FIS Weekly Oil Report

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Market Review：

Crude oil market—Short term bullish with Brent crude to range $90-93 per barrel, due to lower inventories and geopolitical tension that supports prices.

Bunker market— Short term bullish due to high crude prices and persistent supply tightness of Singapore VLSFO to range $730-735/mt.

Prices movement	7-Feb	4-Feb	Changes %	Sentiment	
Brent Crude	92.69	93.27	-0.62%	Bullish	↑
WTI Crude	91.32	92.31	-1.07%	Bullish	↑
VLSFO (Singapore)	729.00	726.00	0.41%	Bullish	↑

Crude Oil Market :

Brief halt to oil rally amid Iran talk and geopolitical tension

Oil prices suffered a turbulent period after a recent rally was driven by geopolitical tensions between Russia and the Ukraine despite more talks to try to ease tensions, as well as a resuming of talks with Iran over sanctions.

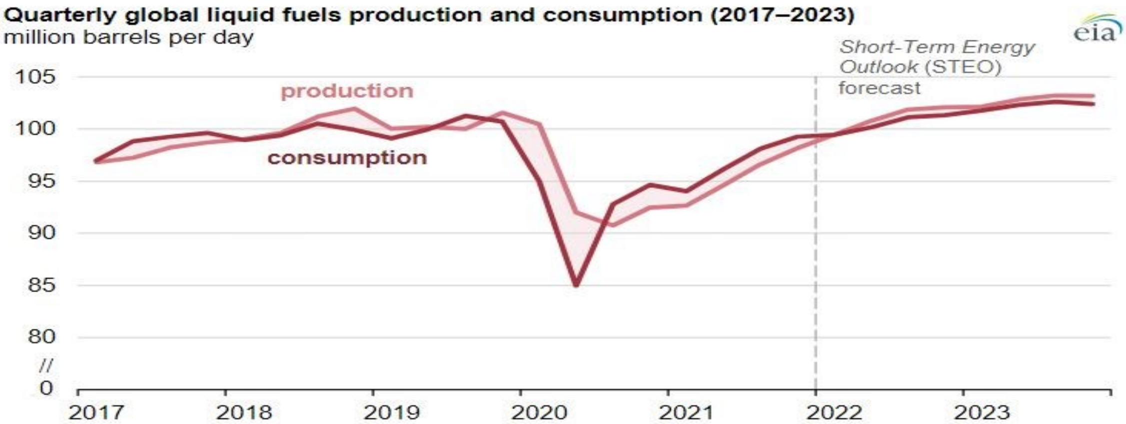
The Iran nuclear deal talks were set to resume this week, though some market participants were sceptical of any quick fix solutions to come out of it, but some optimists expected an interim deal to be reached.

Platts estimated an interim deal might be achieved with Iran that could see an increase of crude exports by 700,000 bpd to tally to a total exports volume of around 3 million bpd.

Other oil supplies were also set to increase with OPEC pledging to increase output by 400,000 bpd by March as per their prior agreement, which is set to ease the crude price rally somewhat.

However, the world's largest refiner, Saudi Aramco had hiked up its official selling price for crude exports to Asia, citing growing demand for the price upticks.

Meanwhile, low US crude oil inventories continued to lend support to crude prices, as the US Energy Information Administration (EIA) reported Cushing crude inventories fell by 1.2 million barrels to 30.5 million at the end of January 2022, which were down by 37.3% yearly.



EIA expects better demand for transport fuel from the easing of Covid-related travel restriction.

Source: EIA

Crude Oil Market (cont)

Europe lowers crude imports in Jan, due to high prices

High crude prices have affected European import volumes of crude oils during January 2022, despite winter heating demand and easing of travel restrictions.

