FIS

Weekly Oil Report

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

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Market Review:

Crude oil market—Short term bullish around $110-$115/bbl, due to US driving season demand and easing of China's Covid lockdown in cities.

Bunker market— Short term bullish, ranging $950-$955/mt, due to supply tightness in the port of Singapore.

Prices movement	23-May	20-May	Changes %	Sentiment	
Brent Crude	113.42	112.55	**0.77%**	**Bullish**	↑
WTI Crude	110.29	113.23	**-2.60%**	**Bullish**	↑
VLSFO (Singapore)	954.50	947.50	**0.74%**	**Bullish**	↑

Crude Oil Market :

EU to finalise Russian oil ban

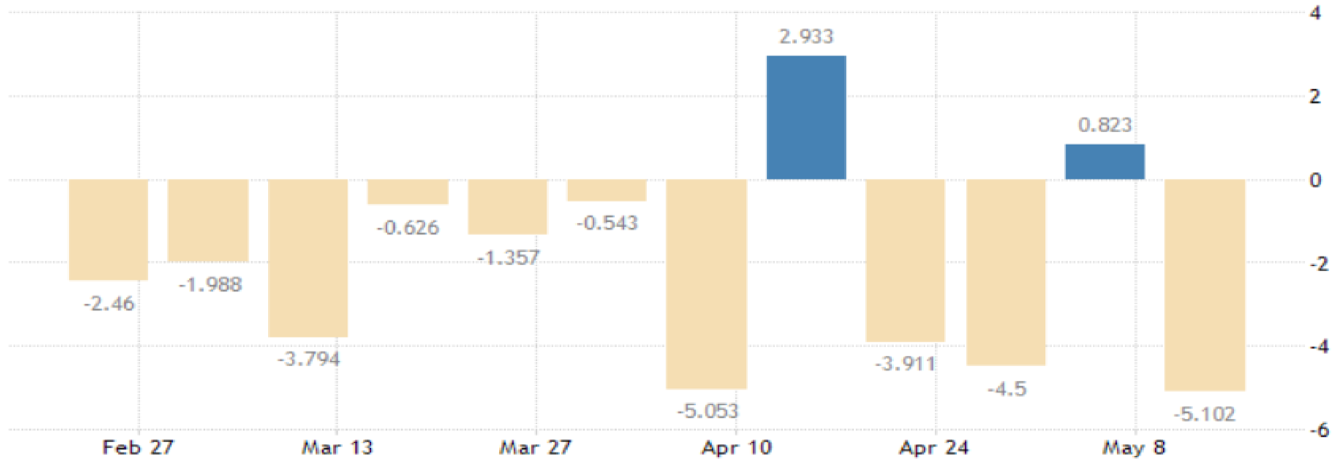
Crude oil prices rose slightly as the European Union renewed pressure for a Russian oil embargo with or without the full consensus of its members.

Hungary had opposed the proposal, asking for more energy investment before agreeing to a full embargo.

The country was given two years to phase out Russian energy products, unlike the six months given to other EU members, except for Czechia and Slovakia, which were heavily dependent on Russian oil.

Currently, the EU bloc receives around 25% of its oil supplies from Russia, but the Russia-Ukraine conflict changed the EU's stance as they tried to avoid sourcing oil and gas from Russia.

Meanwhile, US gasoline prices continued to spike in view of the summer driving season and falling gasoline inventories.



US gasoline stocks had a drawdown of 5.1 million bbls last week, as driving season led to high gasoline consumption, based on API data.

Source: API

Crude Oil Market (cont)

According to the American Petroleum Institute (API), the US gasoline stocks dropped by 5.1 million bbls by mid-May. Similarly, the Energy Information Administration (EIA) also recorded a drawdown in gasoline stocks but by only a small drop of 100,000 bbls last week.

To cool the price spike, the US is trying to ask oil-producing countries like Saudi Arabia and UAE to increase output before an arranged diplomatic meeting in June.

