FIS

Weekly Oil Report

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

15/3/2022

Market Review：

Crude oil market—Short term bearish with Brent crude to range $95-105 per barrel, with possible ceasefire agreement reached between Russia-Ukraine increasing in likelihood.

Bunker market— Short term bearish , ranging $800 -$900/mt, after corrections in the crude market.

Prices movement	14-Mar	11-Mar	Changes %	Sentiment	
Brent Crude	106.90	112.67	**-5.12%**	**Bearish**	↓
WTI Crude	103.01	109.33	**-5.78%**	**Bearish**	↓
VLSFO (Singapore)	900.00	934	**-3.64%**	**Bearish**	↓

Crude Oil Market :

Give peace a chance for Russia-Ukraine conflict

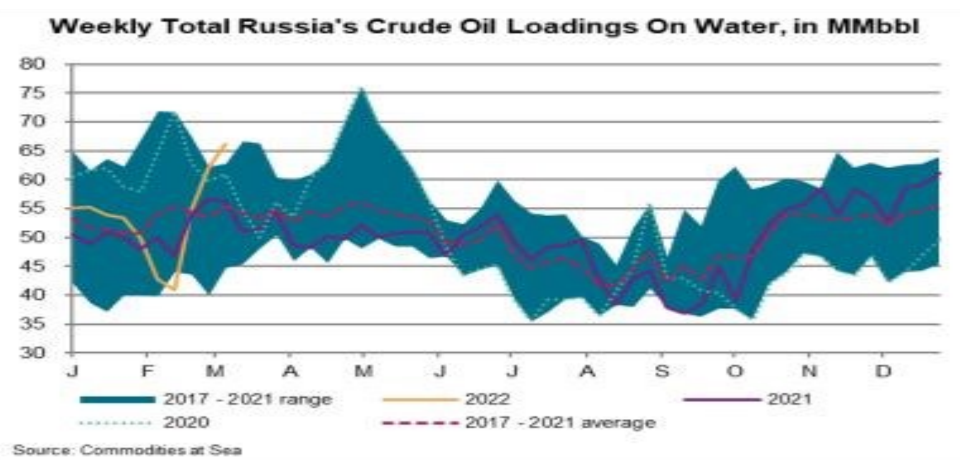
Crude oil prices were jittery again with corrections after a recent rally, as Russian and Ukrainian delegations met at the negotiation table to discuss a ceasefire agreement.

The ceasefire, if concluded, will likely bring more calm to the hyped-up crude market, as the prices began to drop since the start of the week.

However, the crude market is still not out of woods yet, even as a possible peace is in the air, as trade sanctions for Russia were still being ramped up, and given international pressure to resist Russian energy exports due to its invasion on Ukraine.

According to IHS Markit Commodities at Sea, there was still around 66 million bbls of Russian crude on the water, up 18% year-on-year for the week ended on Mar 11.

The high volume may not be to do with ramp up in Russian crude productions, but simply countries refusing to procure Russian energy products and unwilling to allow Russian vessels to unload in their ports.



Source: IHS Markit Commodities at Sea Service

Russian crude on the water rose as the military conflict with Ukraine began in February, as market participants shunned Russian energy products and refused Russia-flagged vessels' unloading in ports.

Crude Oil Market (cont)

Despite the heavy fighting and blockade of the Black Sea, Russian ports' crude loading still achieved a decent loading volume at 1.9 million bpd and 1.7 million bpd from Black Sea ports and Baltic ports respectively in recent week, as compared to the average 1.8 million bpd and 1.4 million bpd previously in Q4.

In the meantime, Chinese oil demand seemed to experience a slowdown, as Chinese crude imports fell by 13.3% year-on-year for the week ended on Mar 11.

The slow oil demand followed the country's lowest official target for economy growth for over three decades with GDP growth for about 5.5% for 2022.

