FIS Weekly Oil Report

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Market Review:

Crude oil market—Short term bearish around $95-$110/bbl, due to price corrections from expected lower Chinese oil demand as lockdown measures may be imposed on Beijing, following the covid virus spread.

Bunker market— Short term bearish, ranging $830 -$850/mt, following the weakness of crude market and oil contamination issues in the port of Singapore.

Prices movement	25-Apr	22-Apr	Changes %	Sentiment	
Brent Crude	102.32	106.65	**-4.06%**	**Bearish**	↓
WTI Crude	98.54	102.07	**-3.46%**	**Bearish**	↓
VLSFO (Singapore)	833.00	864.50	**-3.64%**	**Bearish**	↓

Crude Oil Market :

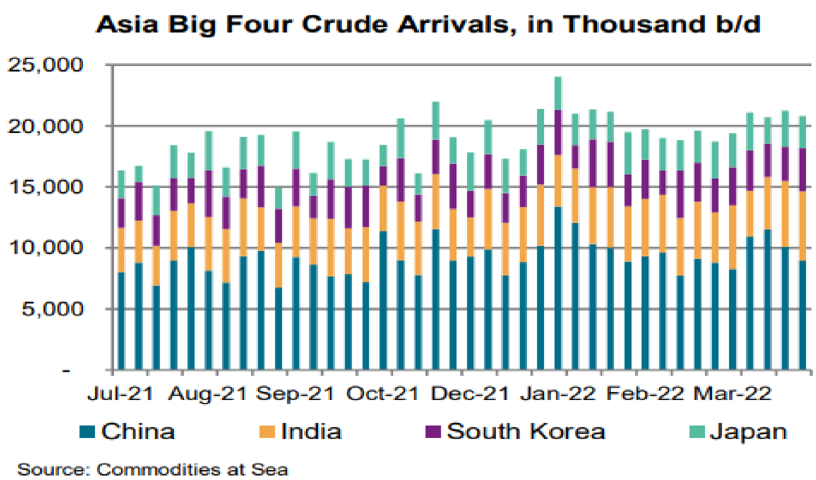
More price corrections from possible widening of Chinese lockdown

Crude oil prices faced another round of corrections in a volatile marketplace, as industry concerns loomed over possible city lockdown of Beijing due to the spread of the Covid virus in China.

As the market expects Chinese oil demand to fall, with around 22 million residents of Beijing were lining up for Covid test this week, with concerns of having a possible lockdown in operation like in Shanghai.

So far, the city of Shanghai had been under strict lockdown despite recent drops in Covid cases. Bloomberg estimated that Chinese demand for gasoline, diesel, and aviation fuel to fall by 20% year-on-year in April 2022 or less 1.2 million barrels per day of consumption.

The estimated demand drop accounted nearly 9% of China's daily oil demand as compared to the 2021 average oil consumption, of which the gasoline demand is expected to be hit the hardest due to the restriction of movements following the lockdowns of major Chinese cities.



Source: IHS Markit Commodities at Sea Service

Chinese oil demand had lowered significantly toward end-Mar, due to the lockdown of major economical cities like Shanghai, which remained under lockdown till this day.

Crude Oil Market (cont)

Gasoline demand of eastern China is expected to drop by 40% in April, due to strict lockdown measures that forced Shandong-based independent refiners to cut down their operating rates.

Meanwhile, there was some supplies issues that might support oil prices as EU prepared to hit Russia with 'smart sanctions' on oil imports.

Although there was not unanimous EU member support for a complete embargo on Russian oil and gas imports, the EU is looking to impose a price ceiling on Russian oil as a punishment for its invasion of Ukraine.

Germany, one of the EU members most dependent on Russian energy exports, had stated that it will be 'virtually independent' of Russian oil by the end of year, and had planned for a gradual phaseout of Russian energy exports, like by cutting import volumes by 50% during summer season.

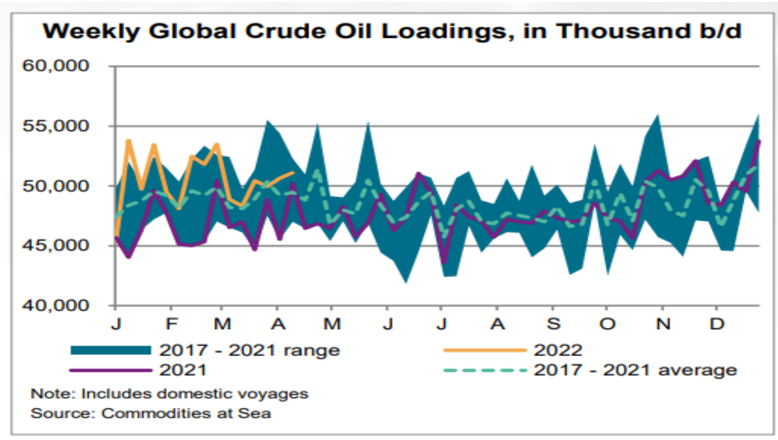
In the meantime, Libyan's disrupted oilfields may reopen later this week, according to the country's oil minister. As Libya's largest oilfield, Al-Sharara, along with the El Feel oilfield and two major export terminals, taking some 550,000 bpd had suspended operations following a civil unrest recently.

