FIS Weekly Oil Report

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Market Review:

Crude oil market — Short-term bullish around $100-$110/bbl, due to the EU pressing for an oil embargo on Russian oil, despite market concerns over lower Chinese oil demand.

Bunker market — Short-term bullish, ranging from $880 -$890/mt, following the prolonged supply tightness in the port of Singapore.

Prices movement	9-May	6-May	Changes %	Sentiment	
Brent Crude	105.94	112.39	**-5.74%**	**Bullish**	↑
WTI Crude	103.09	109.77	**-6.09%**	**Bullish**	↑
VLSFO (Singapore)	881.50	880.00	**0.17%**	**Bullish**	↑

Crude Oil Market :

EU to hasten embargo of Russian oil

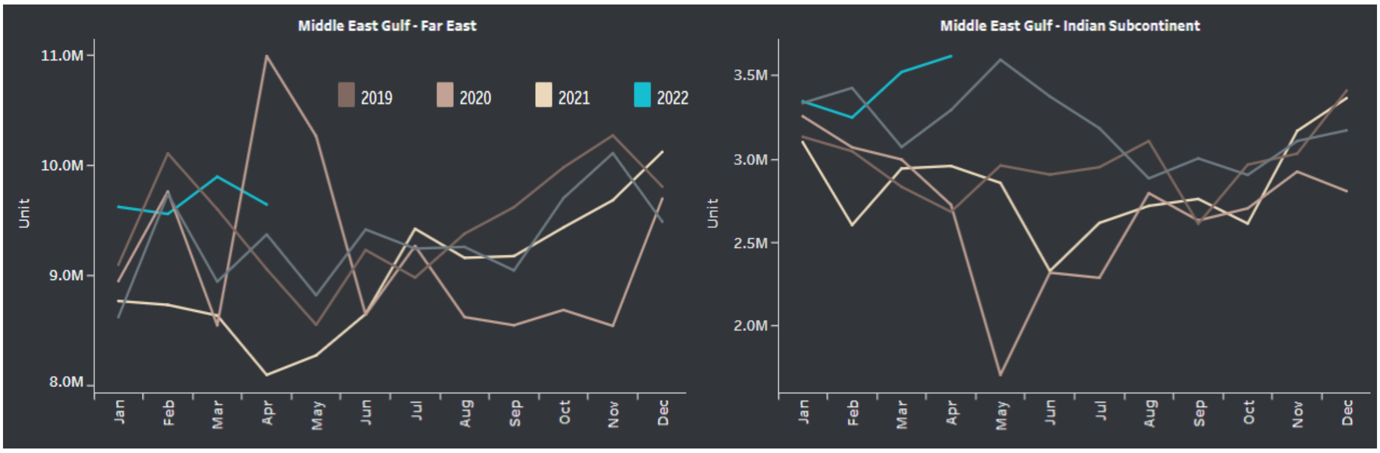
Crude oil prices had another round of corrections following global economic worries on slowing Chinese economic activity as the country pursued its zero-covid policy, putting some of its major cities into lockdown.

This was evident in Chinese export growth data, which dropped to single digits in April 2022, as strict covid restriction measures were introduced.

During April, the country achieved export growth of 3.9% year-on-year, much lower than the 14.7% growth recorded in March, which in itself was a two-year low in dollar equivalent terms.

Despite the concerns about low export growth, China’s crude oil imports continued to grow in April, up 7% year-on-year to 43.03 million mt or 10.5 million barrel per day (bpd), according to the General Administration of Customs.

However, the Chinese refinery throughput seemed to be on the decline, as the country’s top refiner Sinopec stated that it had lowered operational rates to about 85% of capacity since the second half of March, compared to 92.6% earlier in the year, due to higher inventories from lockdown restrictions.



Due to slow Chinese oil demand, the crude flow from ME to the Far East had dropped compared to shipments to the Indian subcontinent.