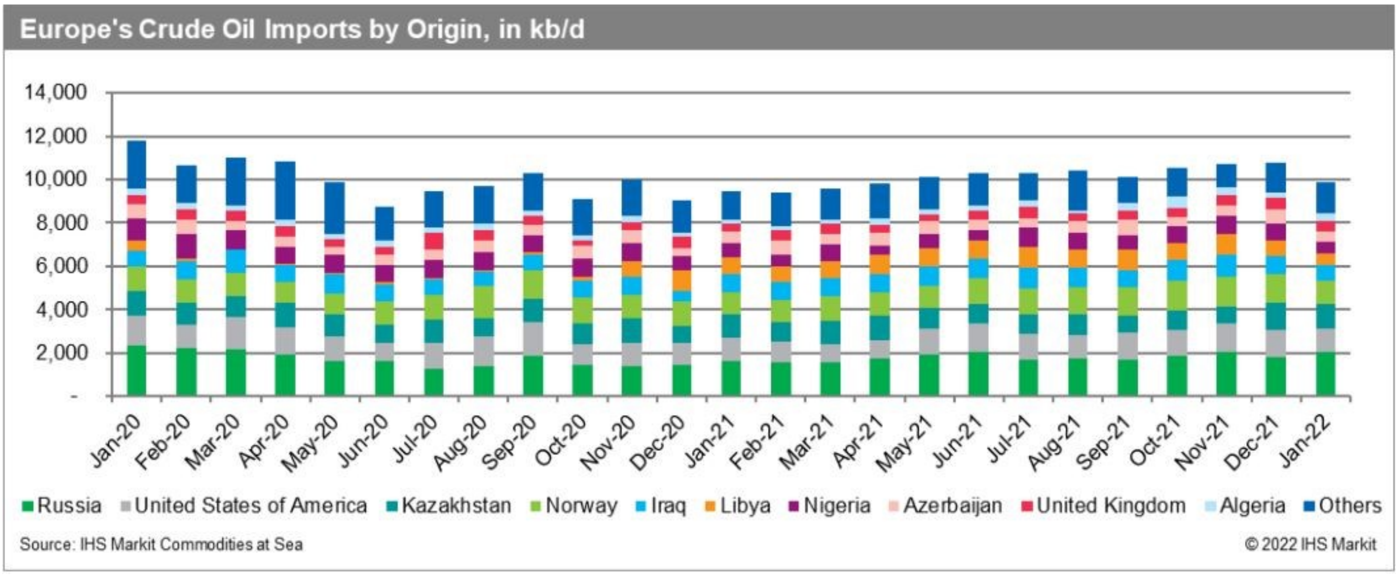
According to IHS Markit Commodities at Sea Service, the continent imported a total of 9.89 million bpd in January, down 8.2% monthly, after record-high import volumes recorded in December at 10.77 million mt.

Much of the import declines were traced to British and Italian ports, as shipment arrivals went down by 465,000 bpd and 225,000 bpd respectively, based on the data from IHS Markit.

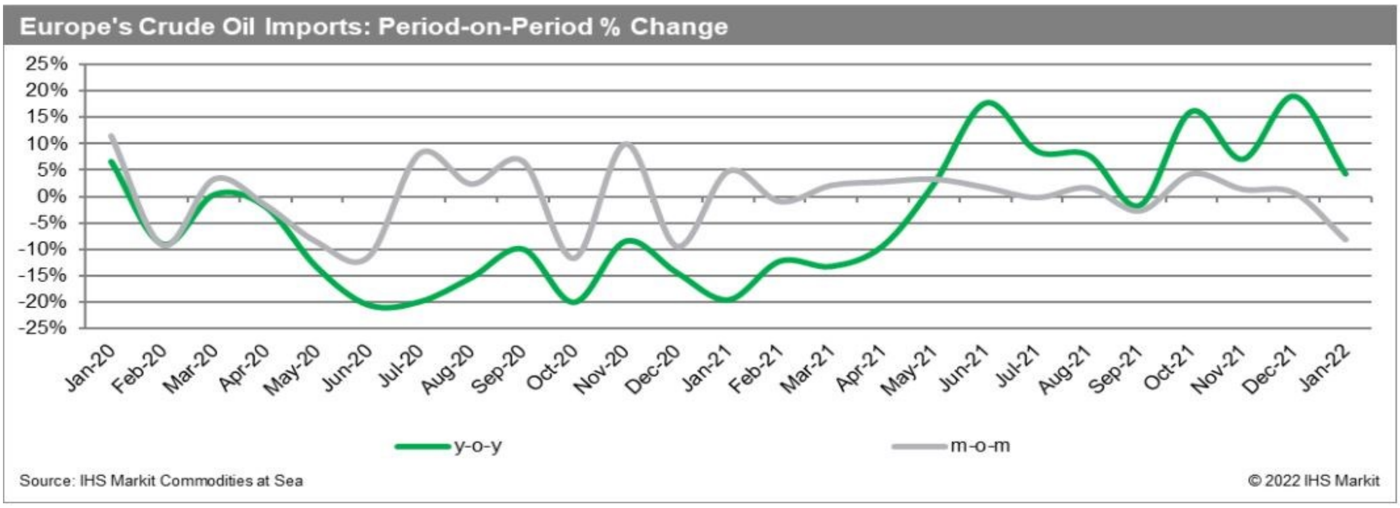
Russian barrels continued to account most of the shipments to the European countries that reached 2.02 million bpd in January 2022, while US crude shipment fell 14.1% month-on-month to 1.12 million bpd during the month.

