FIS

Weekly Oil Report

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Market Review:

Crude oil market—Short term bullish with Brent crude to range $95-98 per barrel, due to rising geopolitical tension.

Bunker market— Short term bullish, ranging $735 -$740/mt, due to strong support from the crude market.

Prices movement	21-Feb	18-Feb	Changes %	Sentiment	
Brent Crude	96.28	93.54	**2.91%**	**Bullish**	↑
WTI Crude	93.86	91.07	**3.06%**	**Bullish**	↑
VLSFO (Singapore)	737.00	735.50	**0.20%**	**Bullish**	↑

Crude Oil Market :

Invasion or no invasion?

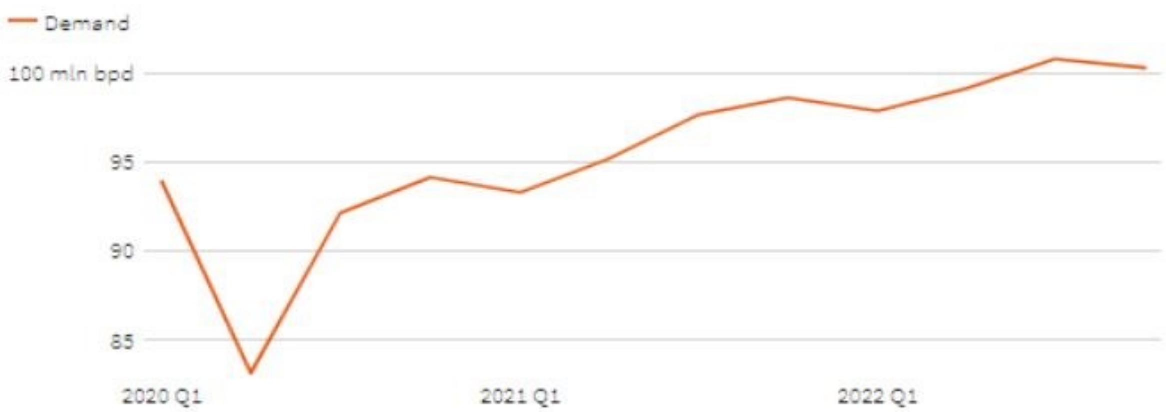
Crude oil prices were caught in the political turmoil in Eastern Europe that resulted in huge price swings, amid rising geo-political tensions between the West and Russia.

The often unclear situation of the Russian-Ukraine standoff caused significant volatility, with prices generally heading towards the $100/bbl mark, though there was some cooling impact from the outcome of Iran deal with the possibility of releasing more Iranian crude into the market.

Citigroup estimated that a positive outcome from the Iran deal might boost Iranian oil output by 500,000 bpd by Apr-May period and followed by 1.3 million bpd by year-end.

It was estimated that there was around 85 million bbls of Iranian crude oil stored between oil tanks and tankers at sea in the market.

However, the anticipated Iranian crude supplies failed to cool the market, as oil demand is expected to exceed 100 million bpd due to travel demand during the second half of the year, according to Vitol.



Source: International Energy Agency

According to Vitol, the oil demand is estimated to remain above 100 million bpd, and prices to exceed $100/bbl as travel restrictions loosen.

Crude Oil Market (cont)

Guyana boosts output from ExxonMobil's Stabroek Block

Guyana's total crude output capacity was given a boost after the first week of FPSO production from the development of second phrase of ExxonMobil's Stabroek Block.

The block will add to the country's total crude production capacity to 340,000 bpd, after the 220,000 bpd FPSO Liza Unity joined the 120,000 bpd FPSO Liza Destiny, which is operational since 2019.

