FIS

Weekly Oil Report

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Market Review:

Crude oil market—Short term bullish, with Brent crude to range $95-97 per barrel, due to rising geopolitical tensions.

Bunker market— Short term bullish, expected to range around $747 –750/mt, being supported by strong crude market.

Prices movement	14-Feb	11-Feb	Changes %	Sentiment	
Brent Crude	96.48	94.44	2.16%	Bullish	↑
WTI Crude	95.46	93.10	2.53%	Bullish	↑
VLSFO (Singapore)	747.50	729.00	2.54%	Bullish	↑

Crude Oil Market :

Oil price to reach $100-150/bbl if Russia/Ukraine conflict begins

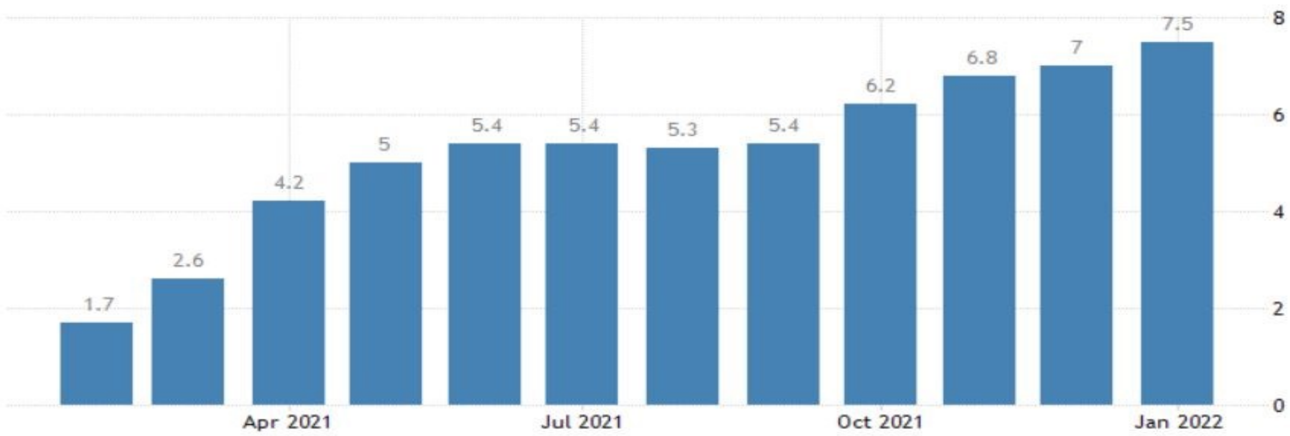
Crude oil prices reached a record high this week, supported by the possible military conflict between Russia and Ukraine.

Some media sources even set a Russian invasion date at 16 Feb 2022, bringing market concerns over possible sanctions on Russian oil, which might push crude prices beyond the $100/bbl and run up to $150/bbl.

In this scenario, Saudi Arabia and UAE might need to shoulder more production responsibilities with the absence of the sanctioned Russian oil to balance the market.

Meanwhile, the higher crude oil prices were not welcomed, as it might accelerate the inflation rates further over 7%, according to JPMorgan, as the US inflation rate climbed to highest levels since the 1982.

Moreover, International Energy Agency (IEA) expected production gap between OPEC + and its target levels to surge as much as 900,000 barrels per day (bpd) in January 2022 and thus urged the OPEC + producers to increase output to close the gap.



Source: US Bureau of labor statistics

Rising US inflation rates reached its highest level in 40 years, and higher crude prices might accelerate it .

Crude Oil Market (cont)

West Africa exports less crude in January

West African oil producers shipped less crude at the start of year, as oil production was disrupted by unplanned maintenance, technical faults, oil spills, pipeline sabotage and theft.