Europe's Crude Oil Imports by Destination (kb/d)	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2021 H1	2021 H2	Feb-22	Mar-22	Apr-22	2022 Q1
Italy	1,628	1,980	1,991	2,055	1,805	2,023	1,909	1,830	1,770	1,854
Netherlands	2,021	1,996	1,860	1,972	2,009	1,916	1,906	2,101	1,624	1,992
Spain	1,041	1,073	1,164	1,141	1,058	1,153	1,358	1,117	1,392	1,239
United Kingdom	574	796	834	940	685	887	965	1,050	886	943
France	653	702	832	814	678	823	825	946	624	883
Turkey	409	506	580	611	458	595	546	559	533	537
Sweden	274	350	343	331	312	337	428	336	452	382
Greece	470	493	455	504	482	479	465	315	418	417
Germany	405	369	434	449	387	442	493	450	342	451
Poland	294	235	322	441	264	382	493	341	302	395
Others	1,653	1,587	1,513	1,436	1,620	1,475	1,813	1,692	1,498	1,701
Total	**9,423**	**10,088**	**10,328**	**10,695**	**9,758**	**10,512**	**11,200**	**10,736**	**9,841**	**10,794**

by Load Country (kb/d)	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2021 H1	2021 H2	Feb-22	Mar-22	Apr-22	2022 Q1
Russia	2,568	2,899	2,554	2,871	2,735	2,713	3,404	2,610	2,377	3,095
Norway	1,054	1,107	1,286	1,390	1,080	1,338	1,316	1,464	1,401	1,309
United States of America	925	1,091	1,176	1,258	1,009	1,217	1,433	1,344	1,264	1,312
Libya	756	864	906	792	810	849	791	693	788	698
Turkey	870	859	859	862	864	860	790	805	678	838
Egypt	450	435	430	451	442	440	471	439	610	414
Nigeria	651	538	767	786	594	776	585	832	535	684
United Kingdom	434	371	419	447	402	433	404	458	513	474
Iraq	449	431	427	547	440	487	656	584	435	493
Algeria	162	246	253	361	204	307	248	307	289	315
Others	1,105	1,248	1,250	930	1,177	1,090	1,101	1,201	951	1,162
Total	**9,423**	**10,088**	**10,328**	**10,695**	**9,758**	**10,512**	**11,200**	**10,736**	**9,841**	**10,794**

Source: IHS Markit Commodities at Sea Service

Most EU members' crude oil imports followed a downward trend in April, and they had reduced their dependency on Russian oil exports voluntarily though without an official trade embargo.



Source: IHS Markit Commodities at Sea Service

Hence, the weekly global crude oil loading also went on a downward slope, lower than the 2017-2021 average range in view of the lower economic growth predicted by the IMF in reducing 0.8% to 3.6% for the year.

Technical view of the Crude Oil Market:

June Futures - Concerns surrounding the Chinese economy and Covid, coupled with exactly how many interests rate rises we could see from the U.S this year, is putting pressure on the futures.

Price had proved to be resilient into the close on Friday, we noted this as a positive on the E.U close report but warned it could be a delayed reaction, this is looking to be the case.

However, the USD index has gone parabolic for the last three sessions and this likely to be unsustainable for a long period of time, if it starts to weaken, we could see buying support in the market.

The futures are showing a 3-wave corrective phase meaning there is the potential for a bullish Gartley pattern in play. However, if we trade below USD 97.57 then the bullish pattern will have failed, at this point we target the USD 92.90 level.

Price is trading below the daily EMA support band meaning the trend is weakening, but with price flirting around the USD 101.26 support (currently USD 100.80) we remain cautious at these levels. The fundamentals are weakening but there is still a war on in Ukraine with around 30 governments globally involved as a proxy, suggesting this story could still have some twists and turns in it to come.

