FIS

Weekly Oil Report

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Market Review:

Crude oil market — Short-term neutral around $120-$125/bbl, with a waiting game to see if demand recovery is disrupted in China with growing virus cases again, refinery demand in the U.S. will help support WTI.

Bunker market — Short-term neutral, Singapore VLSFO ranging from $1000-$1100/mt.

Prices movement	6-Jun	13-Jun	Changes %	Sentiment	
Brent Crude	119.51	122.27	+2.3%	Neutral	-
WTI Crude	118.50	120.93	+2.1%	Neutral to Bullish	↗
VLSFO (Singapore)	1025.52	1019.27	-0.6%	Neutral	-

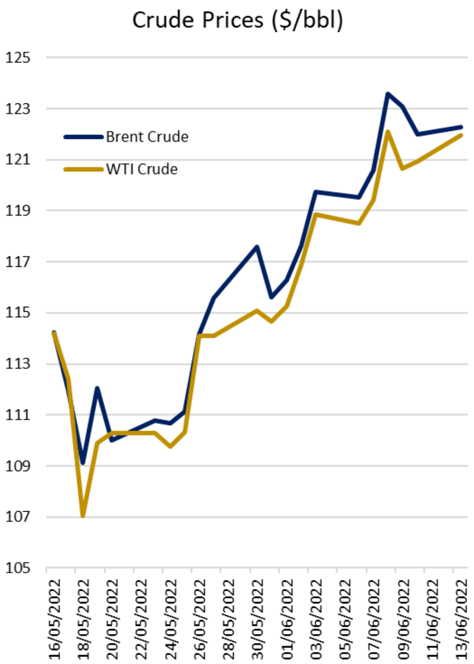
Crude Oil Market :

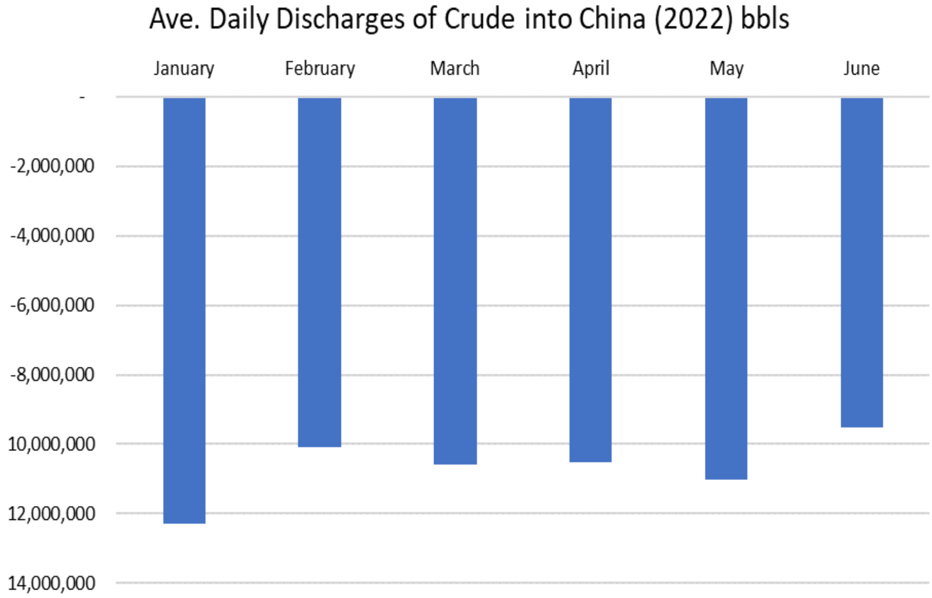
Question marks over Chinese demand weighs on market

Nearly 200 new cases of Covid-19 have been detected in the Chinese capital after restrictions were lifted last week. Due to the last lockdown measures in April, retail sales fell by 16% year-on-year and property sales dropped 25%.

China's May exports may have jumped 16.9% from a year earlier as Covid curbs were eased and allowed some factories to restart, but the concern now is that the prospect of a reintroduction of curbs could dent future output and oil consumption. Traders had already built in a return to work in China into prices, and so the news of increased cases has poured bearish sentiment onto the market.

Average daily discharges into China are now at their lowest levels this year, down over 22% on average January discharges. The concern over the reintroduction of lockdown measures in Chinese cities could prolong the return of higher Chinese demand later into the year.