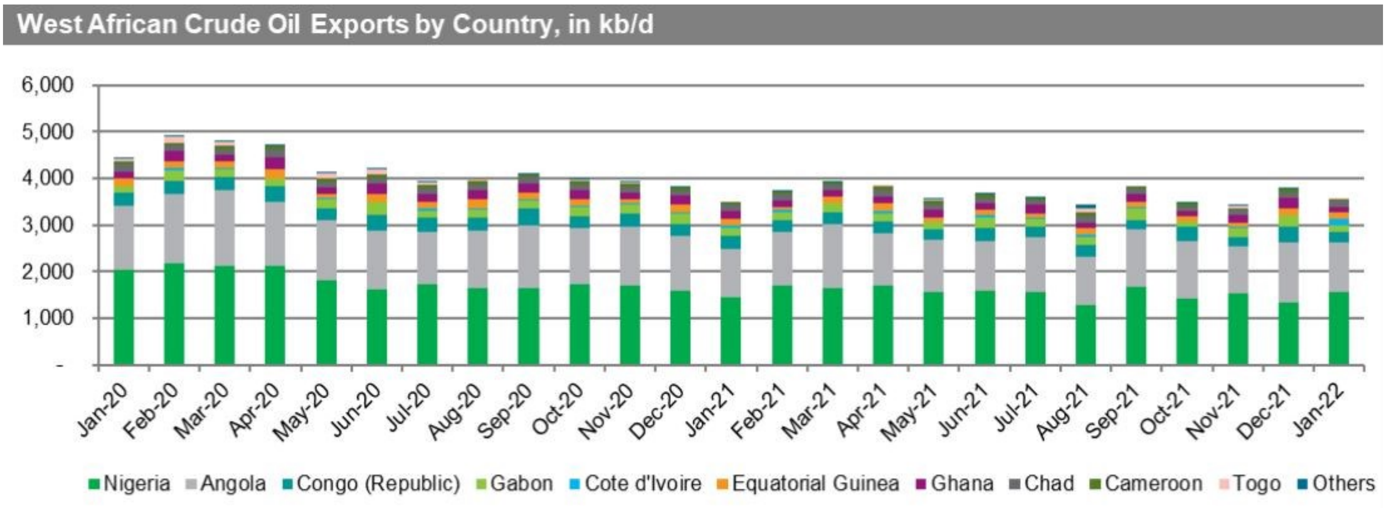
According to IHS Markit Commodities at Sea Service, the crude oil production level barely reached the 4 million bpd mark in January 2022, with notably reduced exports from large producing country like Angola.

During January 2022, Angola's crude exports suffered a 220,000 b/d decline to nearly 1.06 million bpd and shipped multi-year low oil cargoes to China at around 560,000 bbls.

However, Nigerian crude oil shipments reached a high 1.56 million bpd in January 2022, as crude oil production surged to a nine-month high of nearly 1.68 million bpd, but still under OPEC output quota.

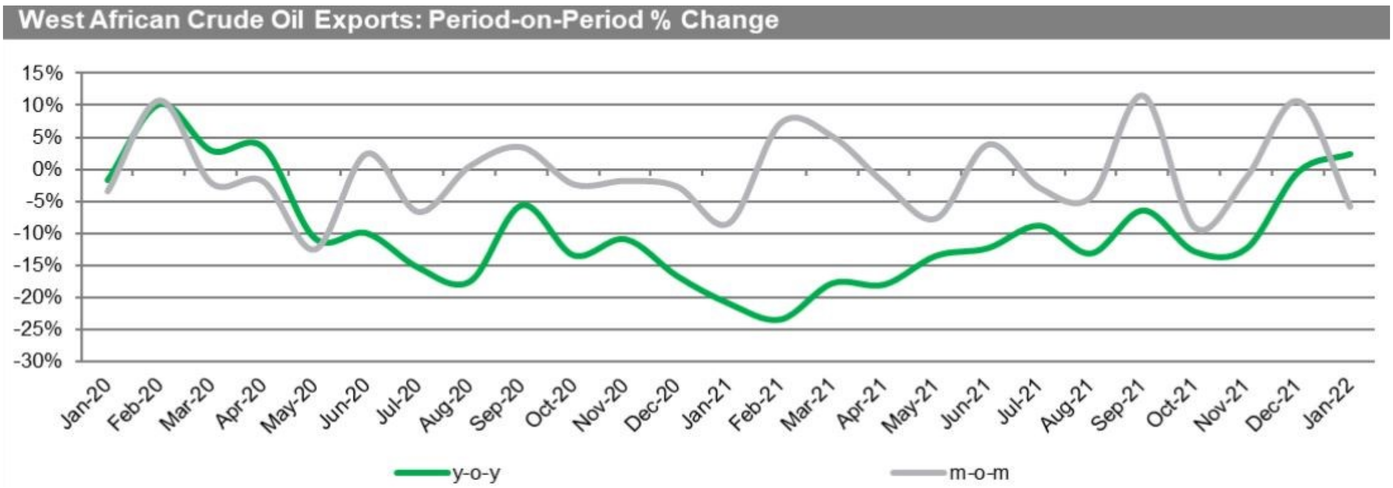
In the meantime, Russia increased its crude shipments in January 2022, reaching 3.22 million bpd, with a 43% jump in shipments from the Baltic to Northwest Europe, amid of rising geo-political tension.