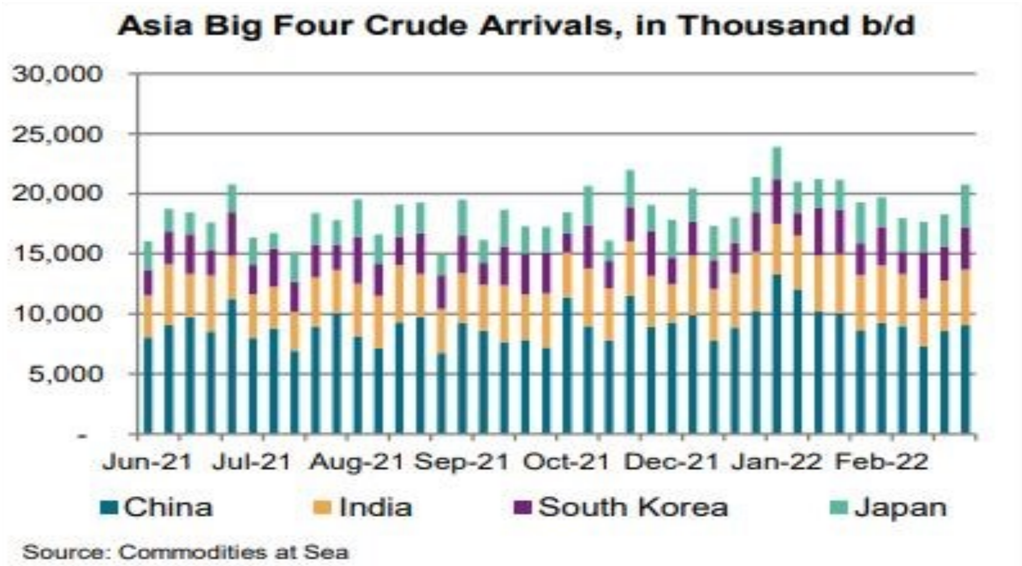
As China tackled with surging covid cases that led to the lockdown of "Chinese Silicon Valley" or Shenzhen, a city with 13 million population, due to the zero-tolerance approach in handling the pandemic.

This might expose China to more economic risks due to higher commodity prices and the possible trade sanction repercussion to the country's close relation with Russia despite the military conflict in Ukraine that was condemned by the international community.

Asia Pacific	25-Feb-22	4-Mar-22	11-Mar-22	w-o-w %	y-o-y %
Australia	186	167	84	-50.0%	-72.8%
Brunei	149	88	89	1.5%	-46.9%
China	7,331	8,583	9,043	5.4%	-13.3%
Indonesia	219	595	1,205	102.4%	788.1%
India	3,939	4,206	4,644	10.4%	16.2%
Japan	2,519	2,636	3,596	36.4%	33.9%
New Zealand	129	86	100	16.7%	-
South Korea	3,878	2,849	3,495	22.7%	7.7%
Taiwan	590	1,523	339	-77.7%	-39.5%
Thailand	462	713	1,357	90.2%	178.5%
Vietnam	286	7	319	4252.9%	2777.8%
Total	**19,687**	**21,453**	**24,272**	**13.1%**	**10.2%**

Source: IHS Markit Commodities at Sea Service

Chinese crude imports fell by 13.3% year-on-year for the week ended on Mar 11, but managed to gain 5.4% at week-on-week basis.



Source: IHS Markit Commodities at Sea Service

The decline of China oil demand followed the downward trend of other energy-hungry Asian giants like India, South Korea and Japan as they battled another bout of surging covid cases since the start of the year.

Technical view of the Crude Oil Market:

May Futures - The deep pullback in the oil means the technical has a neutral bias with the futures trading below the USD 105.60 fractal support, we now target the USD 100.60 level.

We have noted in previous reports last week that if the futures hold around the USD 100.60 level, then we will have a bullish Gartley pattern in play, warning we could see a test to the upside.

When we look at this correction on the intraday Elliott wave cycle, I see a positive divergence with the RSI with price looking like it is on wave 5 of wave C.

