FIS Weekly Oil Report

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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 $840 -$850/mt due to alleged bunker fuel contamination in the port of Singapore.

Prices movement	4-Apr	1-Apr	Changes %	Sentiment	
Brent Crude	107.53	104.39	**3.01%**	**Bullish**	↑
WTI Crude	103.28	99.27	**4.04%**	**Bullish**	↑
VLSFO (Singapore)	844.50	853.00	**-0.99%**	**Bearish**	↓

Crude Oil Market :

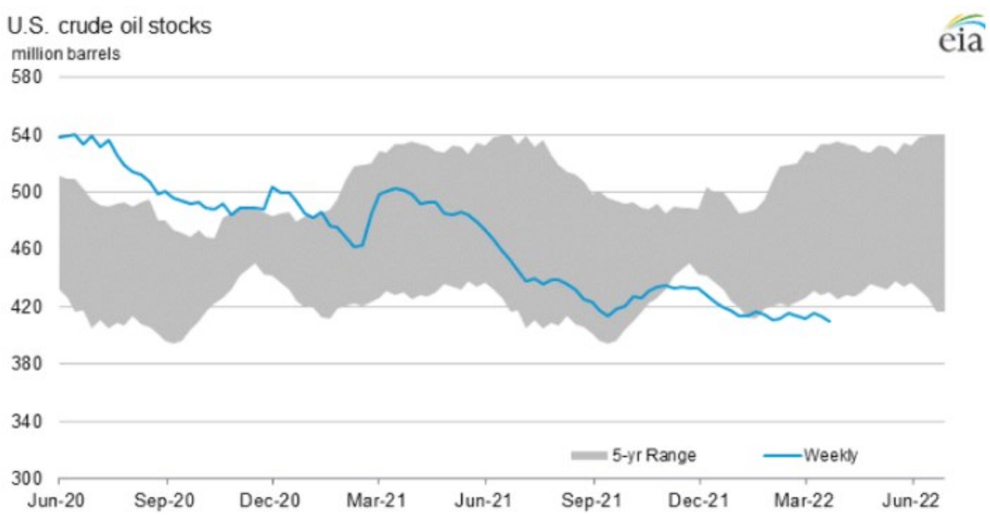
More steam for crude prices to run over the $100/bbl mark

Crude oil prices had eased under the $100/bbl mark for a short while, as the US released an historic amount from its strategic oil reserves of around 180 million barrels.

The US Strategic Petroleum Reserves (SPR) will be released in two phrases with the first 90 million barrels being delivered between May and July period, then another half to be released on the Aug and Oct period this year.

So far, the releases had exceeded previous market expectations at six times larger than the previous outright SPR sale, which will likely to reduce the remaining strategic inventories to a mere 388 million barrels by the end of the stock draw.

However, the release only had short term impact on crude, as the prices soon bounced back as more potential sanctions were heard to be directed at Russia for war atrocities committed in Ukraine.



Source: US Energy Information Agency

US oil stocks will decline further and be lower than the 5 years average range, after the recent announcement of the SPR releases.