Russia also increased its crude exports to China with record high volume of ESPO arrivals recorded at 2.55 million mt in January, up 34.1% on-month for supply to independent Chinese refiners based in Shandong province.



Source: IHS Markit Commodities at Sea Service

West African crude production faced challenges of outages, spills, pipe leakage and theft, which resulted in fewer shipments.



Source: IHS Markit Commodities at Sea Service

However, the Jan export volume was still higher on a monthly comparison, and higher than previous two-years.

Technical view of the Crude Oil Market:

April Futures – On the last report we noted the futures had remained technically bullish with price targeting the USD 96.05 level.

This price has now been achieved with the futures trading to a high of USD 96.16 on Mondays open. The technical remains bullish with the futures now entering an intraday pullback.

However, the wave analysis would suggest that downisde moves should be considered as countertrend at this point.

Corrective moves lower that hold at or above USD 92.43 will support a bull argument, below this level the technical will have a neutral bias, only below USD 90.51 is the intraday technical considered as bullish.

Chart source: Bloomberg

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

Bunker Market :

High bunker prices follow crude rally

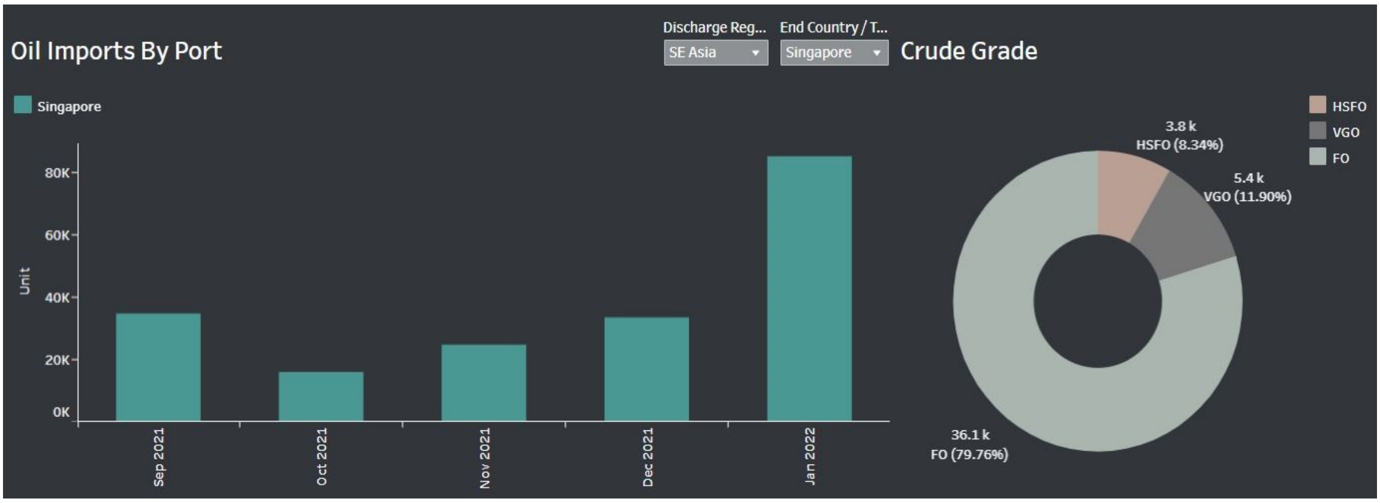
Bunker markets rallied further on high crude prices, as Brent price broke the resistance at $95/bbl level, which led to market speculation for crude price movements towards the $100/bbl.