There were some market concerns that the escalating tension between Russia and Ukraine may strain further Russian shipment arrivals to Europe if the EU/UK decided to implement some form of trade sanctions.

ExxonMobil's ongoing exploration and development in the Stabroek Block with reserves at around 10 billion recoverable oil-equivalent barrels.



Russia remained the main crude oil exporters to European countries, though this may change in view of rising geo-political tension and possible implementation of trade sanctions to condemn military conflict.



Import volumes were lowered in January 2022, after a record-high oil cargoes restocking activities were done in December 2021.

Chart Sources: IHS Markit Commodities at Sea Service

Technical view of the Crude Oil Market:

April futures - From a technical perspective little has changed on our previous view, the Elliott wave cycle remains bullish for this phase and has now traded above our near-term upside targets.

However, based on the lower timeframe Elliott wave cycle that started on the 01/02/22 the intraday technical remains bullish.

Downside moves should be considered countertrend with a near term-upside target potentially as high as USD 96.05.

Corrective moves lower that hold at or above USD 90.05 will support a bull argument, below this level the technical will have a neutral bias, only below USD 88.02 will it be considered as bearish.

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 :

More activity with return of Chinese participants from holiday

Bunker markets saw a surge of activity with the return of Chinese trade participants from their long holidays with better demand, though the supply tightness persisted in the market.

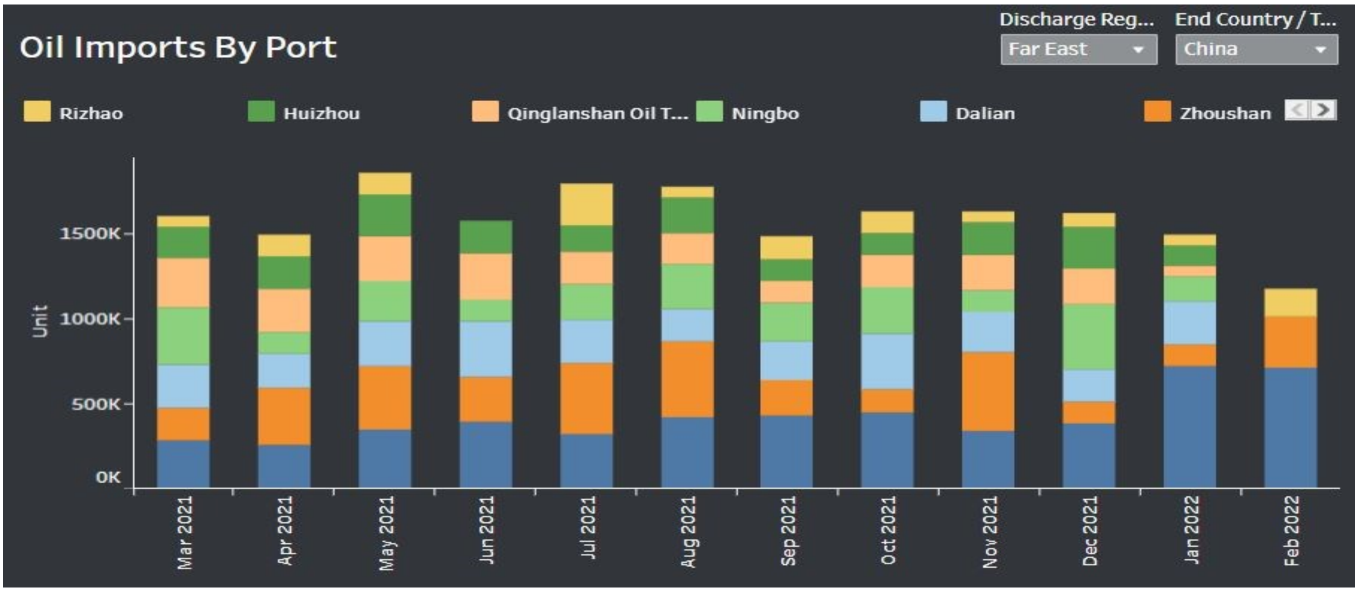
Prices of Singapore VLSFO surged further with market optimists believed that prices to remain high above $700/mt for an extended period, due to tight supply.