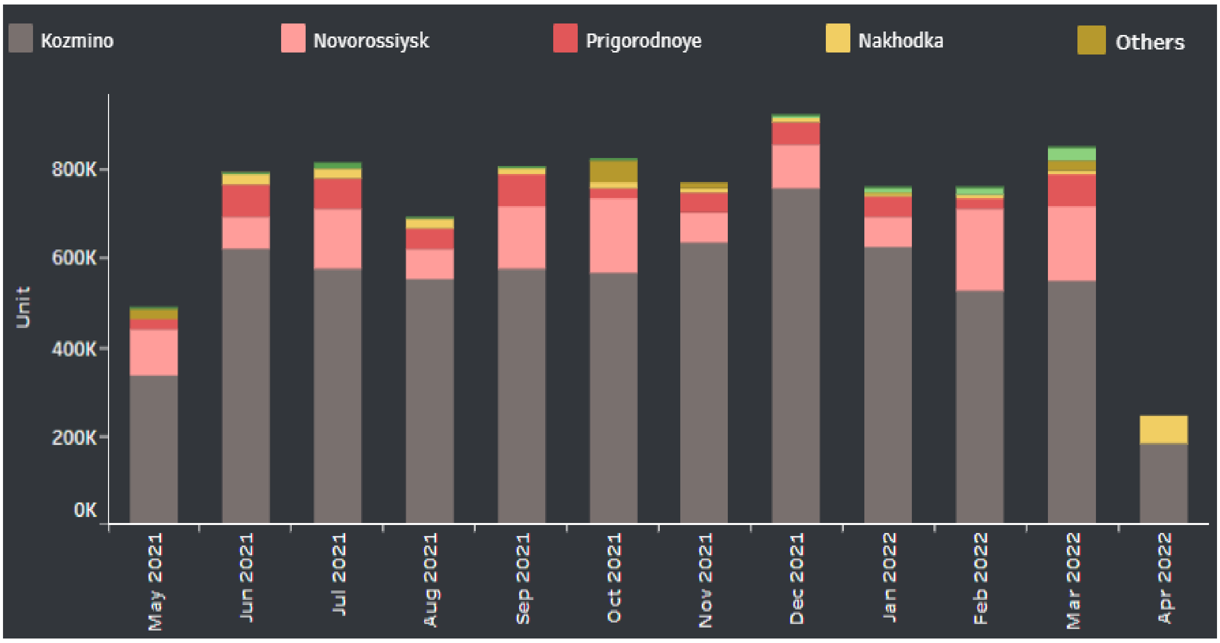
Crude Oil Market (cont)

The market feared that EU nations may press for sanctions on Russian energy exports for war crimes, though fighting had ceased around Kyiv, but battles intensified for control of southern Ukraine.

Germany is expected to suffer more from the sanctions on the Russian energy products as the country is very dependent on Russian gas for power generation and thus may not go fully along with proposed EU energy sanctions.

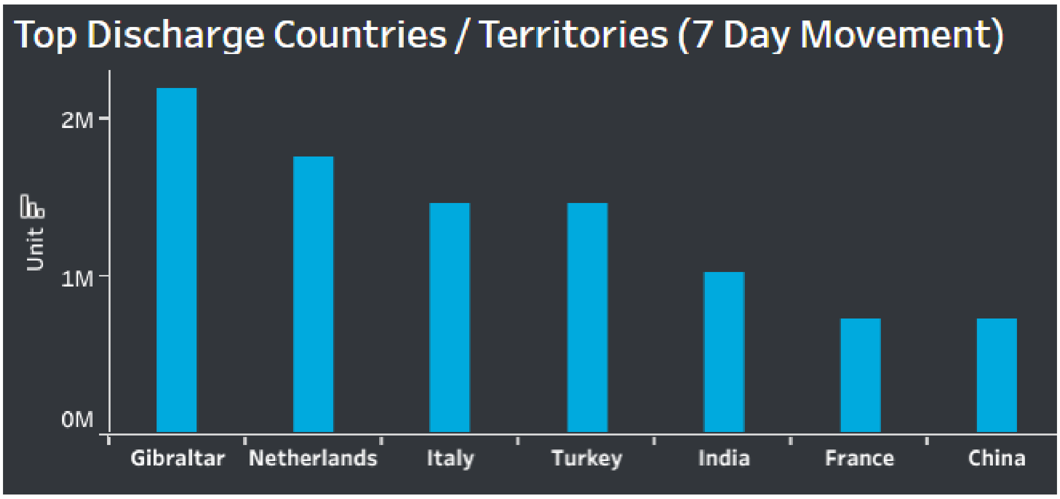
Likewise, other nations like China and India would also come under increasing pressures from Western countries to back down from their purchases of the discounted Russian oil cargoes.

Of these, India was heard to snap up around 5 cargoes of Russian oil at around 6 million barrels in early March, and these cargoes were scheduled for discharges in early April, according to Kpler.