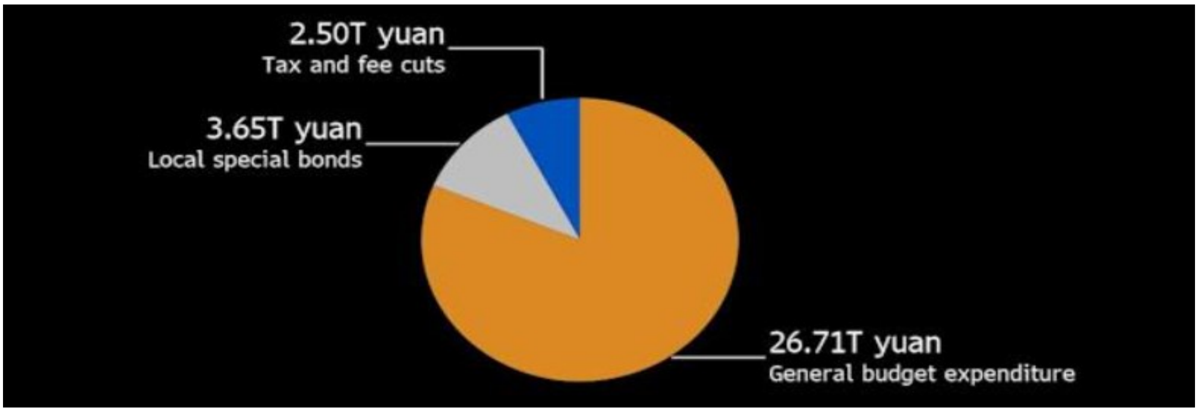
Some trade participants think the easing of stocks would take a while, with the market only starting to feel the effect of more supplies later in July.

There had also been some optimism over China's relaxation of its covid measures by June, which will improve Chinese oil demand.

Beijing policymakers had also introduced new investment projects, broaden tax credit rebates, postponed social security payments, and loan repayments to bring its economy back on track.

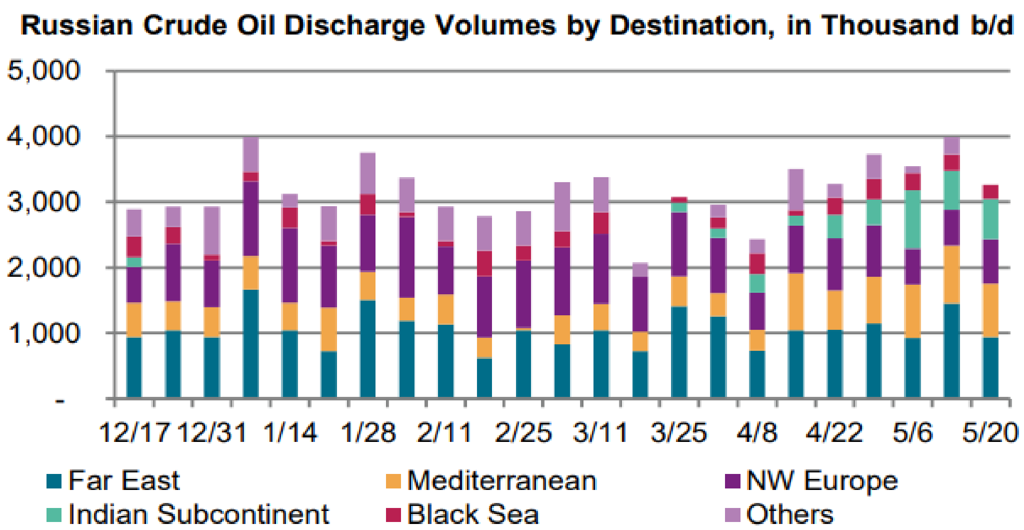
The Chinese government will provide tax credit rebates to more sectors and increase annual tax cuts by more than RMB 140 billion or $21 billion overall to RMB 2.64 trillion, based on media sources.