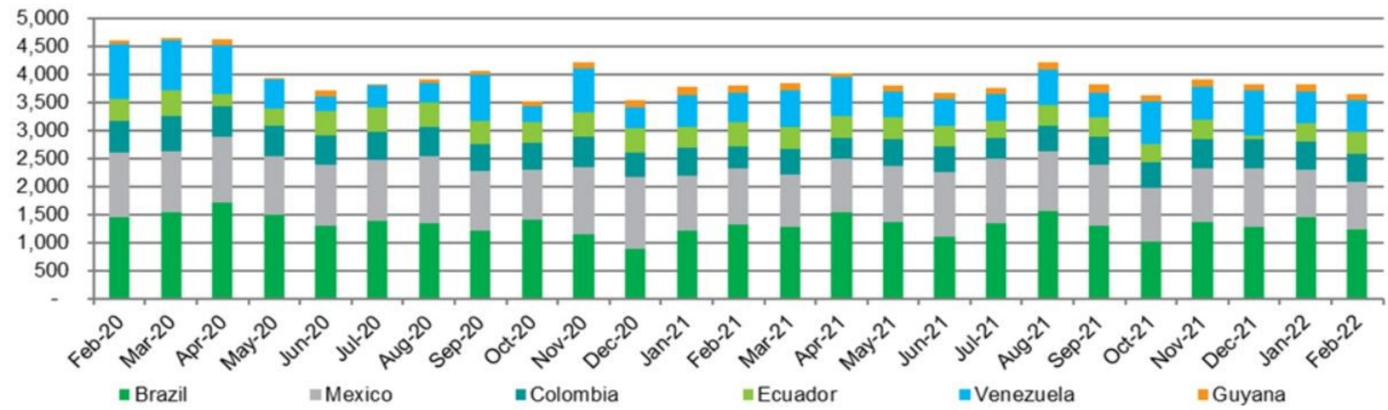
However, the FPSO Liza Destiny is scheduled for 18-days maintenance starting in mid-March, leaving most of the production to FPSO Liza Unity during the maintenance period.

In the meantime, the light sweet grade crude produced from Guyana may find client bases among the refining hubs in the US and the Netherlands.

Though most of the current shipments were bound for the Netherlands, such as the case of Suezmax, Cherokee, loaded with 376,000 barrels in January and headed towards the Netherlands.

The demand of Guyana's light sweet grade crude did not end there, as there was demand for it in the UK and Brazil, as Asian refiners favoured medium sweet crude products like Lula and accounted nearly two-thirds of the Lula shipments from Latin America.

Latin America's Crude Oil Exports by Country, in kb/d



Source: IHS Markit Commodities at Sea Service

Latin America's crude oil exports were still below pre-pandemic levels, though market was hopeful that it will rebound by this year, in view of higher crude prices and better travels demand.

Guyana's Crude Oil Exports by Destination Countries (kb/d)	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 H1	2021 H2	Dec-21	Jan-22	Feb-22	2021 Q4
Brazil	-	-	-	-	-	-	-	34	112	-
Panama	23	92	34	67	63	67	34	67	-	67
United Kingdom	-	-	-	-	-	-	-	17	-	-
Netherlands	-	-	34	11	17	12	-	12	-	12
United States of America	33	11	12	35	11	24	37	-	-	12
Spain	-	-	-	-	-	6	35	-	-	12
Italy	-	-	-	-	-	6	-	-	-	11
Aruba	11	-	-	-	-	-	-	-	-	-
Bahamas	-	-	-	-	-	-	-	-	-	-
China	12	-	-	-	-	-	-	-	-	-
Others	23	23	11	13	17	6	-	-	-	-
Total	**102**	**126**	**91**	**126**	**109**	**120**	**106**	**130**	**112**	**115**

Source: IHS Markit Commodities at Sea Service

Most of the Guyana's crude was shipped to Brazil during February 2022, though there were some shipments bounded for the refiners based in the Netherlands.

Technical view of the Crude Oil Market:

April futures - The downside move on Friday failed to hold with price rallying over USD 3.00 in the afternoon session, warning that the geopolitical situation could be worsening.

This is less about the technical and more about Russian oil supply and the accompanying sanctions that go with any conflict with the Ukraine.

At the moment price remains in a range between USD 89.93 end USD 96.78 with a mid-value price at USD 93.35.

The futures are moving higher with a war looking imminent, suggesting the oil will trade higher over the coming days. Technically bullish, it would be hard to justify any form of technical sell at this point.

FIS senior analyst, Edward Hutton

Chart source: Bloomberg

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Bunker Market :