Source: IHS Markit Commodities at Sea Service

Russian crude exports are expected to diminish in April 2022, due to mounting global pressures for trade sanctions on its energy products.



Source: IHS Markit Commodities at Sea Service

Despite the global condemnation for Russian war atrocities, some of the EU countries, Turkey, India and China still allowed Russian crude oils to be discharged at their ports.

Technical view of the Crude Oil Market:

June Futures – Intervention from the U.S. Government has seen a stabilization of the futures after they announced they will release 1 million bpd from their strategic reserves over the next 6 months, this has put the futures into a neutral phase.

The longer-term trend remains bullish with price holding above the USD 96.93 support (USD 3.02 higher today at USD 107.39), downside moves below the USD 96.93 level will warn the USD 90.12 support level could be tested.

If broken the intervention will have been successful as it would suggest the long-term Elliott wave cycle will have failed. Lots of outside influence in this technical with the recent accusation of war crimes by Russia opening the possibility to further sanctions and potentially even a complete withdrawal of purchasing gas supplies by Germany.

Strategic oil reserves are influencing the technical, but at this point it remains bullish but with a neutral bias, if we close today above the USD 106.24 level, we could see further tests to the upside.

FIS senior analyst, Edward Hutton

Chart source: Bloomberg

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Bunker Market :

Alleged bunker fuel contamination affects buyers' confidence in Singapore

Singapore, the global bunkering hub, suffered quality assurance issues in its blended bunker fuels, which was suspected of contamination that resulted in ship engine failure.

According to fuel testing agency, Veritas Petroleum Services (VPS), there was around 14 ships that received tainted high-sulphur fuel oil (HSFO) from Singapore, which suffered loss of power and engine problems later.

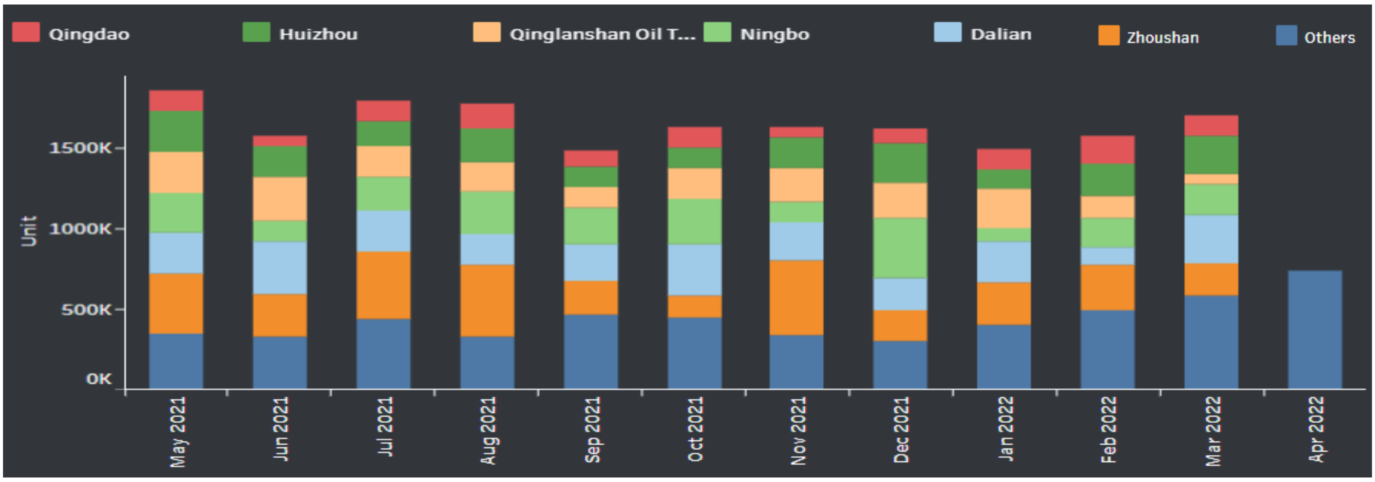
The fuel contamination affected buyers' confidence on the purchase of HSFO, as more reports surfaced on the quality of bunker being undermined during the first quarter of the year, as chlorinated hydrocarbons were being found and identified in Heavy Fuel Oil (HSFO) deliveries in the port of Singapore.