From a technical perspective we may have little further downside in the correction, but it is not considered a technical sell at this point.

Intraday market buyers will now be on the sidelines looking for downside phase/cycle completion and potential buy signals that could follow. Technically corrective but not a technical sell. A reactionary move based on Covid lockdowns in China.

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 :

Getting pass the Russian fuel oil

The bunker market moved downwards in light of the recent crude prices correction, as Russia and Ukraine proceeded to negotiate for ceasefire.

Despite the falling prices, there was market concern over tightening supplies, as buyers were avoiding bunkers from Russian sources, which resulted in tighter bunker availability in Rotterdam, especially for HSFO380 as most of the supplies come from Russia.

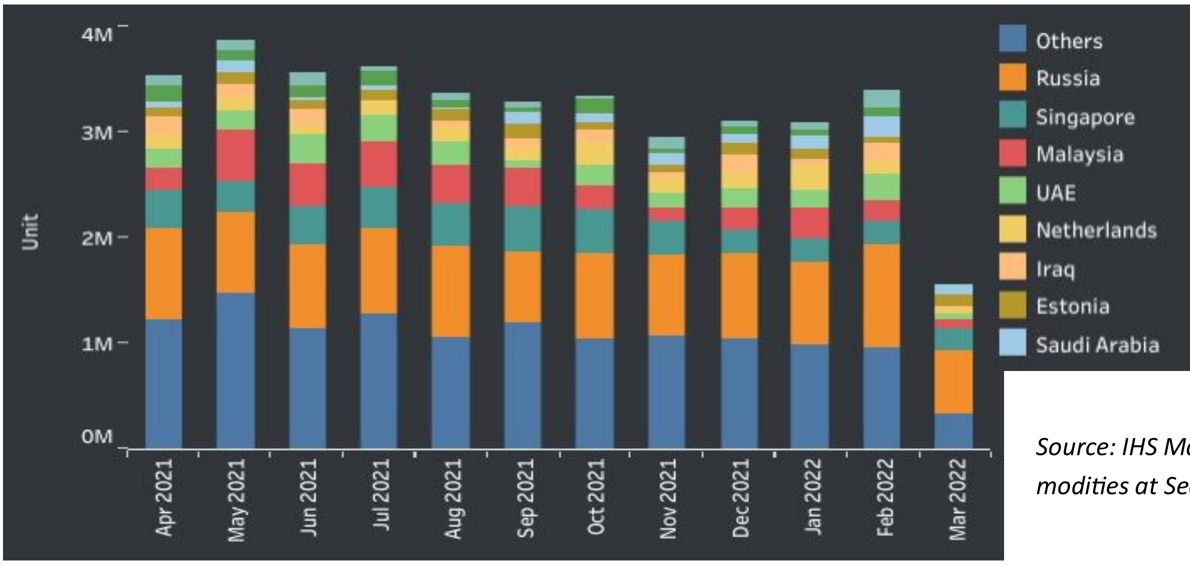
Russian ports bunker sales were estimated at about 7 million mt per year, but its fuel oil exports were shipped at larger quantities, as crude from the Urals typically produce higher yield of residual fuel oil than other crude grades.

Hence, the port of Fujairah faced supply tightness of HSFO 380, as the shipments were reduced from the Black Sea with most market participants avoided the area to do business with Russian fuel oil exports.

Going forward, end-users might need to seek for lighter crude blend instead but they did not come in cheap due to supply tightness. For instance, South Korean ports of Busan, Ulsan and Yeosu had persisted limited VLSFO availability with lead times around 8-11 days.