No price slip-up under strong crude support

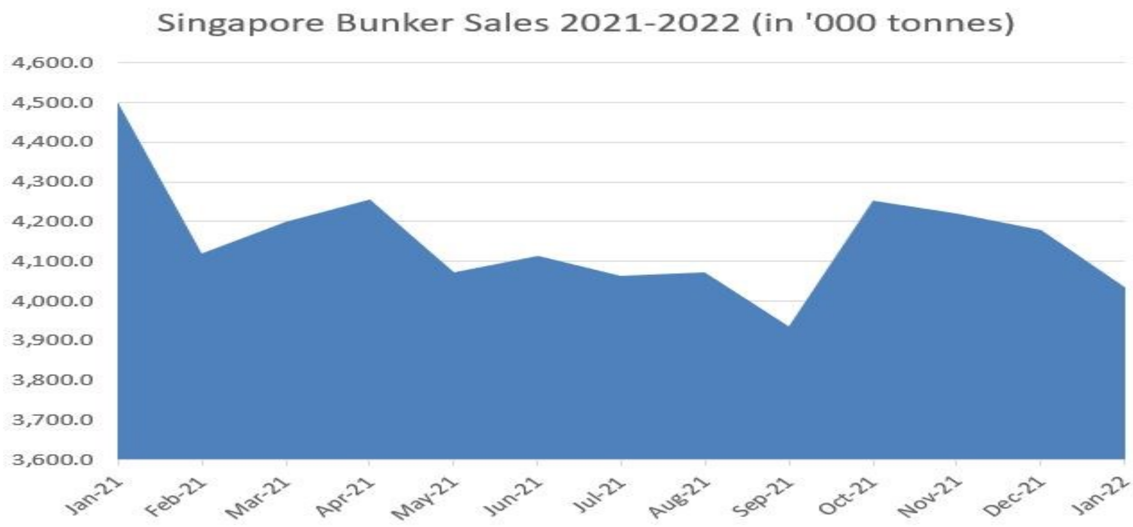
The bunker price rally went into overdrive with the support of the strong crude prices fuelled by geopolitical tensions and market optimism for better oil demand.

In the meantime, the tight supply situation in the world's largest bunkering port, Singapore, seemed to showing some signs of easing.

As the city-state onshore fuel oil stocks rose by 8.9% weekly and up 24.5% year-on-year to 24.1 million bbls for the week ended on Feb 16, based on the Enterprise Singapore data.

This may be good news to cool down the ever-rising bunker prices since the start of the year, but bunker prices were kept high, supported by strong crude prices.

In the meantime, Singapore's bunker sales also recorded 4.03 million mt in Jan 2022, down by 4.17 million mt on Dec 2021, and lower by 10.42% on yearly basis.



Source: Maritime and Port Authority of Singapore

Singapore bunkers sales had declined at the start of the year, the same as Fujairah which recorded a four-month low sales in January 2022.

Source: IHS Markit Commodities at Sea Service

Despite high bunker prices, fuel oil shipment arrivals to Singapore are estimated to remain low compared to previous months.

Bunker Market (cont)

Hi5 and FOGOs

Singapore Hi5 spread continued to widen over $200/mt range in February, as the divergent trends benefited the scrubber fleet, according to Argus Media.

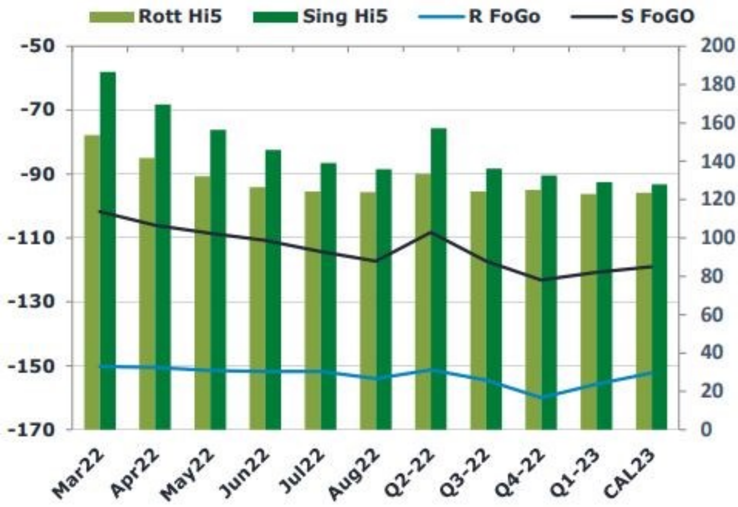
Scrubber-fitted vessels were heard to earn almost double their non-scrubber counterparts as they took advantage of the cheaper HSFO as compared to the more expensive and tighter inventory of LSFO based fuel products.

These fuel savings may encourage more owners to opt for scrubber installation on newbuilds, as well as on existing vessels, amid the relative low freight rates, especially among larger vessels such as large crude carriers.

Meanwhile, the FOGO spreads are slated to ease over medium to long term with market participants expecting some Iranian crude to come onboard the international market by late Q2, after a fruitful diplomatic talk which may ease some trade sanctions.

In the meantime, OPEC had no plans to increase their output despite the recent oil price rally and will stick to their original plan of adding 400,000 bpd in combined production every month.