Source: IHS Markit Commodities at Sea Service

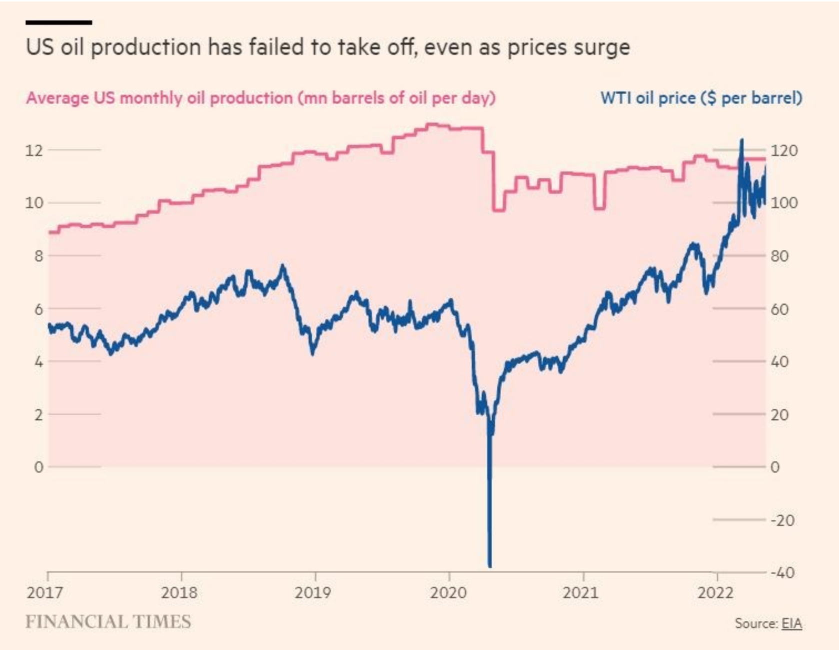
There has been a significant drop off in oil discharges into China as we progressed into 2022, levels have now dropped to their lowest daily average this year.

Crude Oil Market (cont)

Despite the U.S. Government encouraging its domestic oil producers to increase production, they have not been having much impact on the total amount of American oil being put into the market. Since the decline at the beginning of the pandemic, U.S. monthly oil production has not breached the 12 million bpd seen in the initial months of 2020.

U.S. rig counts have been growing, having breached the 500 mark so far this year. However, this is a long way from rig counts of over 1,500 that were seen in 2014. The FT reported that Moody's predicts that private operators will look to increase investment by 49% this year to try to grow output by 12%. Contrastingly public companies are expected to only increase output by 3%.

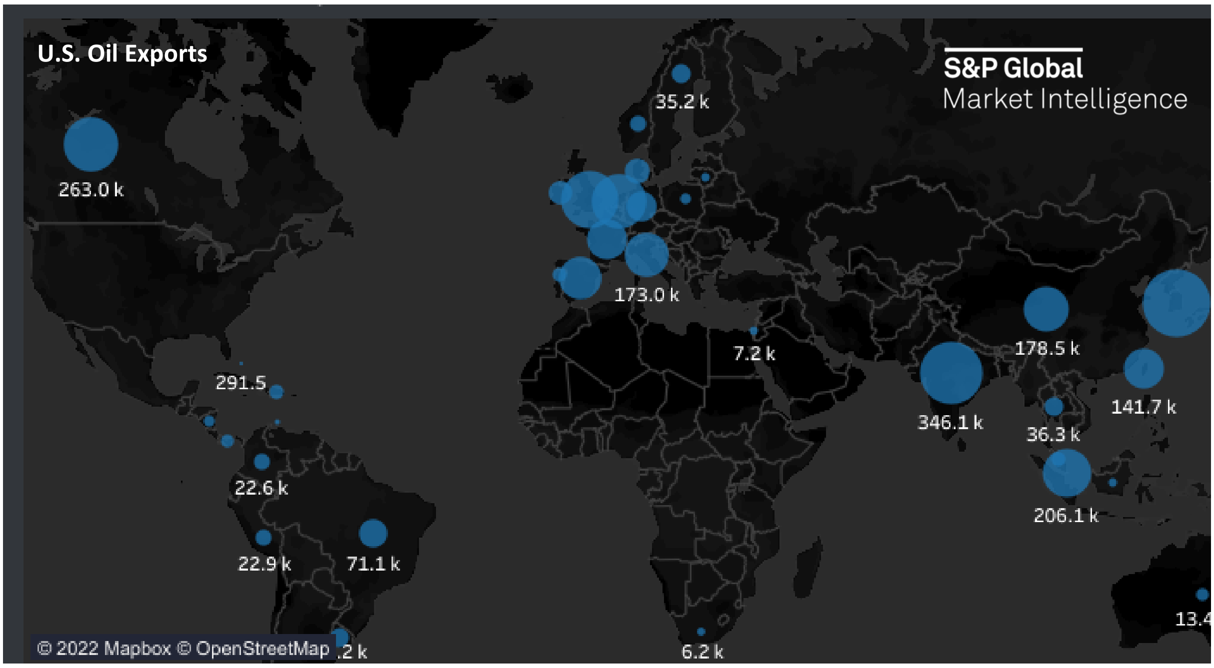
Another factor to consider, especially for domestic refined product levels in the United States, is the balancing act on the use of crops for biofuels. With Ukrainian and Russian grain supply disrupted, the World Resources Institute estimates that a 50 per cent reduction in the grain used for biofuels in Europe and the US would compensate for all the lost exports of Ukrainian wheat, corn, barley and rye.