Besides the high crude prices, the persistent supply tightness of bunkering ports also caused bunker prices to rise higher, despite somewhat tepid demand.

As such, bunker demand was heard to slow down in Zhoushan in post-Lunar New Year period, as competition increased for stems which resulted in downward pressure on prices.

Moreover, there was more availability of prompt VLSFO and LSMGO in Zhoushan, which resulted the prices of VLSFO to trade at discounts of $9/mt to Singapore, and $17/mt to Fujairah.

However, the HSFO380 supply of Zhoushan remained tight for prompt dates, while it was heard that there was more availability of HSFO380 in Singapore.



Source: IHS Markit Commodities at Sea Service

Singapore imported higher volumes of fuel oil in January 2022, as compared to the previous four months, and a growing volume of HSFO.

Source: IHS Markit Commodities at Sea Service

However, many fuel oil shipments are still in transitions in February and estimated to be lowered as compared to previous months.

Bunker Market (cont)

Hi5 and FOGOs

Singapore Hi5 spread jumped to a high of $190/mt region after staying some time in the $170/mt range, amid the crude price rally.

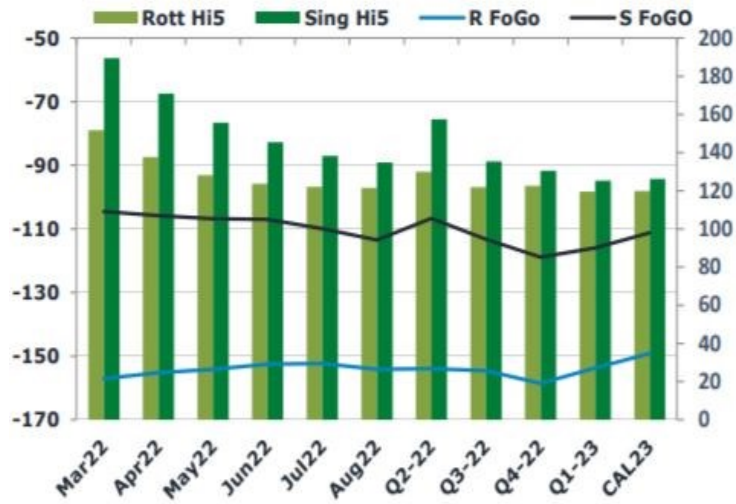
Singapore's port continued to face supply constraints for VLSFO, however, there was more availability of HSFO to supply to the scrubber fleet with competitive prices as compared to other regional bunkering hubs.

According to Alphaliner, containership scrubber installations had increased by 150 containerships to a total of 850 vessels by the end of 2021, accounting for nearly 30% of the global container ship fleet.

Singapore's regional competing bunkering port of Zhoushan was heard to have lower supplies of HSFO, but more availability of VLSFO to supply the non-scrubber fleet with competitive discounts as compared to bunkering hub of Fujairah and Singapore.

Meanwhile, the FOGO spreads are expected to ease later in the Q2, as some market participants expected the high crude prices might attract more production like US Shale producers to return the market with higher output.

