

FIS Weekly Oil Report

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

29/3/2022

Market Review:

Crude oil market—Short term bearish in view of slight corrections at around \$110-\$115/bbl as Russia negotiates with the G7 over its energy exports.

Bunker market— Short term bearish, ranging \$900 -\$905/mt amid market volatility.

Prices movement	28-Mar	25-Mar	Changes %	Sentiment	
Brent Crude	112.48	120.65	-6.77%	Bearish	↓
WTI Crude	105.96	113.90	-6.97%	Bearish	↓
VLSFO (Singapore)	901.50	903.50	-0.22%	Bearish	↓

Crude Oil Market :

Chinese lockdowns and unfruitful negotiations to ease crude prices

Crude oil prices faltered on market concerns over lower crude oil demand as China embarked on stricter lockdowns in its key cities.

Shanghai, the major financial hub of China, had started its lockdown this week, divided by eastern and western sides for testing Mar 28 – Apr 1 and April 1-5 respectively.

The city accounts nearly 4% of China’s GDP and the lockdown is estimated to restrict the social movement of 14 million residents, though airports, railways, international shipping, and the stock exchange are expected to remain open during the lockdown period.

The rising Chinese covid cases are predicted to affect the country’s oil demand, estimated at 15 million barrels per day (bpd), and was reflected in recent selloff in the future market.

OPEC	11-Mar-22	18-Mar-22	25-Mar-22	w-o-w %	y-o-y %
Algeria	465	88	421	↑ 375.8%	↑ 19.7%
Angola	1,093	1,100	1,371	↑ 24.7%	↑ 43.3%
Congo (Republic)	131	349	399	↑ 14.3%	↑ 203.3%
Equatorial Guinea	143	143	207	↑ 45.0%	↓ -9.4%
Gabon	-	343	136	↓ -60.4%	-
Iran	1,411	895	1,138	↑ 27.2%	↑ 118.9%
Iraq	3,932	3,470	3,661	↑ 5.5%	↑ 13.9%
Kuwait	2,064	1,091	2,086	↑ 91.1%	↑ 119.6%
Libya	743	1,366	966	↓ -29.3%	↓ -14.8%
Neutral Zone	107	100	477	↑ 377.1%	↑ 507.3%
Nigeria	1,043	1,475	1,835	↑ 24.4%	↑ 43.3%
Saudi Arabia	6,324	6,874	6,492	↓ -5.6%	↑ 34.6%
United Arab Emirates	3,111	2,339	3,956	↑ 69.2%	↑ 52.7%
Venezuela	464	401	166	↓ -58.6%	↓ -68.5%
Total OPEC	21,033	20,033	23,310	↑ 16.4%	↑ 38.9%

Source: IHS Markit
Commodities at Sea
Service

UAE had increased oil production by nearly 70% week-on-week to fill up the supply gap left by Russian producers as many countries shunned using Russian oil products.

Crude Oil Market (cont)

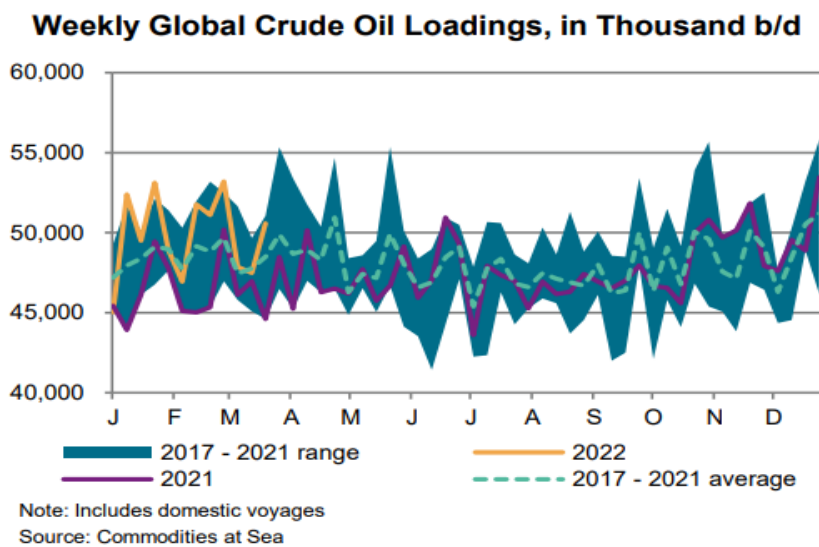
On the supply side, Russian energy exports came into question again, as the G7 rejected Russia’s suggestion of accepting rubles for gas payments.