More of Libya's oil fields continued to be closed with ANZ Research analysts citing Libya's oil minister Mohamed Aoun saying production in the country dropped to 100,000 barrels per day from 1.2 million bpd last year.

Despite the OPEC+ announcement of a bigger-than-expected output increase of 648,000 b/d in July and August from 432,000 b/d, the markets were sceptical that sanctioned Russian output could be offset with higher production from other OPEC+ members.

Source: Financial Times



***U.S. crude exports*: Despite the slow increase in U.S. oil production the country has been increasing loadings of the commodity for export to areas desperate to reduce prices, especially in Europe. Loadings have increased from 2.7 M bpd in July 2021 to 3.4 M bpd in May 2022.**

Source: IHS Markit Commodities at Sea Service

Technical view of the Crude Oil Market:

August Futures – A bit of a mixed technical last week as the futures remain in bullish territory having produced a takeover candle on the 08/06, this suggested we should trade above the USD 125.28 fractal resistance. However, the U.S CPI figures on Friday put the intraday technical into neutral territory due to the deep pullback. The daily technical is still bullish as we remain above our key support at USD 112.36, if we trade below the USD 118.55 level then the support has the potential to come under pressure. Likewise, a close below USD 120.45 will warn that the USD 118.55 support has a higher probability of being tested and broken. Upside moves that trade above the USD 124.40 resistance would suggest we trade above the USD 125.28 fractal high, a close above this level will target the USD 127.27 and USD 131.30 resistance levels. The technical is bullish but in a corrective phase with near-term support levels looking vulnerable, if they hold then we have the potential to see upside continuation.

FIS senior analyst, Edward Hutton

Brent Aug 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.

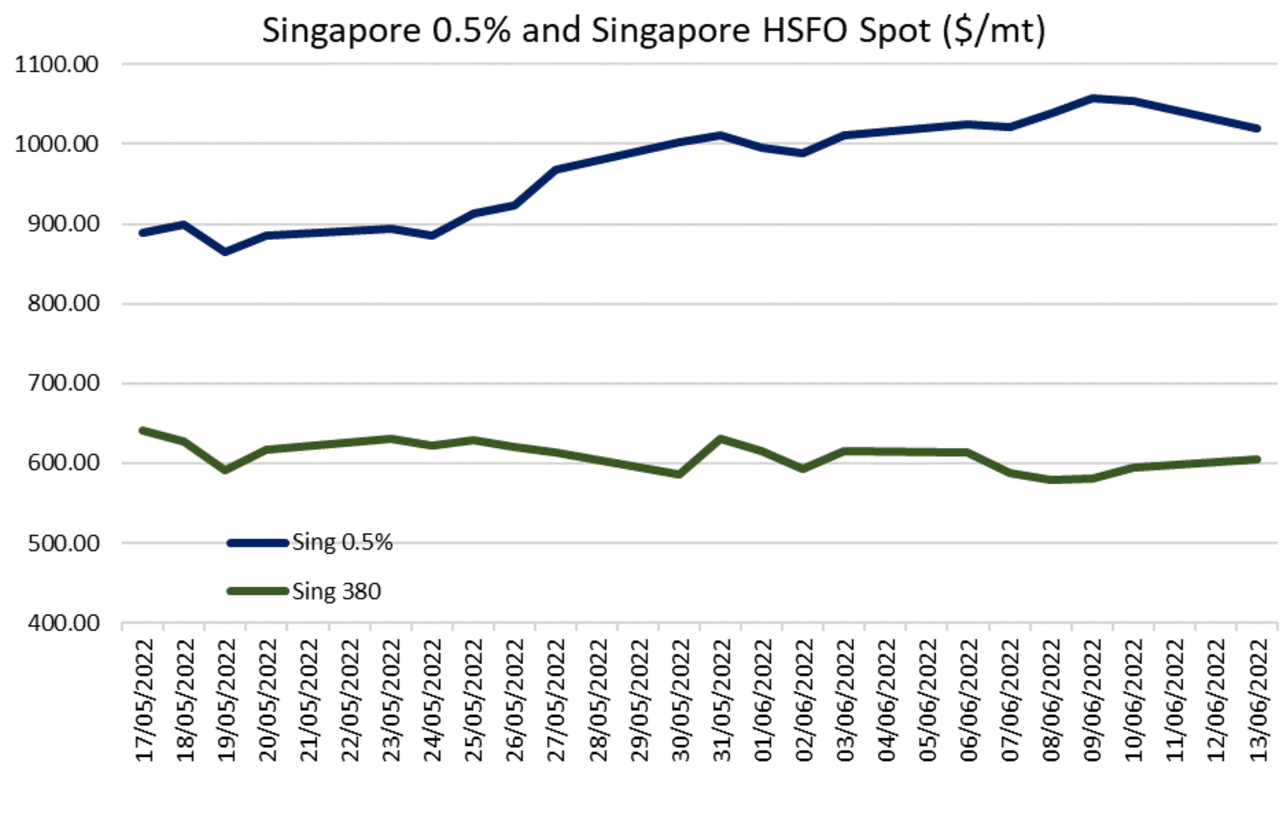
Bunker Market :