The Maritime Port Authority (MPA) of Singapore had probed an investigation on the cause of the alleged bunker fuel contamination and had since suspended the supply of relevant batch of fuel.

Meanwhile, the recent bunker prices corrections of VLSFO had made bunkering services in Singapore, cheaper than rival Rotterdam in becoming the world cheapest bunkering hub.

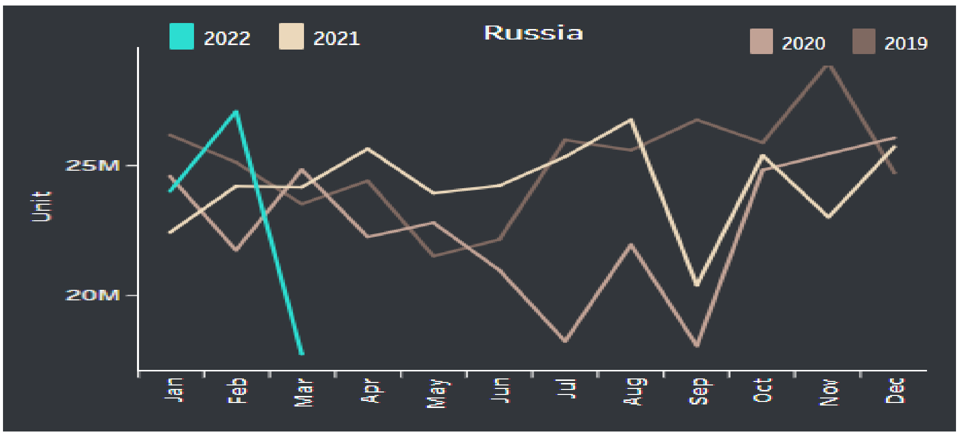
The discounted prices were linked to Russia's invasion of Ukraine that led to the shunning of the Russian fuel oil, that supplied most of the bunker suppliers based in Northwest Europe and the Mediterranean.

Bunker demand also taken a hit from the lockdown of Shanghai, China's financial hub and where key ports operated. So far, the bunker operations had resumed in Zhoushan since the start of week, though there were some disrupted barge loadings at the Yangshan tanker terminal near Shanghai.



Source: IHS Markit Commodities at Sea Service

The strict lockdown measures and bad weathers had delayed oil imports to unload in Chinese ports near Shanghai.



Source: IHS Markit Commodities at Sea Service

Russian fuel oil loading suffered a dip since the conflict started and affected bunker suppliers in the Northwest Europe and the Mediterranean regions.

Bunker Market (cont)

Hi5 and FOGOs

Singapore Hi5 spread continued to widen since Russia invaded Ukraine in late February, as more dry bulk shipowners sought for scrubbers to save costs in the volatile crude market.

Though, there was some easing of the crude rally recently, given the historic US release of 180 million bbls of SPR.

However, the easing was short-live, as OPEC did not heed to US pressure to increase production to fill the supply gap of Russia, though the cartel did agreed to increase production by 432,000 bpd in May 2022.

Going forward, more shipowners were open for scrubber installation to cater the wild swing in fuel price, due to the crude price volatility.

Meanwhile, the FOGO spreads are projected to ease over medium term, after OPEC pledged to ramp up oil production later in Q2.