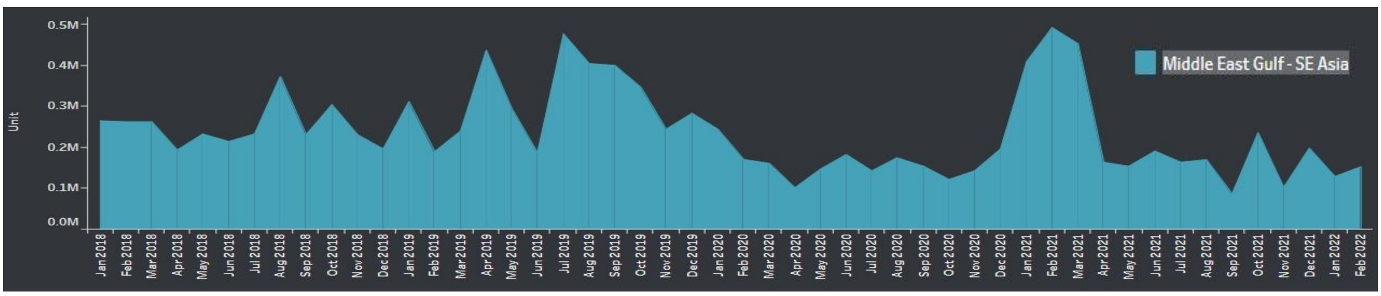
Though, the port of Zhoushan seemed to see little demand for VLSFO, as bunker buyers were cautious over the recent price swings and expected further corrections following the dip in the crude prices.

So far, the bunker volatility had reduced margins as leading bunker suppliers, World Fuel Services revealed that its average margins from its marine business had been lowered to $1.21 during the Q4 2021, as compared to $3.21/mt and $3.20/mt for 2020 and 2019 respectively.



Source: IHS Markit Commodities at Sea Service

The flow of fuel oil by countries basis remained low in the Mar 2022, as many shipments were still in transit, though Russian fuel oil still accounted for a large portion of market share.



Likewise, the fuel oil shipments from Middle East Gulf to Southeast Asia were low in February 2022, which extended the supply tightness situations.

Bunker Market (cont)

Hi5 and FOGOs

Singapore Hi5 spread eased toward the $200/mt after much crude oil volatility, as Singapore VLSFO slid toward the $900/mt mark following the crude price corrections.

Further price corrections were expected in the near term, to correlate with the downward trend of crude prices , though the supply tightness persisted in the bunker market.

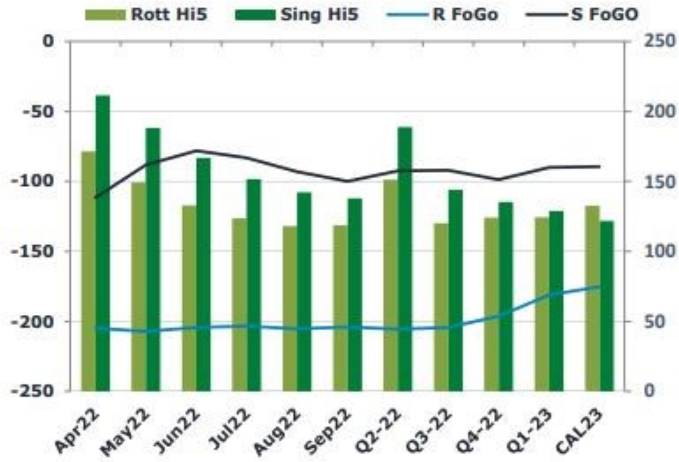
Market concerns grew over limited HSFO as bunkering firms avoided dealings with Russian fuel oil exports, which contributed to most of the HSFO supplies to ARA and Istanbul ports.

Meanwhile, the FOGO spreads are slated to ease over medium term, though some anomalies may occur in view of the extension of the Russia-Ukraine conflict and its effect on Russian crude demand.

Bans to Russia crude oil seemed to be limited to the US and UK only, while the rest of Europe was less aggressive, preferring to lower their dependence on Russian energy exports gradually.

OPEC also seemed unlikely to increase their output to calm the high crude prices, preferring to commit to their current incremental monthly increases as per plan.