Moreover, Beijing policymakers also issued bonds worth RMB 200 billion to support the aviation sector with an additional RMB 150 billion in emergency loans and the issuance of RMB 300 billion bonds to finance the railway construction.



China's plan to kickstart its economy after the slowdown caused by strict covid lockdown measures.

Source: Bloomberg



Russian crude oil discharges are expected to grow in market share in the Indian subcontinent and Far East, as the EU planned to phrase out Russian energy products by year-end.

Source: IHS Markit Commodities at Sea Service

Technical view of the Crude Oil Market:

July Futures – The futures held support last week resulting in price trading above the USD 114.84 resistance, taking the technical into bullish territory.

Having made a new high (USD 115.69), the futures traded back into the EMA support band (low USD 105.70) before trading up to USD 114.34 today (23/05/22).

Technically bullish based on price, the longer-period EMA's remain flat and compressed, implying a lack of trend in the market. Upside moves that trade above and hold above the USD 115.69 fractal resistance will target the USD 123.74 level.

Likewise, downside moves that trade below USD 105.70 will warn the USD 101.30 fractal support could be tested. Price action is bullish, and the trend is neutral, suggesting we need to see more from the futures to convince the market we are going to see a more sustained run.

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 continue to hike on tight supplies

Bunker prices rose on supply tightness from the port of Singapore amid the volatile crude market.

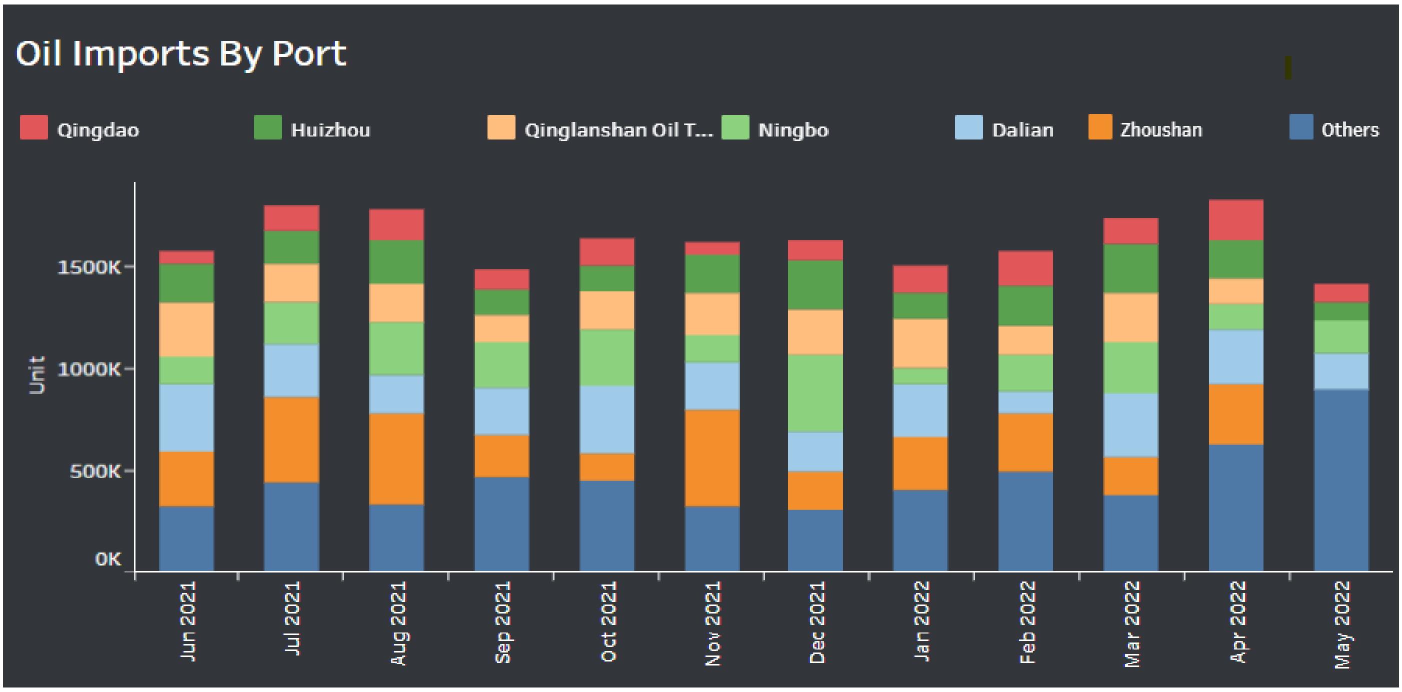
The prolonged supply tightness was linked to Singapore's distillate stocks falling to 6 million barrels in the first week of May, the lowest seasonal level since 2006, based on data from Enterprise Singapore.

