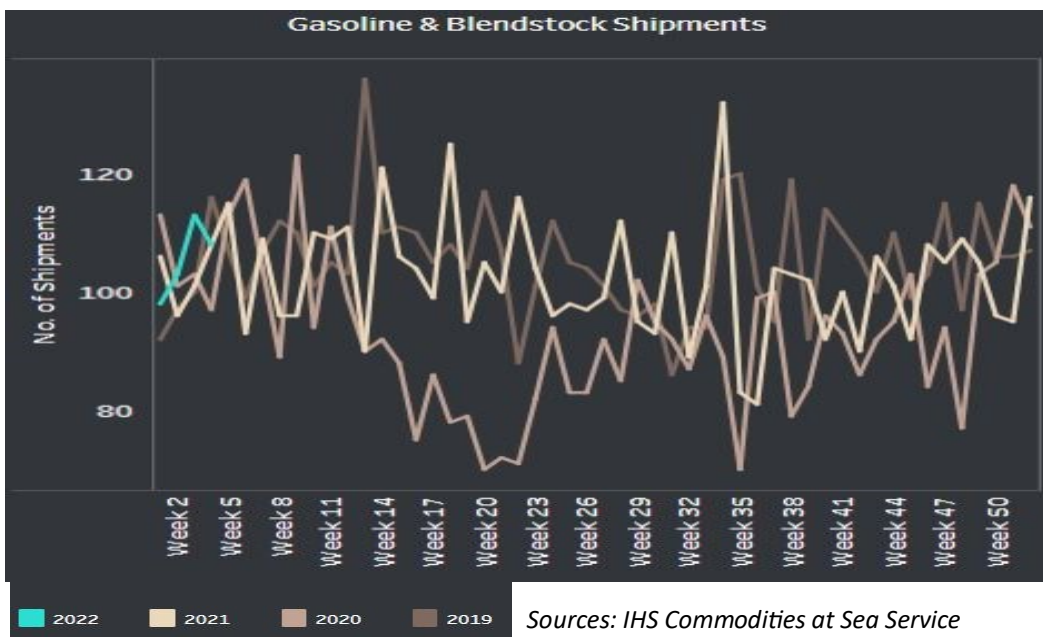
Indian traders diverted their cargoes from Asia and sold to the European end-users instead for the arbitrage opportunities.

Indian gasoil exports to Europe and the Mediterranean then surged in Q3 to 2.3 million mt, up by 64% quarter-on-quarter, while the Indian largest refiner, Reliance shipped three cargoes weighing 382,000 mt to Greek and Portuguese buyers for the first time during Q4.

Going forward, more Indian gasoil cargoes would find their way to the EU market as long the arbitrage opportunities were presented there and supported by firm demand.



Indian gasoil exports had increased their market share in the EU market in 2021, while reducing their APAC market share due to arbitrage opportunities.



There was growing gasoil shipments at the start of the year, tracked by IHS Markit.

Technical view of the Tanker Market:

TD3C:

February futures - The futures remain technically bearish and in trend with prices moving lower over the week.

The downside moves below USD 7.3260 will target the USD 7.0000 – UD 6.8000 support zone. Upside moves that fail at or below USD 8.1517 remain vulnerable two further tests to the downside.

Above this level the futures will target the USD 8.7450 fractal resistance. Price is below all key moving averages supported by the RSI below 50, suggesting the USD 7.3260 and USD 7.0000 support levels could be tested.

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