The rejection resulted in a warning from the Russian side that they may suspend supplies to the EU countries, causing serious problems as they are so dependent on Russian energy products.

In the meantime, Russian oil exports had fallen by more than quarter as its conflict with Ukraine intensified which resulted in many countries shunning Russian oil products.

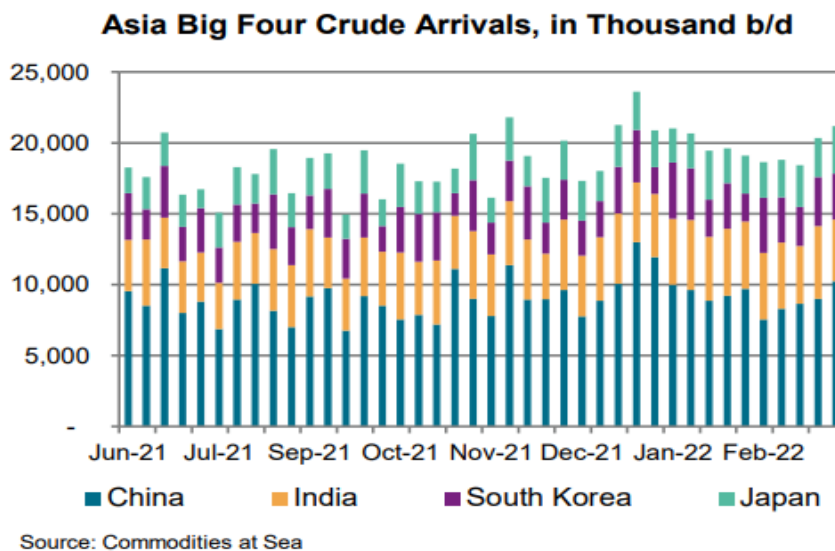
India, however, had increased purchases of Russian crude oil with an average daily rate of 360,000 bpd, which was four times more than the rate of daily purchases last year.

According to Bloomberg, Russia exported an average of 3.63 million bpd during the Mar 17-23 period, down 26.4% week on week, while the country’s oil production was unchanged at an average of 11.08 million bpd by Mar 23, down slightly by 0.3% week-on-week.



Source: IHS Markit
 Commodities at Sea Service

The weekly global crude oil loadings had bounced back to the 2017-2021 range, despite the ongoing disruption from the Russia-Ukraine conflicts, as OPEC produced more to ensure market stability.



Source: IHS Markit Commodities at Sea Service

Crude oil arrivals had rebounded from the low import levels in late-February among the Asian big four oil consumers toward the end of the March 2022.

Technical view of the Crude Oil Market:

May Futures – Price was trading at USD 115.00 last week with price targeting the USD 118.36 and USD 133.15 resistance levels, the futures traded to a high of USD 123.74 before correcting.

If you read are morning technical reports you will have seen that we added a key resistance at USD 124.78, upside moves that failed at or below this level remained vulnerable to further tests to the downside.

Technically bullish based on price we are now trading at USD 112.75, the rejection of the USD 124.78 is warning that the Elliott wave cycle is potentially still in a complex corrective wave 4.

Downside moves that hold at or above USD 106.45 will support a bull argument, targeting the USD 124.78 level once again. below this level the futures will have a neutral bias with the potential to test the USD 96.93 fractal low.

Technically bullish based on wave analysis, the rejection of our key resistance is warning the futures could be still in a complex corrective phase. If resistance is broken, we target the USD 133.15 level.

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 :

Bunker prices weighed down by lockdown concerns

Bunker markets reflected the recent crude oil volatility and market concern over the widening of lockdown measures in China that affected demand and logistics.