Though, the country's middle distillate stocks were rather steady despite the sharp fall. Some trade participants expected more cargo arrivals in June to replenish the inventories.

The port of Zhoushan also faced supply tightness across all grades, due to the fewer cargo arrivals as shipments were diverted to other Chinese ports in view of the lockdown measures.

However, the market expected the situation to improve in early June, as the Chinese government eased lockdown measures.

In the meantime, supplies were heard to be improving in the ARA ports, though the trade participants tried to avoid Russian fuel oil voluntarily due to its military aggression on Ukraine.



Source: IHS Markit Commodities at Sea Service

No oil imports arrived in the port of Zhoushan to alleviate the supply tightness, as shipments were diverted other Chinese ports, due to the lockdown measures.

Bunker Market (cont)

Hi5 and FOGOs

Singapore Hi5 spread continued to widen above the $200/mt mark, benefiting the scrubber fitted fleet.

The widening Hi5 spread continued to provide more incentive for scrubber adoption in dry bulk vessels in terms of fuel cost savings.

The tight supplies of HSFO remained at the port of Singapore and among other regional ports, which may only be alleviated with new cargo arrivals in June.

Meanwhile, the FOGO spreads continued to follow a downtrend, with the expectation of supplies easing by year-end.

So far, the OPEC+ members like Kazakhstan and Malaysia had been ramping up oil exports recently.

According to IHS Markit Commodities at Sea Service, Malaysia had exported 250,000 bbls by 20 May 2022, up 99.5% weekly, while Kazakhstan also increased its exports by 24.2% week-on-week.

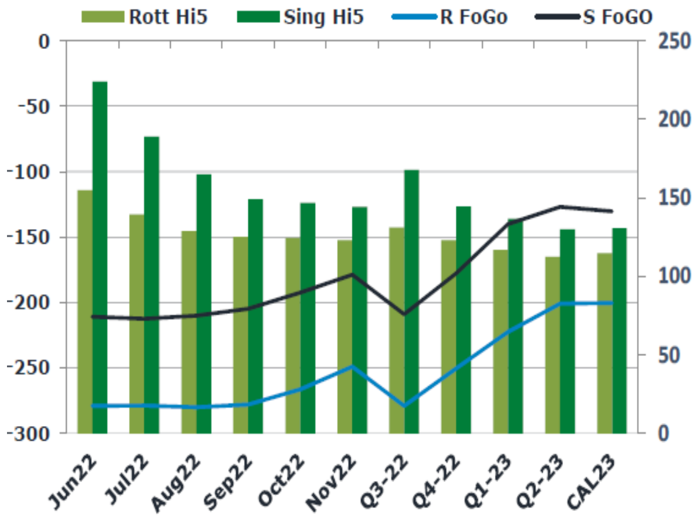
The total waterborne exports from OPEC also rose by 5.4% week-on-week to 21.3 million bbls by May 20.