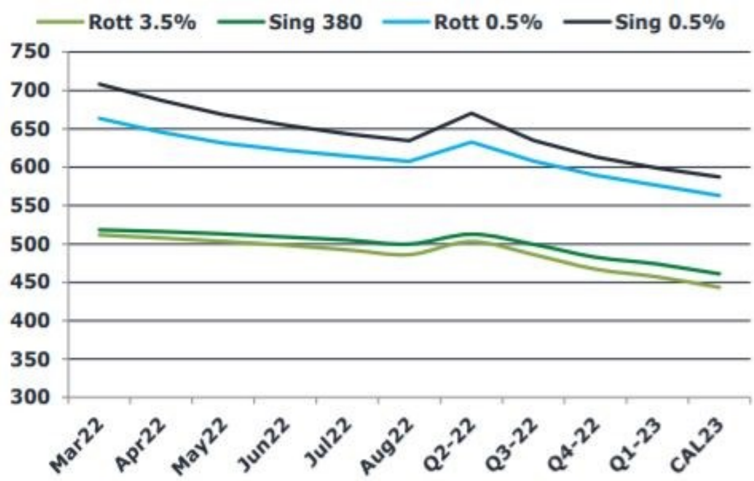
Rotterdam and Singapore Hi5 and FOGOs



Sources: FIS

Prompt Hi5 prices are expected to ease in later half of the year, though some market shocks are expected from worsening geo-political tension.

Rotterdam and Singapore FO Futures



Sources: FIS

Bunker prices rallied under the strong crude, despite tepid demand, but more supplies are expected to ease the curve later in Q2.

Hi5 Forward Curve Values

	Rott Hi5	Sing Hi5
Mar-22	152	190
Apr-22	138	171
May-22	128	156
Jun-22	124	146
Jul-22	122	138
Aug-22	122	135
Q2-22	130	157
Q3-22	122	135
Q4-22	123	131
Q1-23	120	125
CAL23	120	126

Sources: FIS

Tanker Market :

No signs of recovery yet

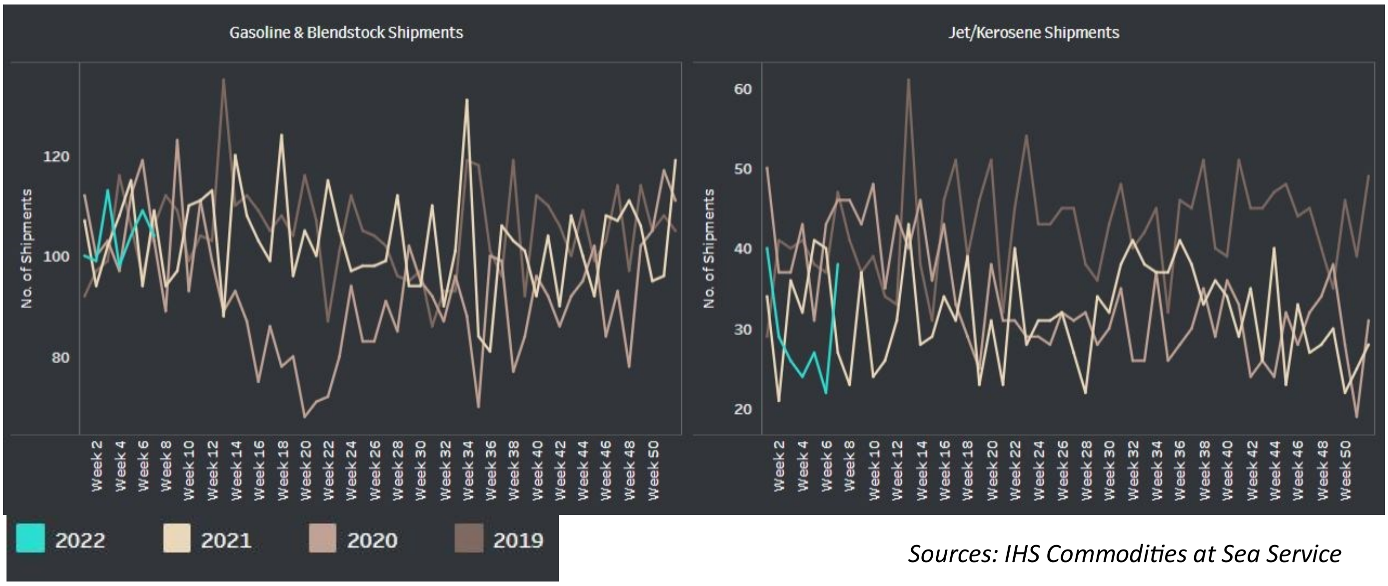
Tanker market was still not out of the woods, despite some market optimism for better demand at the start of the new year.

Freight rates were still at multi-decade lows, while the high bunker prices supported by the strong crude prices continued to eat into earnings.