Rotterdam and Singapore Hi5 and FOGOs



Sources: FIS

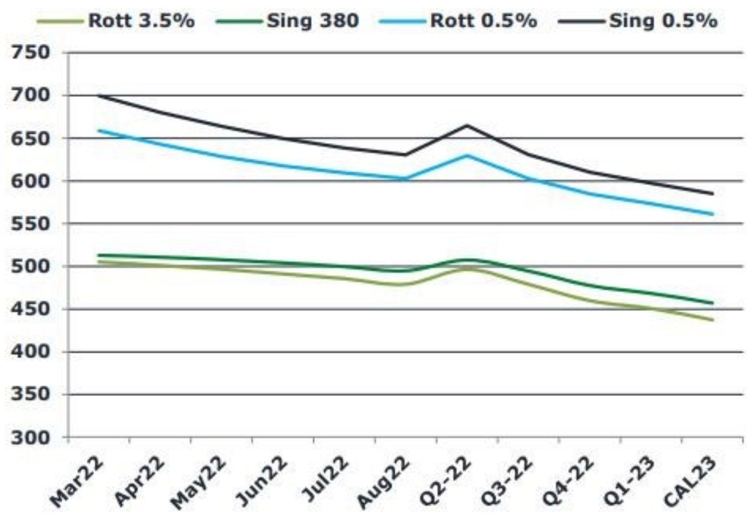
Prompt Hi5 prices widen further, given the market attentions for HSFO that almost doubled the cost savings for the scrubber fleets.

Hi5 Forward Curve Values

	Rott Hi5	Sing Hi5
Mar-22	154	187
Apr-22	142	170
May-22	132	156
Jun-22	126	146
Jul-22	124	139
Aug-22	124	136
Q2-22	133	157
Q3-22	124	136
Q4-22	125	133
Q1-23	123	129
CAL23	124	128

Sources: FIS

Rotterdam and Singapore FO Futures



Sources: FIS

Bunker prices were supported by strong crude market and might face some easings in Q2.

Tanker Market :

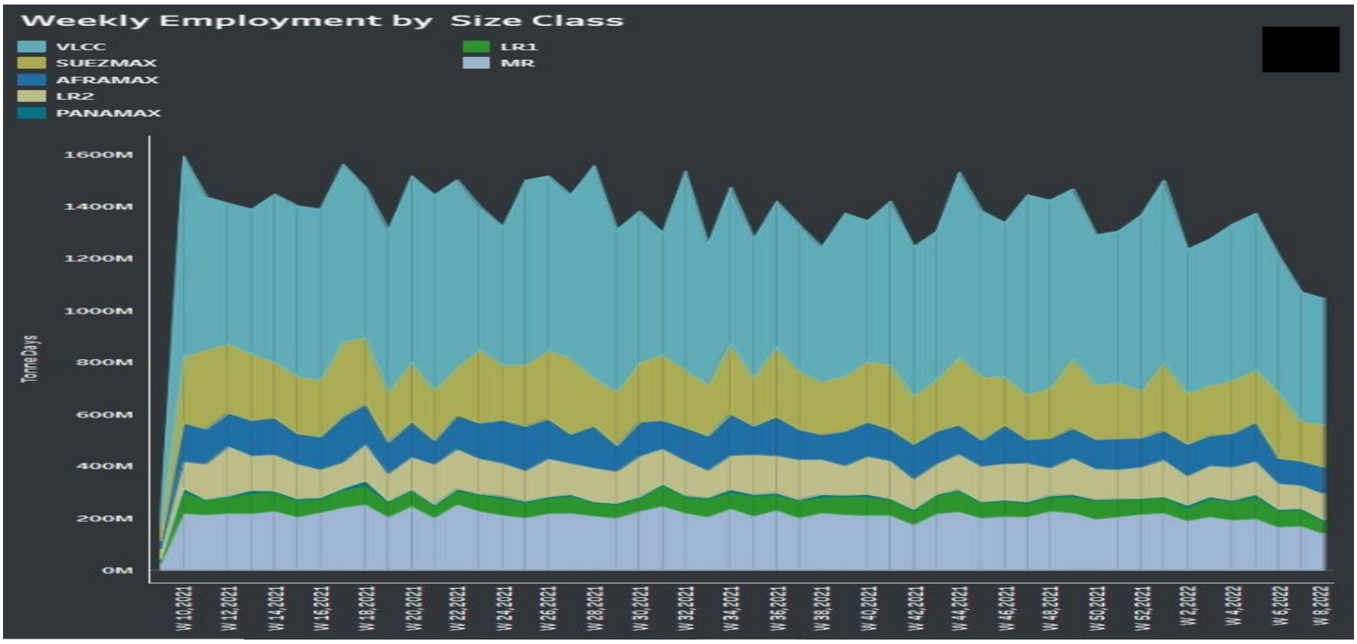
Heading toward a more balanced market

The tanker market seemed to head towards some equilibrium after a poor start to the year, which had freight rates at historical lows as they had been for almost two years since the pandemic.