Source: IHS Markit Commodities at Sea Service

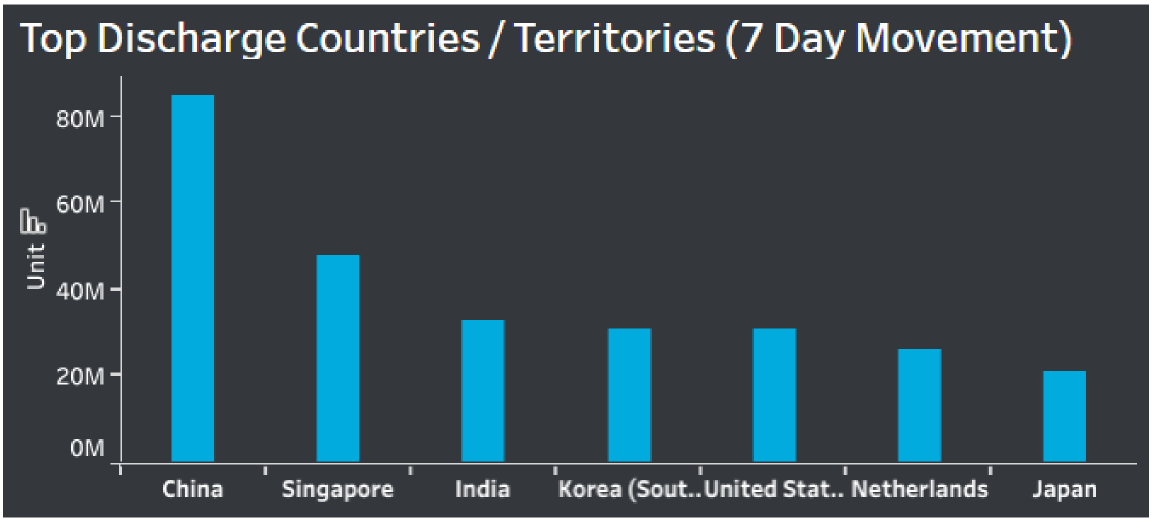
Crude Oil Market (cont)

Meanwhile, the EU continued to press for a ban on Russian oil with its proposed plan to stop the insurance of EU -owned tankers transporting Russian oil to third countries.

This was part of the EU's sixth sanctions package against Russia, which previously planned to ban EU tankers from shipping Russian oil, but then softened to a proposed ban on providing insurance.

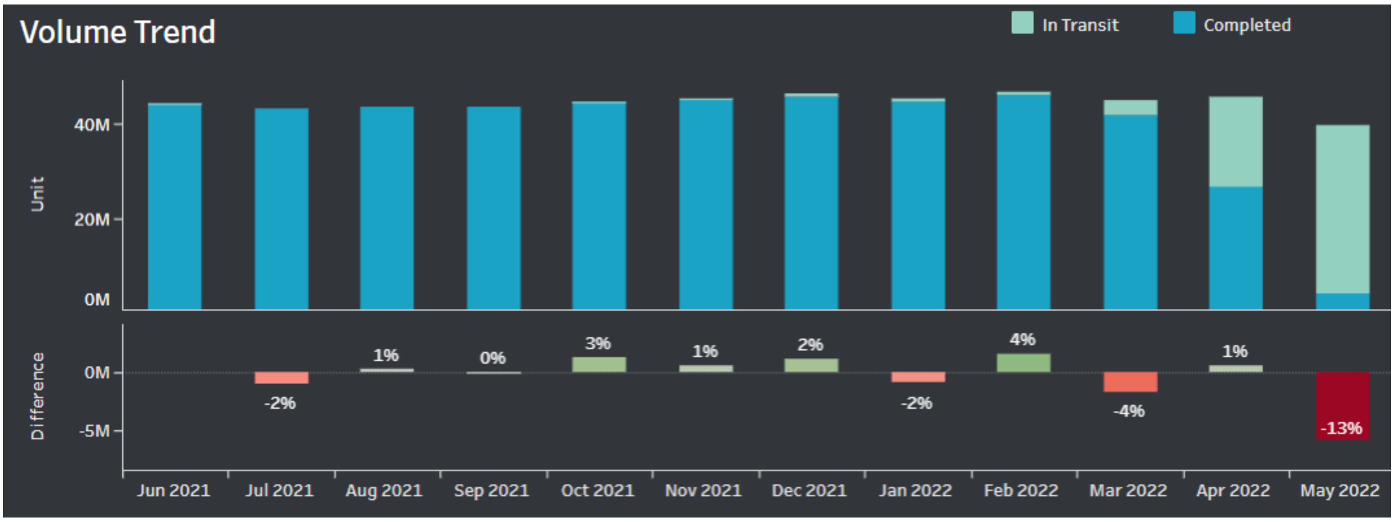
However, not all EU members were keen to agree on the proposal, namely Hungary, Slovakia, Czech Republic, and Bulgaria, as they are heavily reliant on Russian crude. Hence, a transition period has been proposed to give them until 2024 to comply.