Hence, the bigger ships performed badly, though there was some improvement for the smaller sizes like Suezmax and Aframax by the end of January 2022.

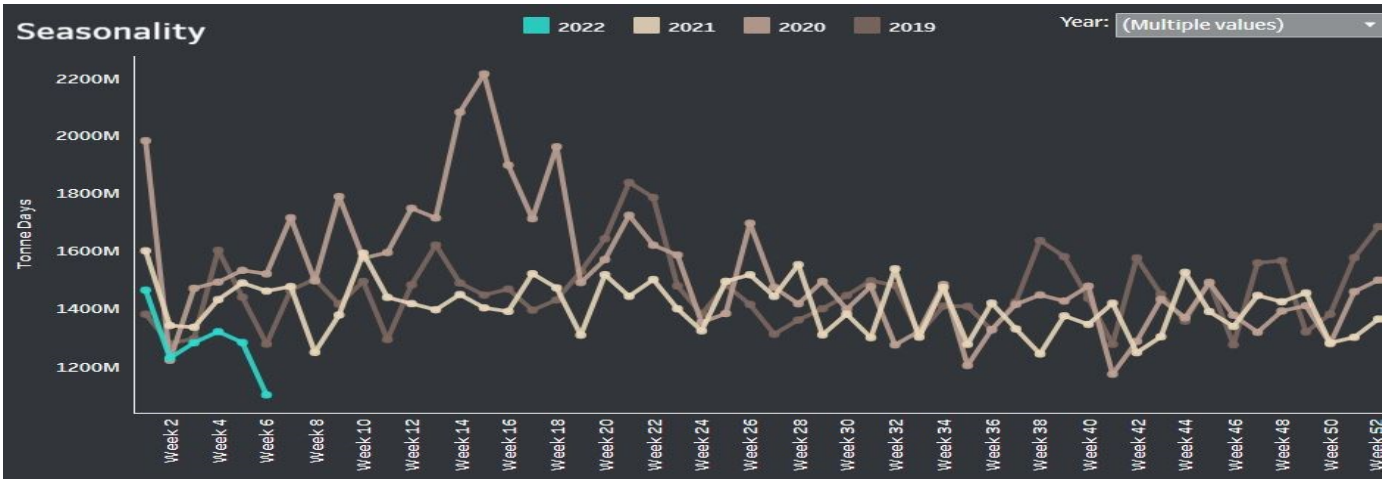
However, their earnings were also affected by bunker price hikes, which were expected to climb higher, given the rising geo-political tensions and possibility military action in the Ukraine.

Despite the bearish outlook, the movement of jet fuel/kerosene perhaps showed some promise, as countries relaxed their aviation travel restriction, amid the rampaging Omicron virus that resulted in high number of daily cases but with relative lower fatality rate among those infected.



Sources: IHS Commodities at Sea Service

Jet/Kerosene shipments rose at the start of the year, before being curtailed by growing Omicron spread on travel restriction , but showed some demand recovery recently as countries eased their borders for travels.



Sources: IHS Commodities at Sea Service

Despite the improvement in moving kerosene, the tanker market went to multi-year low in volumes.

Technical view of the Tanker Market:

TD3C:

February Futures – As noted last week the trend remained technically bearish with price targeting the USD 6.4555 and USD 6.0927 support levels.

We also highlighted a positive divergence with the RSI that will need to be monitored. Price continues to move lower with the futures at USD 6.6466 with near-term support levels unchanged. The futures remain in divergence with the RSI, this is not a buy signal but will need to be monitored as it warns of the potential for a momentum slowdown.

Upside moves that fail at or below USD 7.1815 remain vulnerable to further tests to the downside, above this level the futures will have a neutral bias. In the March futures price has traded to a low of USD 6.9810 which has also created a positive divergence with the RSI, resulting in the futures entering a consolidation phase.

Upside moves that fail at or below USD 7.3966 remain vulnerable to further test to the downside, above this level the futures will have a neutral bias, only above USD 7.6107 will they be bullish. Technically bearish the consolidation on the back of the positive divergence is warning the resistance zone between USD 7.2215 – USD 7.3966 could be tested.

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