However, oil demand is expected to recover this year as travel restrictions had slowly been relaxed as more countries chose to reopen its borders the first time like Australia's reopening borders at 21 Feb 2022.

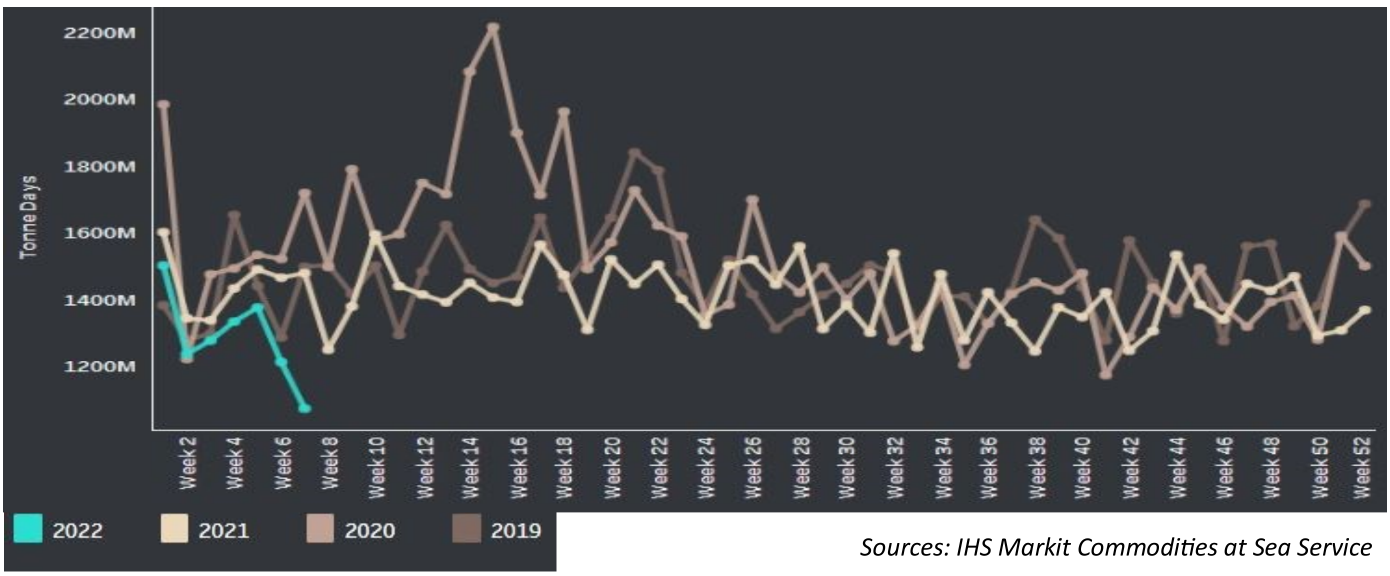
This might mark the start of the long recovery for demand, while on the supply side, there had been little to almost no activity in terms of new newbuilding orders being placed during this period, according to Allied Shipbroking.

As most of the deliveries had been based on older orderbooks, in-line with a series of demolition sales, which kept vessel supplies steadied amid the expected growing oil demand.



Sources: IHS Markit Commodities at Sea Service

The employment of tankers was still low as compared to previous weeks, with VLCCs accounted for most of the market volumes currently.



Sources: IHS Markit Commodities at Sea Service

Despite market expectation of better oil demand, the overall seasonality of tanker employment remained low in comparison to previous years.

Technical view of the Tanker Market:

TD3C:

March Futures – The futures remain technically bearish with price breaking to the downside, the futures remain in divergence.

The new low means that key fractal resistance has dropped to USD 7.2020, upside moves that trade above this level will create a higher, taking the technical into bull territory.

Likewise, upside moves that fail at or below USD 7.0368 remain vulnerable to further tests to the downside, above this level technical will have a neutral bias.

Technically bearish, the divergence is not a buy signal, but it does mean the futures are not considered a technical sell at this point.

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