FIS senior analyst, Edward Hutton

Brent ***June 22 Morning Technical Comment – 60 Min***

Chart source: Bloomberg

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

Bunker Market :

Bunker prices move along with crude volatility

Bunker prices followed the recent weakness in crude market and faced corrections, though demand was heard to be picking up in the port of Singapore.

The demand uptick was due to the recent low prices as the port bunker sales were affected by off-specification issues, amid the supply tightness of HSFO and VLSFO.

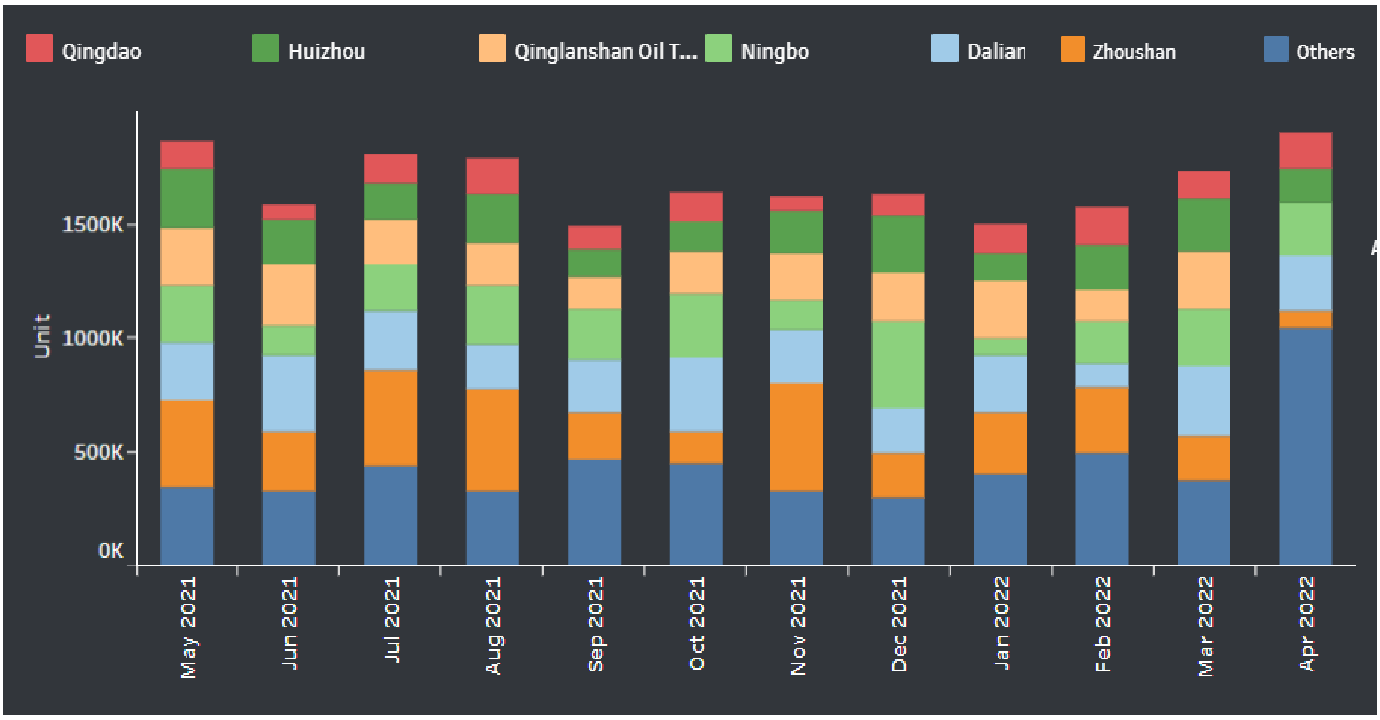
However, some buyers were moving away from the low bunker prices being offered in the port of Singapore, due to contamination concerns after more than 80 vessels reported issues with their fuel pump and engines.

Hence, this benefited other regional port like Hong Kong, especially for its HSFO380 products. Other North Asian ports saw more enquiries as well, as bunker demand diverged out of Singapore due to the limited availability of HSFO supplies.

The supply tightness among Asian ports might last a while longer, due to the strong demand for Middle Eastern HSFO cargoes by the US refiners that reduced inflows to Asia.

According to Platts, the US refiners were heard to taken around six May loading cargoes from Saudi Aramco's oil terminal at Ras Tanura.

In the meantime, the bunker demand of LSFO is expected to rise in Zhoushan, due to lots of market enquiries for April and May delivery dates, though there were market concerns that the rising Covid cases in region may prompt some lockdown restriction measures.