Hi5 Forward Curve Values

	Rott Hi5	Sing Hi5
Jun-22	155	224
Jul-22	139	189
Aug-22	129	165
Sep-22	125	149
Oct-22	125	147
Nov-22	123	144
Q3-22	131	168
Q4-22	123	145
Q1-23	117	137
Q2-23	113	130
CAL23	115	131

Sources: FIS

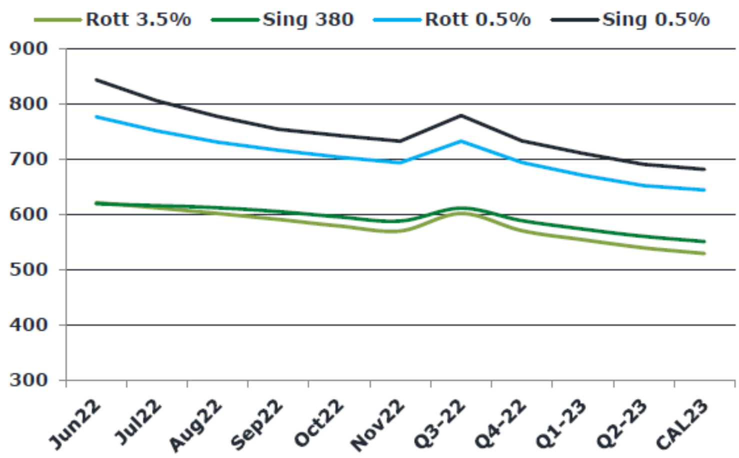
Rotterdam and Singapore Hi5 and FOGOs



Sources: FIS

Prompt Hi5 prices widened further amid supply tightness in the port of Singapore.

Rotterdam and Singapore FO Futures



Sources: FIS

Bunker prices remained volatile, as more OPEC+ members increase exports recently.

Tanker Market:

Happy days are here again for freight

Tanker freight rates improved on recovering oil demand and benefited from the high crude oil prices above $100/bbls that supported better margins.