The EU also seemed to heed to G7 call to phase out Russian oil following the invasion of Ukraine, and if fully implemented, this will result in a cut of 3 million bpd of EU crude imports from Russia by the end of 2022, according to Rystad Energy estimate.



Source: IHS Markit Commodities at Sea Service

Despite slowing Chinese demand, the country remained at the top of oil discharges by country for the past 7 days, whilst Singapore and India followed closely behind.



Source: IHS Markit Commodities at Sea Service

The trend in volumes of oil shipments seemed to decline from February, following the disruption of the Russian-Ukraine war that affected the transportation of Russian crude.

Technical view of the Crude Oil Market:

July Futures – we continue to lack any form of real trend in the futures. Price did move higher despite the strong USD basket, warning that we had the potential to see a bullish breakout above USD 114.84. However, the recent upside move only traded as high as USD 114.00 before producing a technical pullback. If we trade above the USD 114.00 high of the rejection candle from 05/05/22 then we should in theory see the USD 114.84 fractal resistance come under pressure, if it is broken, we target the USD 123.74 resistance. The daily EMA support band remains flat indicating a lack of trend (support band USD 107.67 – USD 104.61), despite the flat averages they are still acting as a support zone making it a dangerous area to go short. Downside moves that trade below the USD 97.57 – USD 96.93 fractal supports will warn that the USD 90.12 level could be broken. This technical is neutral and looks to be forming a symmetrical triangle as it lacks direction; however, near-term price action is warning the support band could be tested.

***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 rise on supply tightness

Bunker prices rose on persistent supply tightness in bunkering hubs, reversing the price pressure from the recent correction phase of crude prices.

The supply tightness was prevalent in the ARA ports, which had been the main recipient of Russian gasoil and fuel oil. However, stockpiles had been low since the Russia-Ukraine war intensified which resulted in inventories dropping to eight-year lows by late April.

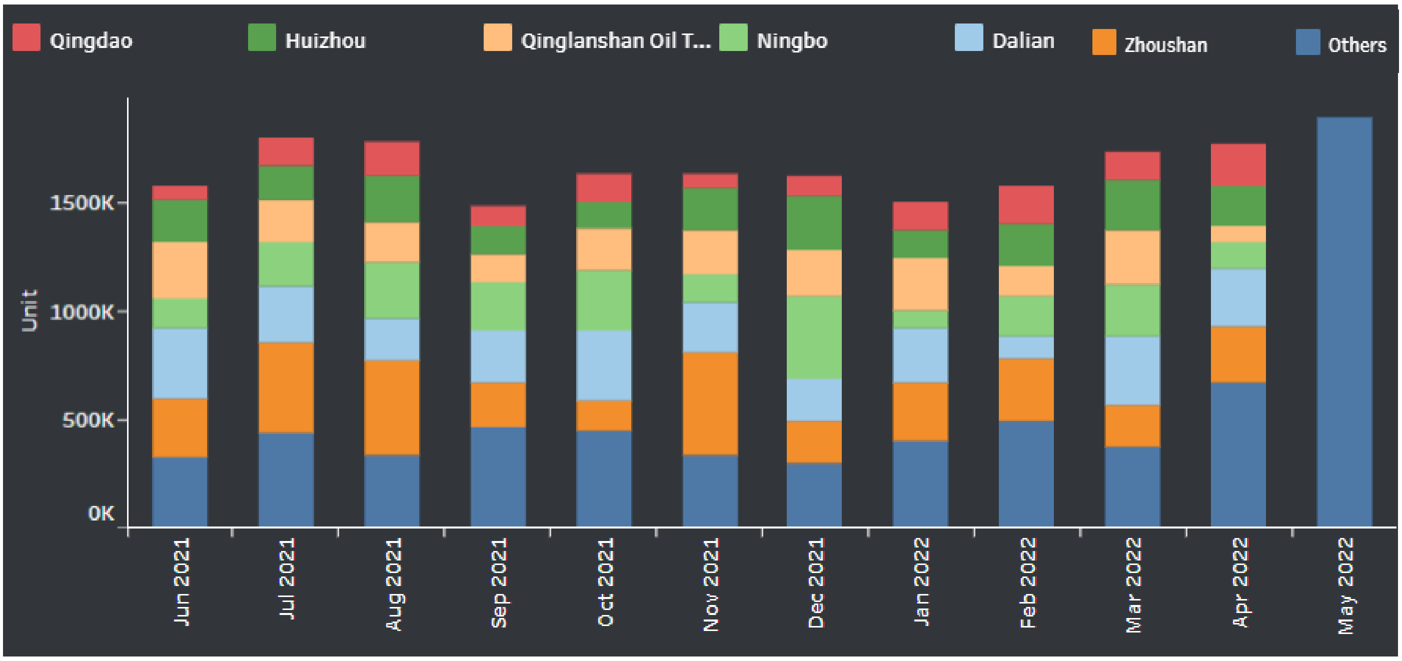
Inventories had increased in early May with gains of 630,000 bbls, but the push for a stronger sanction by the EU might reduce stockpiles further.