Source: S&P Global Commodity Insights

The demand for LSFO is expected to rise in port of Zhoushan, especially for April and May delivery dates, after the port operations resumed from the lockdown measures.

Bunker Market (cont)

Hi5 and FOGOs

The Singapore Hi5 spread rose towards the $160/mt mark, amid falling Chinese oil demand and EU's push to lower its dependence on Russian oil.

OPEC refused a US call to increase output which served as support for oil prices, only for market fears of falling Chinese oil demand with possible lockdown of Beijing due to spreading Covid cases to counteract this sentiment.

The market was also worried about supplies of HSFO, as Russian oil production had dropped by 10% since the start of the Ukraine War, which further restricted EU access to HSFO for their ports.

Some suppliers had voluntarily cut down their usage of Russian fuel oil, while most traders decided to wind down their Russian demand gradually by the end of the year.

Meanwhile, the FOGO spreads continued to move in downward trend, with a market expectation of easing of supply tightness.

After OPEC withdrew from US request to ramp up production, Iraq seemed to heed to the call with increased output.

Previously, Iraq's oil exports had reached a 50-year record high volume in March, worth some $11.07 billion, at production levels of around 4.4 million bpd.

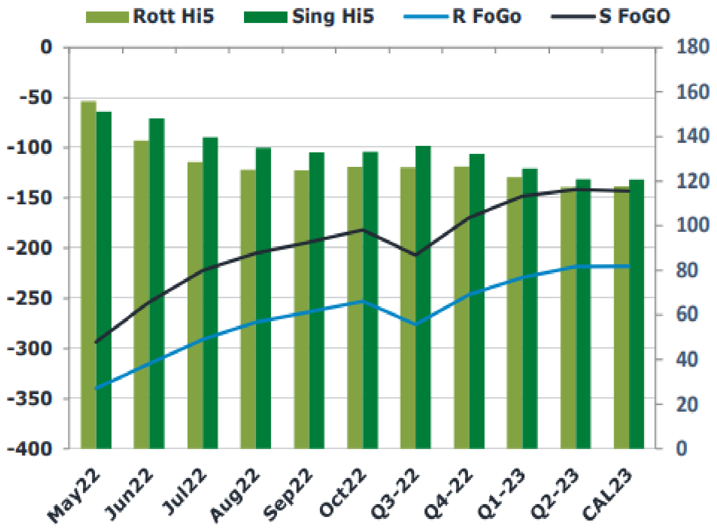
Going forward, Iraq may continue to produce at this rate or higher, with most of its oil exports destined for the Asian market.

Hi5 Forward Curve Values

	Rott Hi5	Sing Hi5
May-22	156	151
Jun-22	138	148
Jul-22	129	140
Aug-22	125	135
Sep-22	125	133
Oct-22	126	133
Q3-22	126	136
Q4-22	126	132
Q1-23	122	126
Q2-23	117	121
CAL23	118	121

Sources: FIS

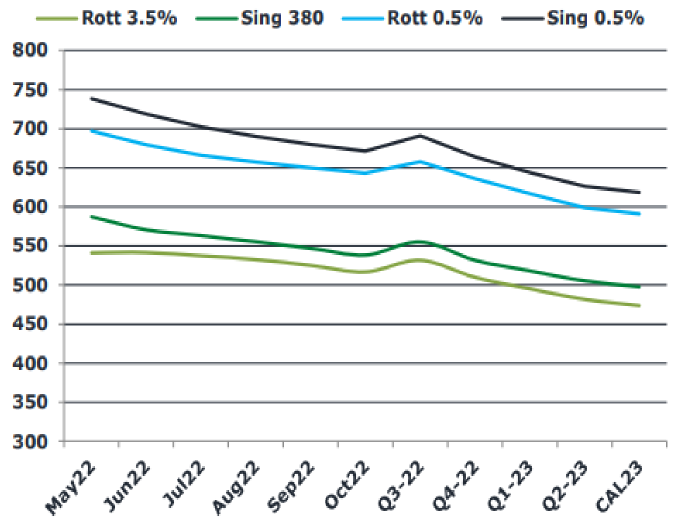
Rotterdam and Singapore Hi5 and FOGOs



Sources: FIS

Prompt Hi5 prices reached toward the $160/mt mark, amid lower Chinese oil demand from possible lockdown in Beijing.

Rotterdam and Singapore FO Futures



Sources: FIS

Bunker prices faced correction from crude market volatility but might find some support in EU's measures to limit Russian oil exports.

Tanker Market:

Good times are here again for VLCCs

Tanker freight rates had improved after the lull of the Easter holidays, with some positivity reflected among the larger vessels due to better demand for longer haul routes.