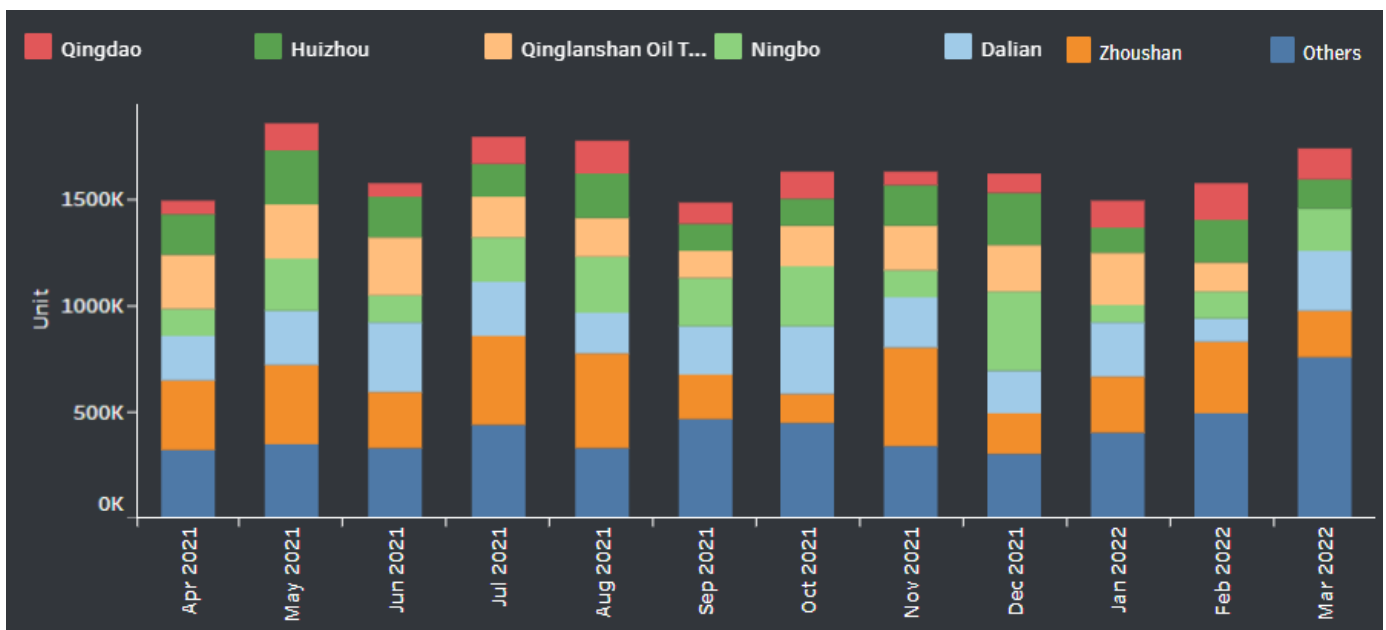
However, the port of the Shanghai remained in operation, seemingly unaffected the latest round of lockdown measures till early April.

Chinese ports continued to receive a steady stream of fuel oils despite market concerns over rising covid cases that disrupted logistics, though some vessels may avoid bunkering services in Chinese ports and opted for other regional bunkering ports.

However, major bunkering hubs continued to see their inventories shrinking such as in Fujairah Oil Industry Zone (FOIZ) where inventories dropped by 6.2% week-on-week to 10.1 million bbls or 1.5 million mt, according to S&P Global Platts.

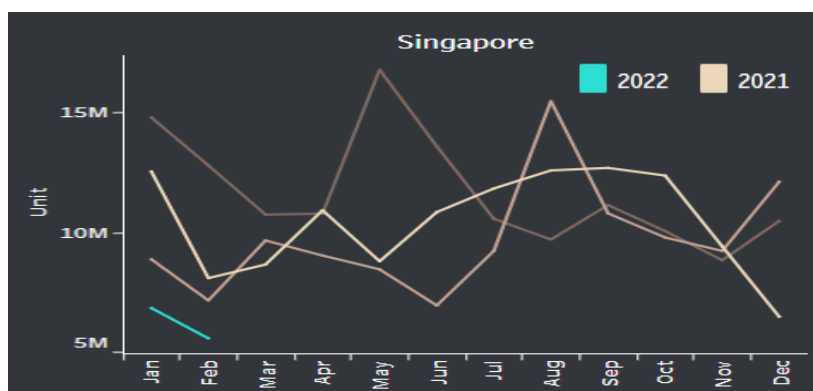
Similarly, an inventory draw was heard for the Singapore’s residual fuel stocks after nearly one month of buildup, according to Enterprise Singapore.

Therefore, the port of Singapore had limited high sulfur fuel oil (HSFO) with the recommended lead time of 9-10 days, while there was heard to be lower availability of blendstocks for VLSFO blending.



Source: IHS Markit Commodities at Sea Service

Residues fuel discharges had increased among the Chinese ports during Mar 2022, to the highest level so far since start of the year.