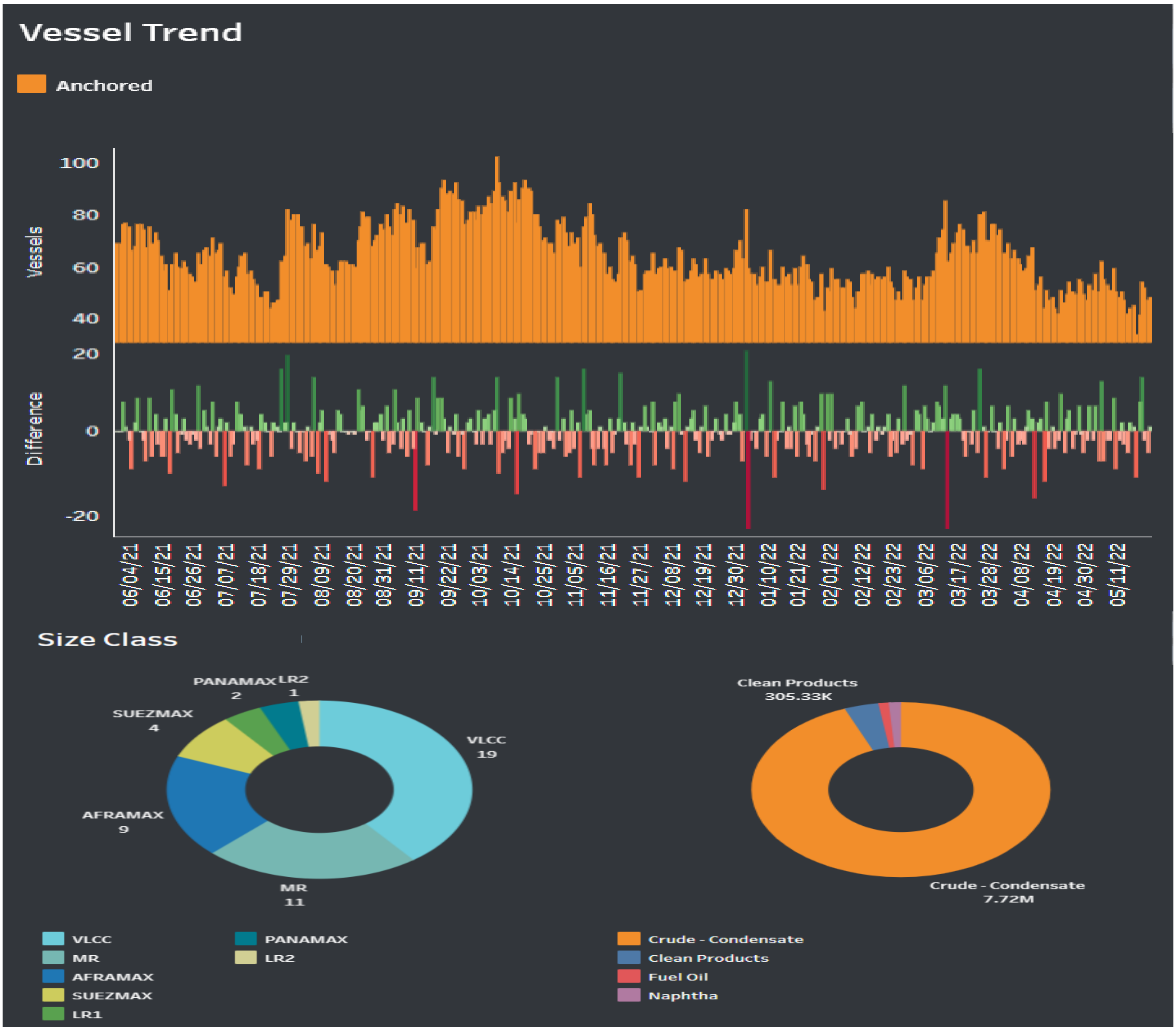
However, the profitability was most clearly seen in the mid-sized crude carriers like MR and LR1/2 that went up to record levels in May.

The supply tightness of oil inventories like middle distillates also supported the freight rates with lots of re-routing away from the Black Sea, due to the Russia-Ukraine conflict.

The spot earnings of Suezmaxes and Aframaxes averaged about $37,000 and $63,000 per day respectively for the non-scrubber fleet between March and mid-May, according to data from Clarksons Research.

As such, the earnings of Aframaxes had tripled from the 10-year average over the Mar-Apr period, while VLCC earnings remained weak to almost breakeven levels or lower, based on non-eco vessels.

However, the earnings of scrubber-fitted eco VLCCs are likely to fare better in the high bunker price environment, which may improve further in the current situation of an increase in tonnage miles.



The port congestion is expected to ease by early June, as Chinese authority pledged to relax covid restriction, though a sizeable of oil tankers were anchored off China.

Sources: IHS Commodities at Sea Service

Technical view of the Tanker Market:

TD3C:

June Futures – We noted last week that the downside move below USD 9.0323 alongside weakening momentum had warned that the USD 8.2730 resistance is now vulnerable.

The futures continued to lower with the futures trading down to USD 8.5690, before finding light support, putting the price back on the 8-period EMA at USD 8.7750.

The futures have now formed a fractal resistance at USD 9.2610, upside moves above this level will create a higher high, meaning the futures will be bullish above this level.

Downside moves below USD 8.2730 will mean the technical is bearish, warning the USD 7.5730 and USD 7.3750 support levels could be tested. Technically neutral, the RSI and its moving average remain below 50 warning the USD 8.2730 support remains vulnerable at this point.

FIS Senior Analyst, Edward Hutton

Written by **Titus Zheng Shujian**,

FIS Research Analyst

Edited by **Chris Hudson**,

FIS Communications Director