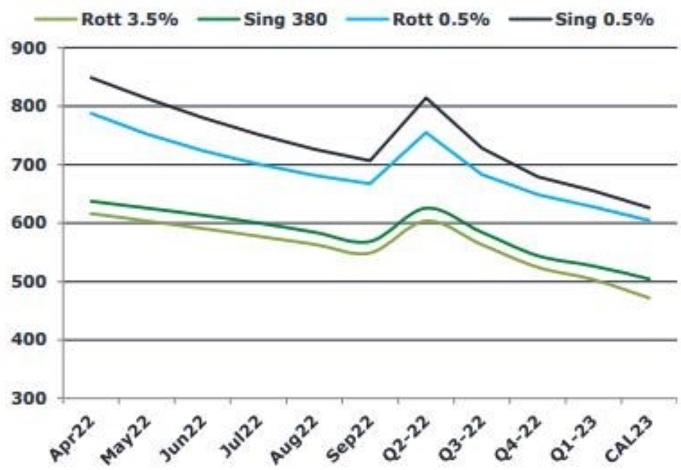
Rotterdam and Singapore Hi5 and FOGOs



Sources: FIS

Prompt Hi5 prices eased toward the $200/mt mark, as the crude rally cooled down at the start of the week.

Rotterdam and Singapore FO Futures



Sources: FIS

Bunker prices rally came to halt without the support of strong crude prices, though supplies remained tight for most bunkering hubs.

Hi5 Forward Curve Values

	Rott Hi5	Sing Hi5
Apr-22	171	211
May-22	149	188
Jun-22	133	167
Jul-22	124	152
Aug-22	118	142
Sep-22	119	138
Q2-22	151	189
Q3-22	120	144
Q4-22	124	135
Q1-23	124	129
CAL23	133	122

Sources: FIS

Tanker Market :

Good times are here again for trade rerouting

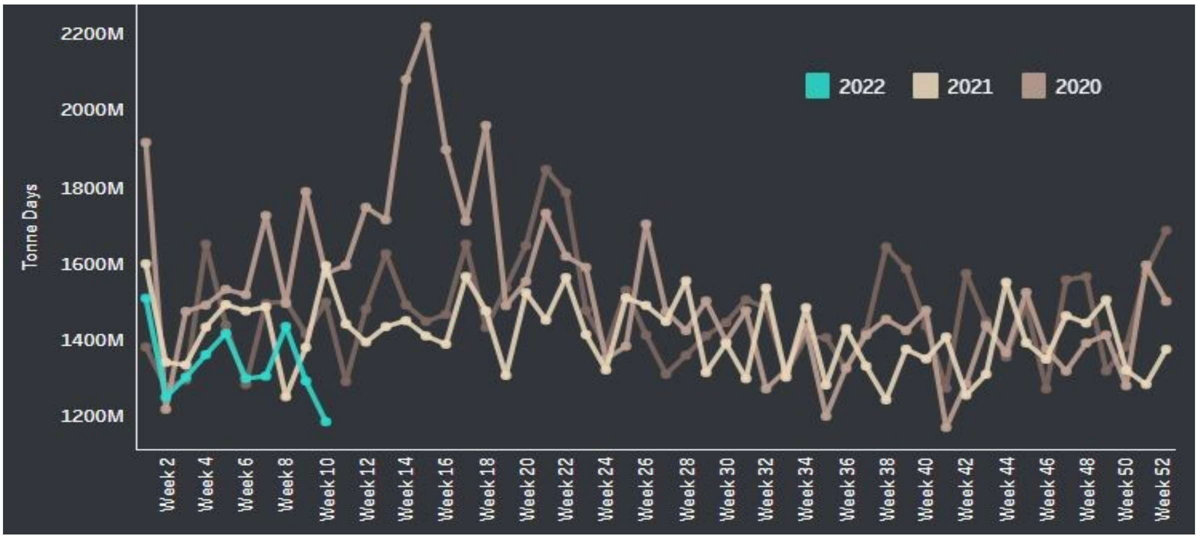
Tanker rates continued to benefit from the Russia-Ukraine conflict, as market expected more tonne-miles to avoid Russian exports.