Asian bunkering hubs were not spared this sentiment, with Singapore - the top world bunkering hub - finding itself short of HSFO and VLSFO availability, increasing bunker prices.

The port of Singapore seemed to have recovered from its off-specification bunker issues, despite losing some of its bunkering businesses to other regional ports.

These issues are likely to have been the cause of higher fuel oil inventories recorded in the city-state, with levels up 6% last week, but they were still under the five-year average.

The Chinese port of Zhoushan seemed to benefit from Singapore's off-specification incident, but congestion seemed to have discouraged some potential clients to bunker there.



Source: S&P Global Commodity Insights

Most Chinese oil imports arrived via other Chinese ports since the start of May, due to the congestion in main Chinese ports, especially in the CJK region.

Bunker Market (cont)

Hi5 and FOGOs

The Singapore Hi5 spread widened towards the $180/mt mark after the HSFO price drop outpaced the price of VLSFO.

The port of Singapore's supplies of HSFO and VLSFO continued to remain tight with no easing insight in the short term.

Moreover, crude oil production by OPEC and its partners fell to a six-month low of 41.58 million bpd in April.

Part of the decline was linked to outages in Kazakhstan and Libya, but most of the output drop was from Russian sources, with the country's oil production dropping 900,000 bpd according to a Platts report.

Meanwhile, the FOGO spreads continue to follow a downward trend, with an expectation of supply easing by year-end.

However, the market seemed to head toward more volatility, as the G7 seemed adamant to phase out Russian oil, and other blocs, like the EU, were keen to follow but at a gradual pace.

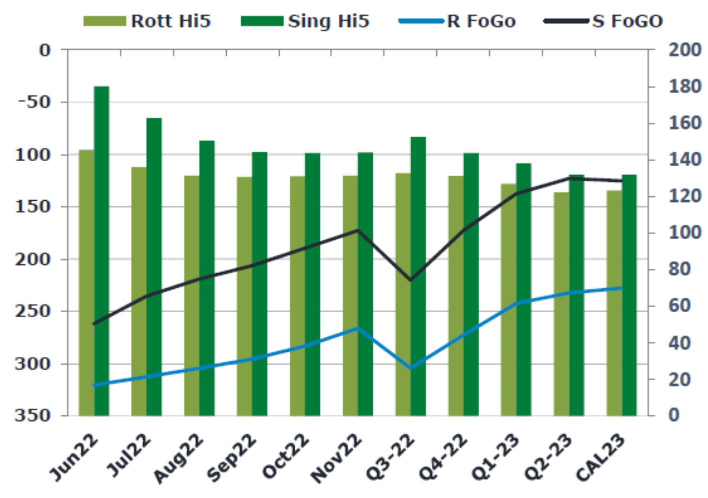
In the meantime, Iraq's oil production continued to increase with a rise of 80,000 bpd month-on-month to 4.42 million bpd in April, fulfilling around 97.5% of its OPEC compliance output plan.