Thus, the recommended lead time for VLSFO bunkering is expected to range around 10-11 days in Singapore, while the LSMGO lead times are shorter at 6-7 days in Singapore.

In the meantime, the port of Zhoushan had resumed normal bunkering operation after the Spring festival holidays, with more availability of VLSFO in port with recommended lead time around 7-8 days.

Though the supply of HSFO 380 remained tight in Zhoushan, as one of the bunker suppliers were heard to run out of supply.

Sources: FIS, ENGINE



Port of Zhoushan is expected to receive more oil imports in Feb 2022, or estimated a threefold increase as compared to January arrivals.

In contrast, Singapore's arrivals of fuel oil followed a downward trend since the start of the new year.

Chart Sources: IHS Markit Commodities at Sea Service

Bunker Market (cont)

Hi5 and FOGOs

Singapore Hi5 spread stabilized around the $170/mt range, declining after recent rally toward the high $190/mt region.

The low supplies of the VLSFO in Singapore continued to support the spread value, but a resultant scrubber orderbook increase is likely to take advantage of the cheaper and more availability of HSFO fuels.

Platts expected the scrubber fleet to rise to 7,000 by 2030, as compared to around 5,000 ships fitted with scrubber installation out of the nearly 60,000 ships worldwide of above 2,000 dwt recorded in 2021.

And this may lead to HSFO demand of around 47-52 million mt or a growth of 17-22% as compared to existing market needs.

Meanwhile, the FOGO spreads are expected to ease later in the Q2, supported by OPEC to increase additional oil production by 400,000 bpd starting in March, while market expected US shale oil producers to ramp up production to add another 1 million bpd this year.

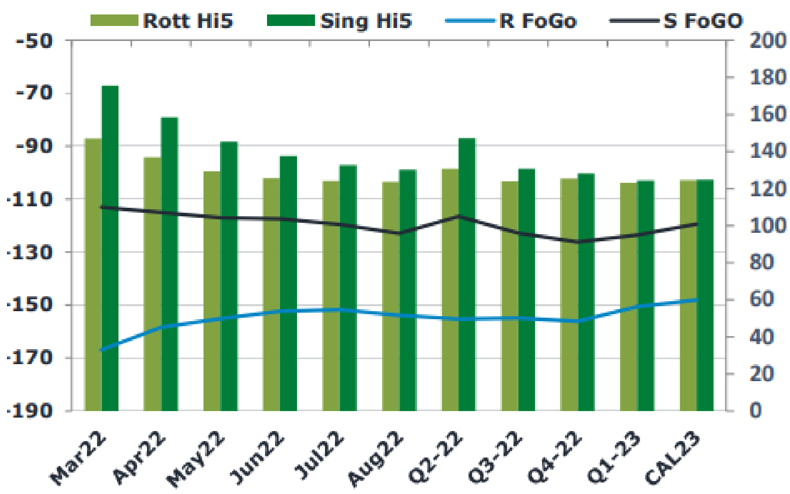
In the meantime, the US had resumed talks with Iran this week, with possible easing of the trade sanctions which might bring another 700,000 bbls to 1 million bpd production back to the market.