Source: IHS Markit Commodities at Sea Service

Singapore’s fuel oil discharge continued to move downward trend, which resulted in persisted supply tightness among its port inventories.

Bunker Market (cont)

Hi5 and FOGOs

Singapore Hi5 spread went toward the \$200/mt mark amid crude market volatility.

Crude prices were likely to ease further as EU seemed half-hearted in its pushing for a Russian oil embargo, hence resulting price corrections from recent rally.

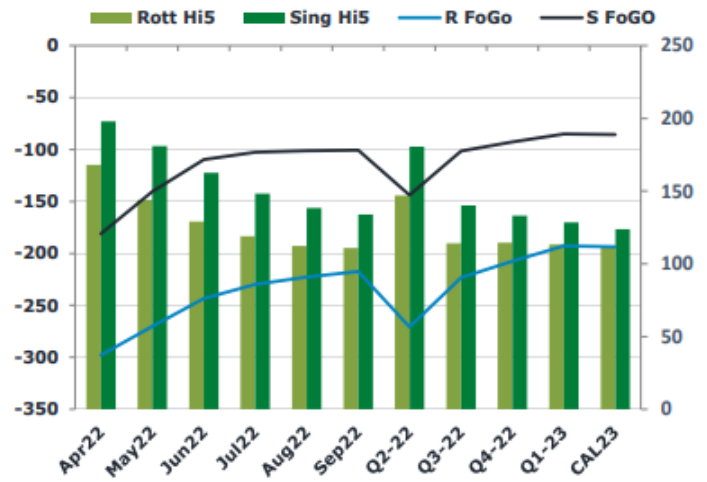
Meanwhile, all eyes were on the OPEC meeting later this week, and whether the cartel will ramp up production to ease further oil prices,

However, OPEC+ members are expected to stick to their current production schedule, despite repeated calls from G7 to increase output to reduce Western countries' dependence on Russian oil.

Meanwhile, the FOGO spreads are projected to ease over the medium term, with possible OPEC to cooperate on higher oil output to offset the Russian oil production amid the ongoing conflict with the Ukraine.

More Iranian oil barrels are expected to return to the market, as Iran's NIOC plans to boost its crude oil production to 4 million barrels per day in the new Persian year, after a successful possible lifting of trade sanction from the talk outcome.

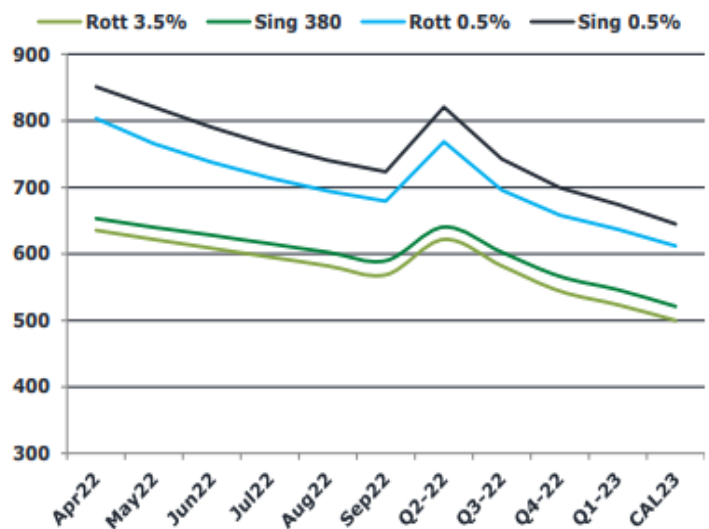
Rotterdam and Singapore Hi5 and FOGOs



Sources: FIS

Prompt Hi5 prices came toward the \$200 /mt mark, as the crude rally reversed into correction phase amid market uncertainty.

Rotterdam and Singapore FO Futures



Sources: FIS

Bunker prices eased following the recent downward crude movement, though the persisted supply tightness in ports might provide some prices upticks.

Hi5 Forward Curve Values

	Rott Hi5	Sing Hi5
Apr-22	168	198
May-22	144	181
Jun-22	129	163
Jul-22	119	148
Aug-22	112	138
Sep-22	111	134
Q2-22	147	180
Q3-22	114	140
Q4-22	114	133
Q1-23	113	128
CAL23	112	124

Sources: FIS

Tanker Market :

Russian dirty product exports drop to 5 year low

Russian fuel oil and residual fuels slumped to multi-year lows due to its invasion of Ukraine that resulted in condemnation from the global community.