Hi5 Forward Curve Values

	Rott Hi5	Sing Hi5
Jun-22	145	180
Jul-22	136	163
Aug-22	131	150
Sep-22	131	144
Oct-22	131	144
Nov-22	131	144
Q3-22	133	152
Q4-22	131	144
Q1-23	127	138
Q2-23	122	132
CAL23	123	132

Sources: FIS

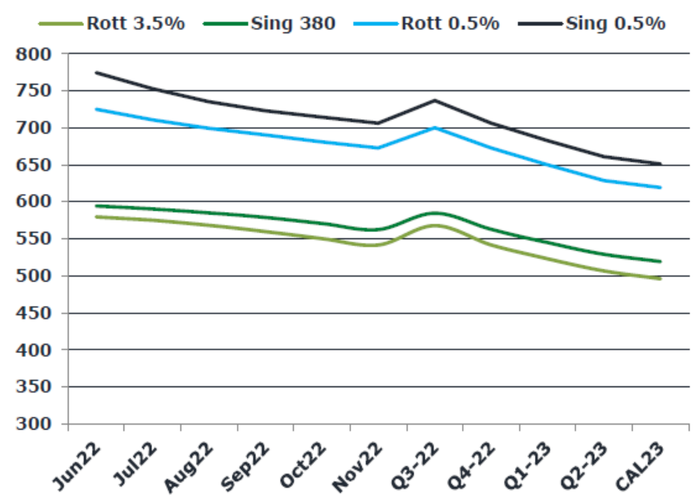
Rotterdam and Singapore Hi5 and FOGOs



Sources: FIS

Prompt Hi5 prices reached the $180/mt mark, with falling HSFO prices outpacing that of VLSFO.

Rotterdam and Singapore FO Futures



Sources: FIS

Bunker prices remained volatile after a corrective phase in the crude market, with more international pressure to put limits on Russian oil.

Tanker Market:

Fiesta for MRs due to higher South American diesel demand

Tanker freight rates continued to rise for medium and smaller vessels following the Russia-Ukraine war that disrupted shipping routes and loadings.

The Medium Range (MR) time charter equivalent has soared due to the conflict, as many trade participants self-imposed sanctions on Russian gasoil and imports, opting for South American diesel instead.

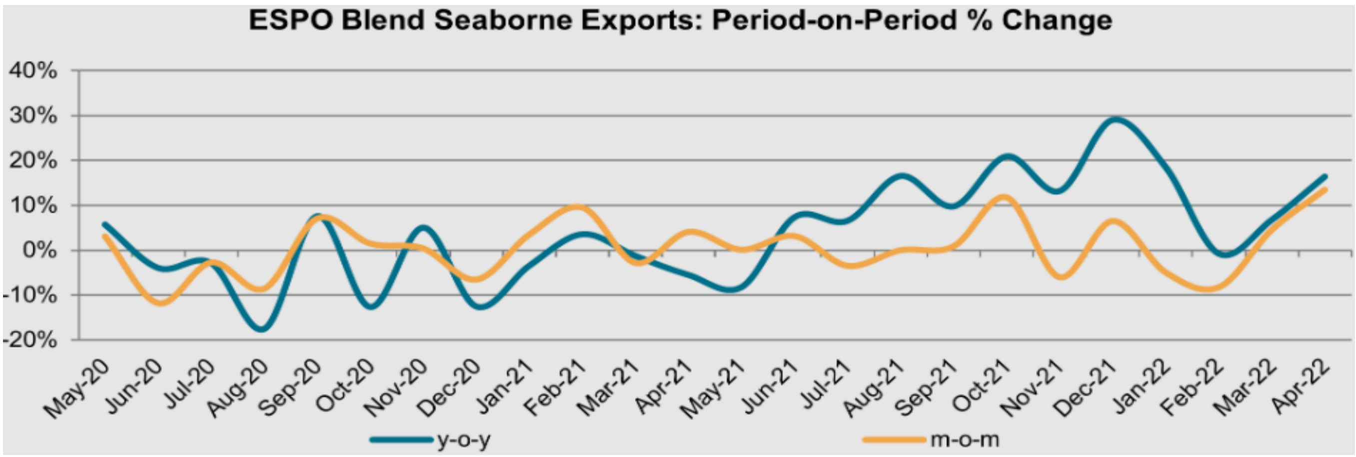
As such, the time charter of MRs has risen over 60% for the second quarter, fixing at around $25,500 per day, compared to $15,000 per day fixed during Q1, according to a Platts report.