Hi5 Forward Curve Values

	Rott Hi5	Sing Hi5
Mar-22	147	176
Apr-22	137	159
May-22	130	146
Jun-22	126	138
Jul-22	124	133
Aug-22	124	130
Q2-22	131	147
Q3-22	124	131
Q4-22	125	128
Q1-23	123	124
CAL23	125	125

Sources: FIS

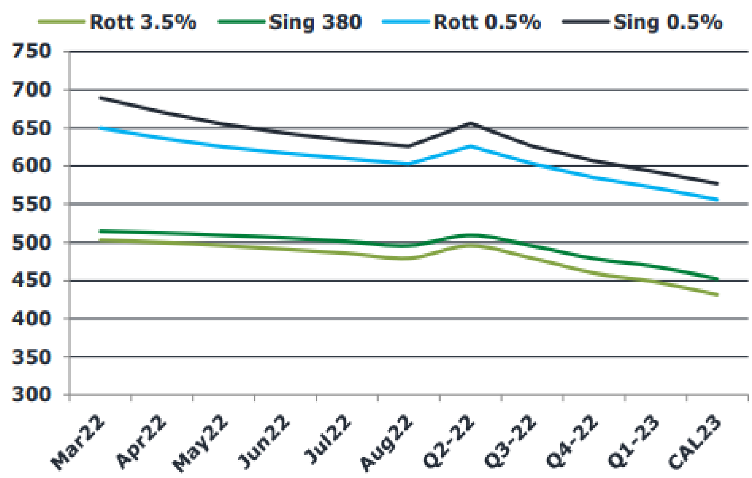
Rotterdam and Singapore Hi5 and FOGOs



Sources: FIS

Prompt Hi5 prices are expected to ease toward Q2 in expectation of more supplies made available to the market.

Rotterdam and Singapore FO Futures



Sources: FIS

Bunker prices followed the downward slope, as supply tightness are expected from Q2 onwards.

Tanker Market :

More oil production to rescue dwindling freight rates

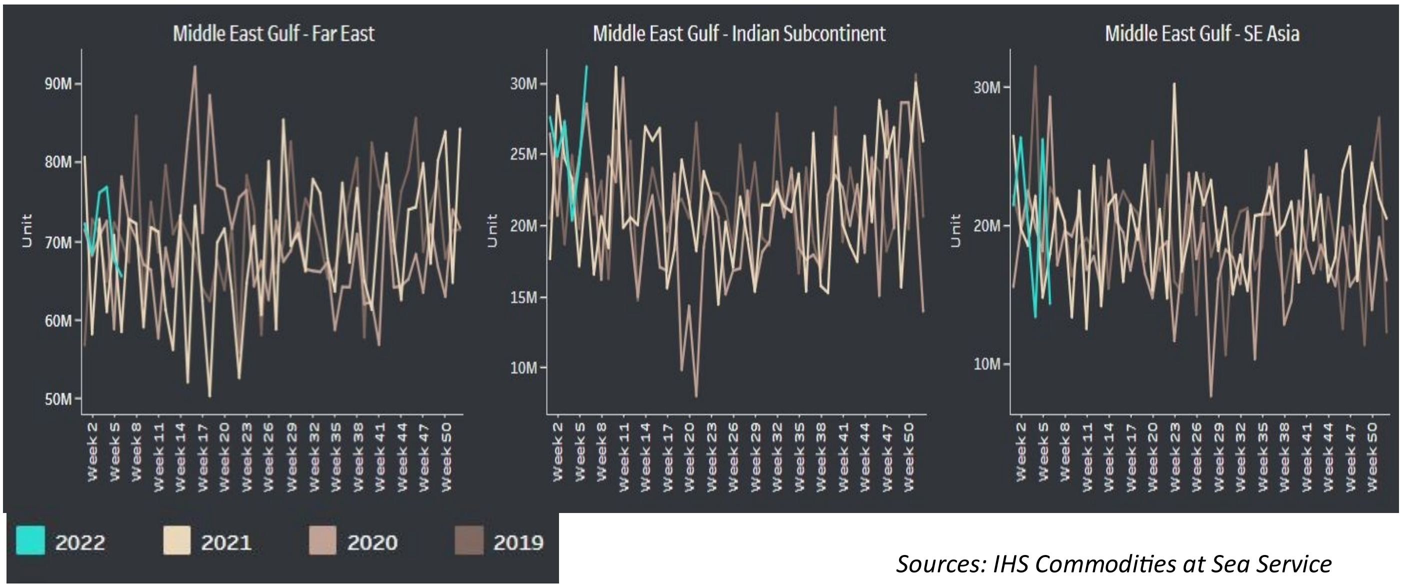
Market participants expected better support to the tanker freight with projected increase of production from OPEC members who pledged an additional 400,000 bpd in March.