According to IHS Markit Commodities at Sea Service, Russian fuel oil exports averaged 596,000 bpd in March, down 39% month-on-month from February, while its VGO shipments had been reduced by 50% to 163,000 bpd.

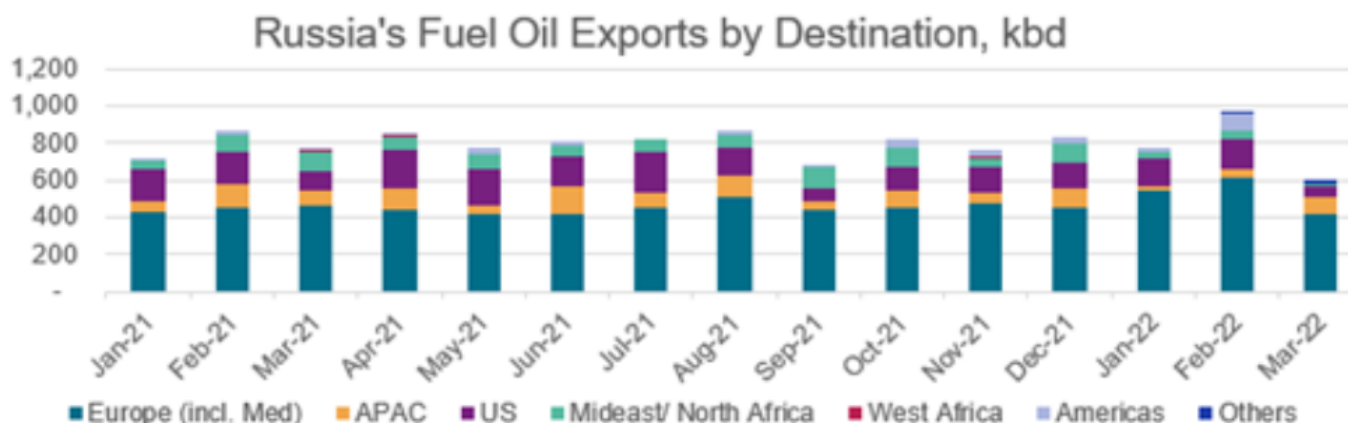
These exports volumes were the lowest since 2017, as the Russian refiners have started to cut back on refinery throughput that resulted in the shortage of diesel in the EU.

In fact, the diesel shortage already occurred before the Russian invasion, with European diesel fuel stocks were lowered by 8% yearly to 35 million bbls and under the five-year average for this time of the year, according to Reuters.

Despite the recent shunning of Russian energy exports, there was still around eleven March loading cargoes of fuel oil in transit to destinations within Europe, with seven to the Mediterranean and four cargoes to Northwest Europe, based on the data from IHS Markit Commodities at Sea Service.

Similarly, Russian fuel oil cargoes had fallen drastically to the US market with drop of 60% to 64,000 bpd in March with reportedly only four cargoes going to the US Gulf Coast, in contrast with 13 cargoes in February.

In the meantime, there was lots of demand coming from the Asian market with a total of seven VGO cargoes heard for APAC region, like three cargoes for Northeast Asia, then two cargoes each for India and Southeast Asia.



Despite the global avoidance of Russian energy exports, Russia still managed to ship 11 FO cargoes to European market.

Sources: IHS Commodities at Sea Service



Sources: IHS Markit Commodities at Sea Service

Asian market had big appetite for Russian VGO cargoes with around seven March-loading VGO cargoes to cater to their power generation needs.

Technical view of the Tanker Market:

TD3C:

April Futures – The upside moves in the futures failed to test the lowest of our Fibonacci resistance levels with the futures finding resistance between the 8 – 21 period EMA's, resulting in the futures moving lower once again.

Upside moves above USD 8.2700 will target the Fibonacci resistance zone between USD 8.6286 – USD 9.4601; however, the futures remain vulnerable to further tests to the downside below USD 9.4601.

Above this level price will target the USD 10.4770 high. Downside moves below USD 7.4860 will target the USD 6.9250 low.

The RSI is below its moving average and has just failed at the 50 level, suggesting we remain vulnerable to further tests to the downside at this point.

FIS Senior Analyst, Edward Hutton

Written by **Titus Zheng Shujian**,

FIS Research Analyst

Edited by **Chris Hudson**,

FIS Communications Director