More trade participants were keen for long-haul voyages from the USGC to Europe and from the East of Suez markets to both Europe and South America, with the latter bringing diesel to Europe from the Caribbean and South America.

This trend may continue as the Russia-Ukraine war drags on, bringing in tougher measures by the G7 and the EU to phase out Russian crude imports within six months, and oil products by the end of the year.

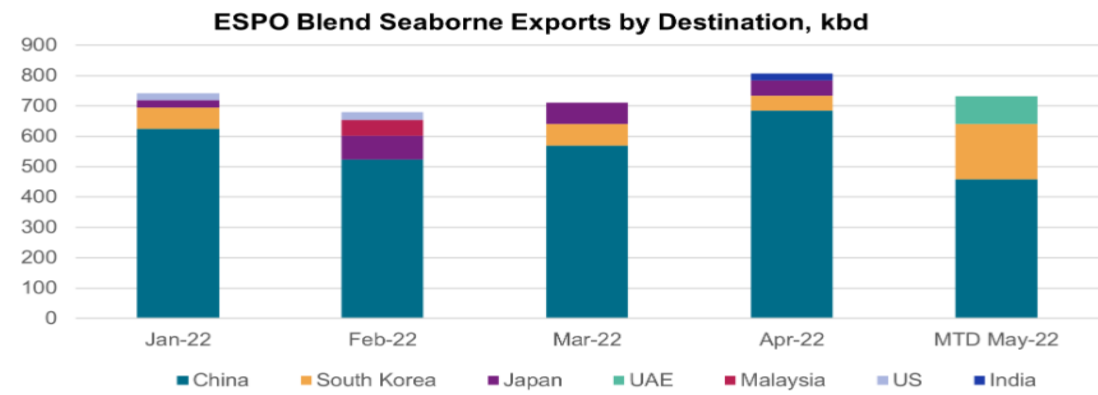
Hence, this may result in the EU shipping in an additional 1.5 million bpd of diesel to replace their reliance on Russian crude products, increasing tanker demand.

Moreover, the oil refiners will support the growing tanker demand, as export-oriented refinery capacity growth in developing countries of 8.5 million bpd is estimated from 2022 to 2026, in comparison to the refinery closures of 5.9 million bpd in the mature markets of the US and Europe.



Sources: IHS Commodities at Sea Service

Russian ESPO blend shipments declined since late Feb, after the invasion of Ukraine, as many buyers self-imposed sanctions on Russian energy products.



Sources: IHS Commodities at Sea Service

Russian ESPO blend seemed to find new buyers in Middle East, after one cargo of Russian ESPO Blend crude headed toward Fujairah, the first of its kind.

Technical view of the Tanker Market:

TD3C:

June Futures – Technically bullish with price testing a key support, the RSI is above 50 and the stochastic oversold, momentum had warned that the futures were vulnerable to a test to the upside; however, if the RSI moved below 50 then and price below 9.5481 then we could expect support levels to come under pressure. The price moved lower; the May contract now has a neutral bias. We are seeing a similar technical footprint in the June contract; a deep pullback means the futures have a neutral bias. Price is below all key moving averages supported by the RSI below 50, upside moves that fail at or below USD 10.9054 will warn the futures are vulnerable to further tests to the downside, above this level we target the USD 11.8210 high. Likewise, a close below USD 9.0323 will warn that the USD 8.2730 support could be tested. The slope of the moving average on the RSI is to the downside, suggesting resistance levels (USD 10.1567, USD 10.4745, and USD 10.9054) should hold in the near term if tested. Note: a strong upside move in the RSI could change the slope to bullish on the RSI, meaning resistance levels could hold initially but find buying support at lower levels. Technically neutral.

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