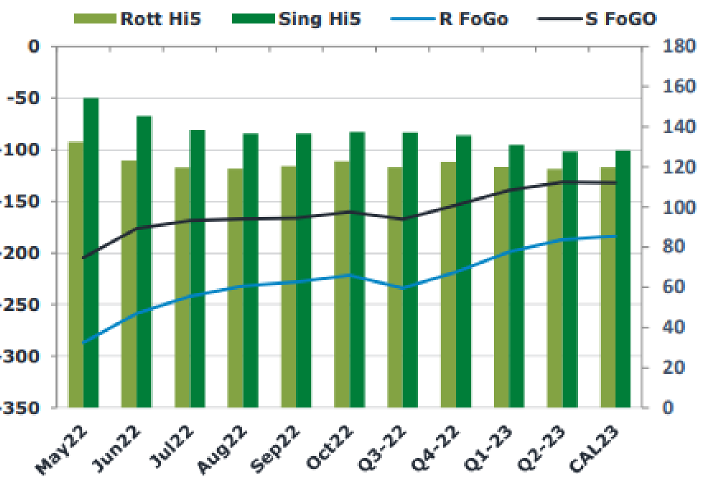
However, the International Energy Agency (IEA) issued a warning citing the falling Russian oil exports in April may reach a shortfall of 3 million bpd and result a global oil supply shock.

Hi5 Forward Curve Values

	Rott Hi5	Sing Hi5
May-22	132	154
Jun-22	123	145
Jul-22	120	138
Aug-22	119	136
Sep-22	120	136
Oct-22	123	137
Q3-22	120	137
Q4-22	122	136
Q1-23	120	131
Q2-23	119	128
CAL23	120	128

Sources: FIS

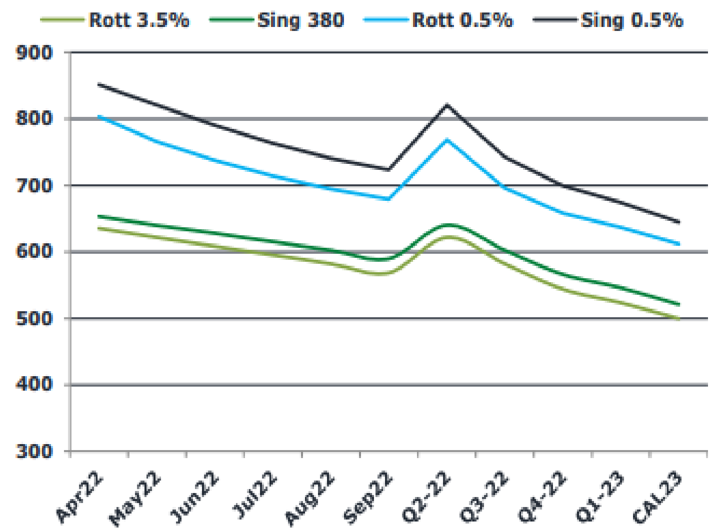
Rotterdam and Singapore Hi5 and FOGOs



Sources: FIS

Prompt Hi5 prices widened amid the Russia-Ukraine conflict and increased the demand of scrubbers among dry bulk vessels.

Rotterdam and Singapore FO Futures



Sources: FIS

Bunker prices are expected to ease in the medium term, though the follow-up sanctions on Russian energy products might provide some prices upticks.

Tanker Market :

Small is beautiful

Smaller tankers continued to remain profitability as compared to the larger vessels like VLCCs, according to McQuillings Services.

The shipping consultancy estimated the earnings of VLCC at $11,000 daily, but only for the newly scrubber-fitted tankers, as they will be able to use the cheaper, higher-sulphur marine fuels.