Besides OPEC, Russia is likely to maintain high output level in 2022, probably topping its pre-pandemic output level with scheduled quota boost of 500,000 bpd in May.

With regards to the relatively high crude prices, US shale oil producers might return in numbers to the supply market with higher capex investments as evident of Exxon and Chevron which aim to raise Permian output by 25% and 10% respectively in 2022.

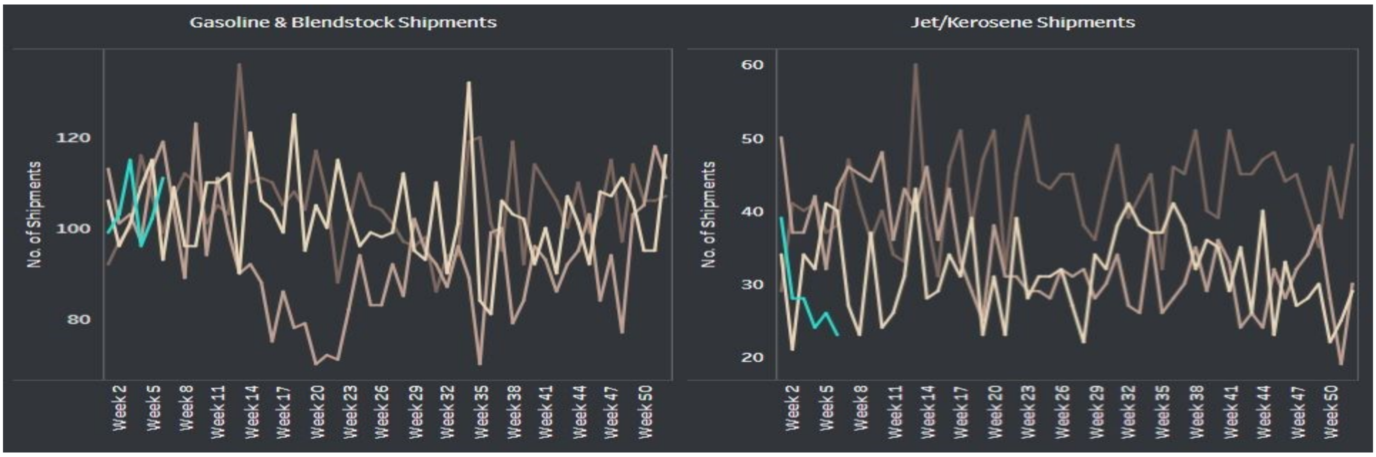
This higher supply may benefit tanker freight rates, but some trade participants were sceptical, citing that additional supplies might come too soon as the global market is still struggling to break out from the effects of fast-spreading Omicron virus.

As oil demand remained in doubts, though there were more signs of better demand returning with the easing of travel restrictions. Thus, the market remained volatile and the sudden 'surge of production' may plunge oil prices towards lows again without sustainable demand.



Sources: IHS Commodities at Sea Service

ME Crude oil shipments had decreased in the Far East and Southeast Asia markets but experienced much gains in the Indian subcontinent market.



Gasoline and jet fuel shipments are nowhere near the pre-pandemic levels, though covid travel restrictions had been easing for a while.

Technical view of the Tanker Market:

TD3C:

February futures- As noted last week the futures remained technically bearish and in trend with price below all key moving averages, suggesting the 7.3260 and USD 7.0000 support levels could be tested, this has been the case.

The futures remain technically bearish and in trend, upside moves that fail at or below USD 7.2085 remain vulnerable to further tests at a downside, about this level the technical will have a neutral bias.

Near-term support/targets are now at USD 6.4555 and USD 6.0927. Although technically bearish, the RSI is now showing a positive divergence with price, warning that we have the potential to see a momentum slowdown.

A close above USD 6.9037 will warn that momentum is improving based on price, suggesting the USD 7.2085 and USD 7.4570 resistance levels could be tested. technically bearish the divergence will need to be monitored.

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