To fill in the supply gap of Russia, the global community has turned their attentions to previous sanctioned countries like Venezuela and Iran, which might generate more trade routes in bringing their barrels into the market.

However, nothing officials had been made concrete yet, as the Iran talk remained in the limbo with the intervention of Russia, which demands for guarantees that Russian trade with Iran would not be affected by sanctions imposed on Moscow over its invasion of Ukraine.

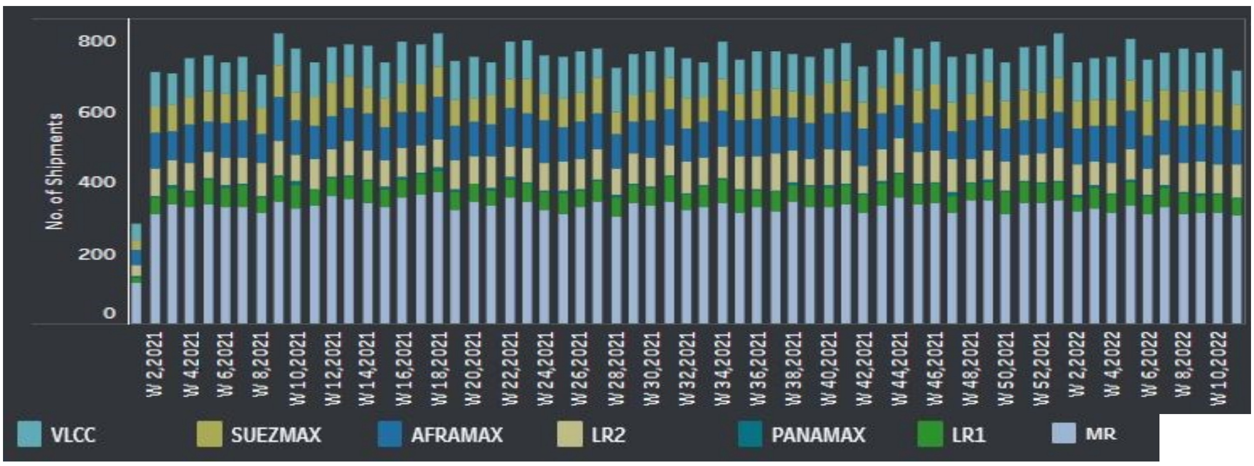
Meanwhile, the other wild card , Venezuela was in need of reinvestment in its oil and gas facilities to achieve its previous export levels and thus not able to ease the energy shortfall in the near term.

Hence, there was still no sliver bullets to the supply problems yet, but the tanker rates continued to improve as trade participants shunned Russian energy products voluntarily with or without the enforcement from the world governing bodies.



Sources: IHS Commodities at Sea Service

The tanker seasonality remained low as compared to other years, though market was optimistic that demand will pick up as economic activities recovered from the pandemic.



Sources: IHS Commodities at Sea Service

MR class accounted most of the shipments, though market expected longer haul of VLCC and Suezmax for the growing Chinese and Indian demand.

Technical view of the Tanker Market:

TD3C:

April Futures – The futures traded below the USD 9.53 and USD 9.04 support levels last week meaning the technical is now bearish based on the futures making a lower low.

Price is below the 8-21 period EMA's but the RSI and its moving average are above 50, momentum is warning we have the potential for another test to the upside.

Corrective moves higher that fail at or below USD 9.863 will leave the technical vulnerable to further tests to the downside, above this level the futures will target the USD 10,4770 high.

Near-term support is between USD 8.5856 and USD 8.4908 with the potential to trade as low as USD 8.2912. Technically bearish, momentum would suggest that we could test the upside resistance zone (USD 9.3615 – USD 9.8633).

FIS Senior Analyst, Edward Hutton

Written by **Titus Zheng Shujian**,

FIS Research Analyst

Edited by **Chris Hudson**,

FIS Communications Director