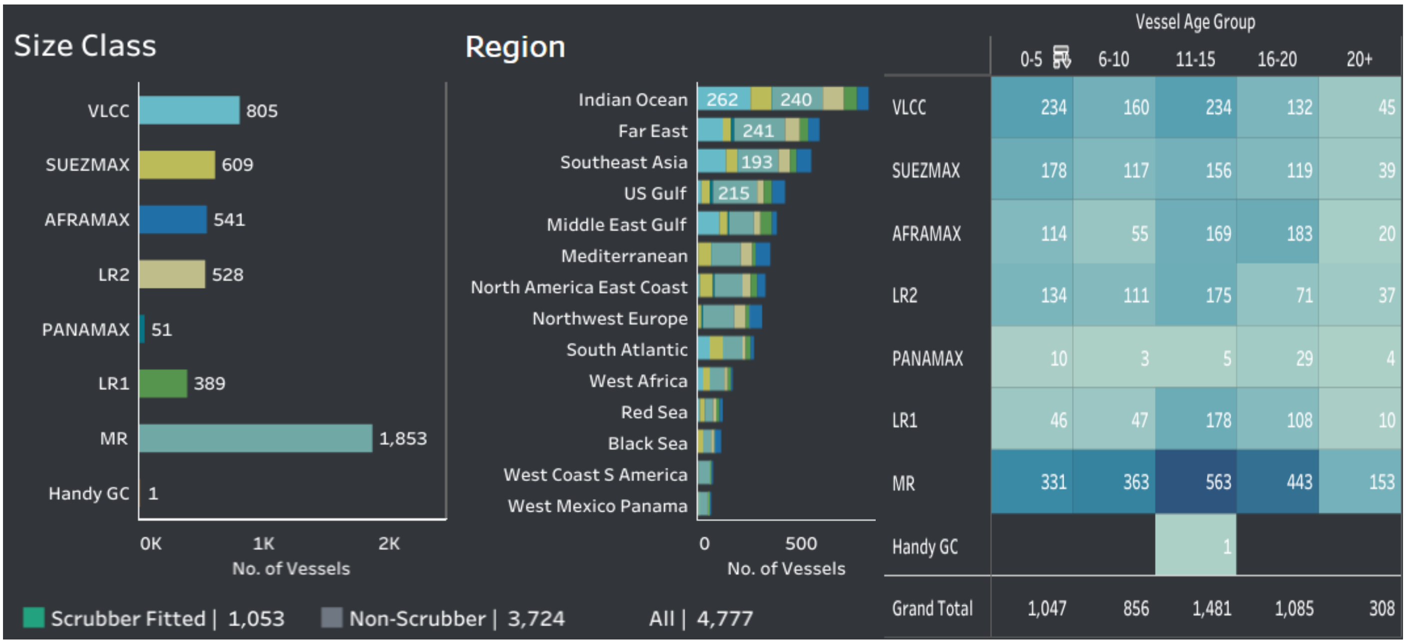
So far, the tanker market did not live up to market expectation for the new year when oil demand is estimated to recover to pre-pandemic levels, given the gradual opening of global economy and borders.

However, the Russia-Ukraine conflict and strict lockdown in China had backpedaled the demand recovery processes, and this bearish outlook had impacted on the newbuilding orders list as well.

Tanker orderbook-to-fleet ratio was heard to the lowest in more than 20 years, as Lloyd's List Intelligence indicated tankers including pure chemical tankers, comprise some 20% of the global shipbuilding orderbook by volume, followed by container ships comprise 12%, and bulk carriers 22%.

Meanwhile, the LNG carriers comprised only 3% of the total orderbook but accounted the highest fleet-to-orderbook ratio for any segment with new orders of 160 vessels on top of the existing 670 LNG fleet.

However, there was still some bright spots on tanker demand, like the return of the Iranian and Venezuelan crude to the market after the easing of sanctions.



Sources: IHS Commodities at Sea Service

According to IHS Commodities at Sea Service data, around one fifth of tracked vessels were scrubber fitted, though the percentage was higher for segments like VLCCs, which one third was scrubbers fitted.

And it was estimated that around 200 plus older tankers would normally be scrapped in this year, especially for those tankers aged over 20 years and older.

Technical view of the Tanker Market:

TD3C:

May Futures – The April RSI moved above 50 last week resulting in the futures trading up to but not above the USD 9.4601 resistance before correcting.

The May futures however have traded above the USD 9.6550 resistance meaning we now target the USD 10.3000 high. Downside moves that hold at or above USD 8.7294 will support a bull argument, below this level the technical will have a neutral bias.

Upside moves above the USD 10.3000 high have the potential to create a negative divergence with the RSI, if we do it will warn we could see a momentum slowdown.

The RSI is at 64 whilst its moving average is at 50 and sloping higher, this would suggest that support levels should hold if tested (current Fibonacci support is at USD 9.2144, USD 9.0085, and USD 8.7294. Technically bullish.

FIS Senior Analyst, Edward Hutton

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