This was due to the oil suppliers from the US, Asia and Middle East shipping more crude to Europe as the EU tried to end their dependence on Russian oil, while Russia shipped most of its oil to the Asian market.

According to OPEC, the crude arrivals to the Far East had increased by 1.2 million bpd or 9% month-on-month to an average around 15 million bpd in March. However, the crude arrivals to Europe saw a slight decline of 50,000 bpd to 12.87 million bpd during March.

Despite the slump in arrival volume, VLCCs' rates for the Middle East-to-West route had increased, up 35% month-on-month to average WS23 points in March, based on Argus and OPEC assessment.

However, the smaller tankers had kept up with the good times with a strong performance, especially for the Aframaxes.

As the spot freight of Aframaxes had increased tremendously since the Russia-Ukraine conflicts, as traders avoided chartering ship from Russia's top shipping company Sovcomflot, which had one of the largest Aframax fleets in the world.

Therefore, the freight rates on the Indonesia-to-East route had increased by 46% yearly and up 51% month-on-month in March to an average of WS134, due to limited availability of Aframax.

Region

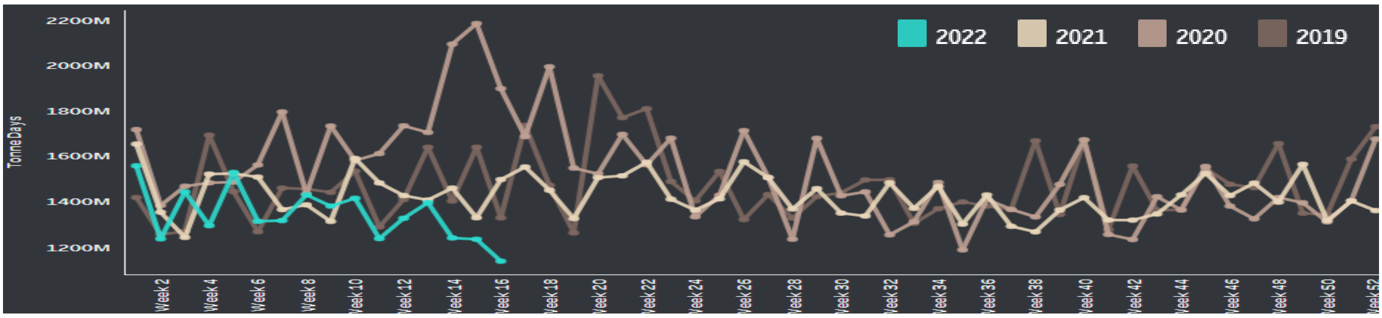
	Vessel Status	
	Ballast	Laden
Indian Ocean	143	147
Far East	73	59
Southeast Asia	65	55
Middle East Gulf	63	34
South Atlantic	35	24
West Africa	18	14
US Gulf	8	17
North America East Coast	9	8
Red Sea	6	5
Mediterranean	5	3
West Mexico Panama	4	
Northwest Europe	2	1
West North America Oth..		3
West South America Oth..	1	1

Size Class

	Vessel Age Group				
	0-5	6-10	11-15	16-20	20+
VLCC	235	158	235	135	42
Grand Total	235	158	235	135	42

Sources: IHS Commodities at Sea Service

Most of the VLCCs were operating in the Asian market, as oil suppliers preferred longer haul routes to reach their clients respectively.



However, the seasonality of weekly tanker employment remained low as compared to previous years in view of Russia's invasion of Ukraine, rising inflation, and a persistent drag on the economy by the pandemic.

Technical view of the Tanker Market:

TD3C:

May Futures - The futures entered a corrective phase on the last report with downside moves considered as countertrend.

Price has moved below the first two support levels (USD 10.7026 - USD 10.2125) with the futures now on the 21-period EMA. Downside moves that hold at or above USD 9.5481 will support a bull argument, below this level the technical will have a neutral bias, further support is at USD 9.0248 and USD 8.1361.

The RSI is above 50 with the stochastic in oversold territory, momentum is warning the futures are vulnerable to a test to the upside. The moving average is still on the RSI is still above 50 but starting to slope lower, warning resistance levels could hold if tested, upside moves that fail at or below USD 11.5386 will leave the futures vulnerable to further tests to the downside, above this level we target the USD 12,2890 high.

Technically bullish but in a corrective phase, if the USD 9.5481 support holds with the RSI still above 50 then we could test resistance levels in the near-term (Resistance is at USD 10.9251, USD 11.1855, and USD 11.5386). if the RSI breaks below 50 then expect support levels to come under pressure.

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