Bunker prices fluctuate on tight supplies and political disruption

The mixed news in crude markets brought mixed bunker price fluctuations throughout last week. Different areas of the globe had their own micro issues that were contributing to tight supplies of fuel. In the East of Suez market, several barges were banned, and VLSFO availability remained tight with prices remaining elevated with some mixed fluctuations through the week.

In Europe and Africa market, independently held fuel oil stocks in the ARA increased by 880,000 bbl in the week after falling from the previous week, Algoa Bay was slowly recovering from the oil spill three weeks ago but experienced some disruption with rough weather suspending bunkering, and Gibraltar Strait prompt supply of HSFO was tight throughout the week. In the Americas market, bunker prices soared, discounts halved, and tight supplies continued. Regardless of the mixed news, the difference between Singapore's VLSFO and HSFO remained relatively steady in the short term.

As Brent prices gradually rise again, a few sources think a recession is on the horizon, especially for less developed countries in Europe and East Asia, sources in Reuters and The World Bank said. A few other sources think prices will surge to $140 or $150 in the coming months. The UAE's Energy Minister Suhail Al Mazrouei said crude oil prices could go much higher. Mazrouei reiterated that oil production has been capped by too few new investments in the energy sector, and said OPEC+ is unlikely to meet the surge in demand as global economies recover from the pandemic. Only time will tell as OPEC+ members struggle to meet production quotas, China's lockdowns persist, and Russia's war on Ukraine continues.



Sources: FIS, ENGINE, IHS Markit Commodities at Sea Service

Longer term widening gap in Singapore 0.5% and HSFO prices continued with rising 0.5% prices being the main driver, as European and Singapore HSFO prices reached similar pricing levels with prompt EW spread values at

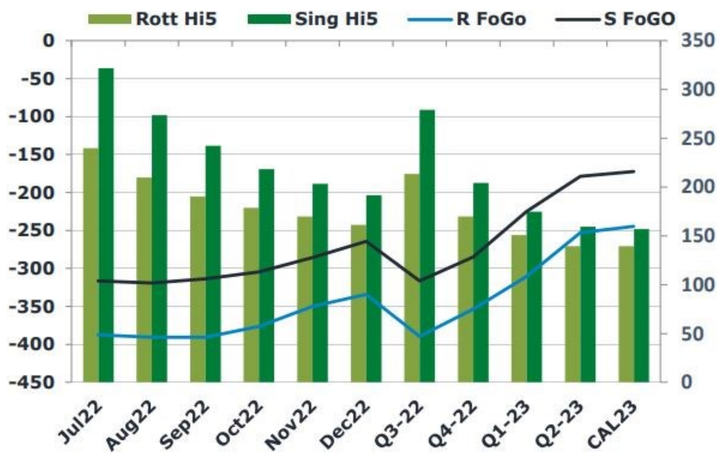
Bunker Market (cont)

Hi5 Spread

Both the Rotterdam and Singapore Hi5 markets continued to widen, currently printing 242 and 317 respectively, after they were $230 and $293 last week. Interestingly the 0.5% prices in the two ports are still maintaining their usual price relationship of Singapore being more expensive than Rotterdam, with an actual widening of the gap between the two locations since the last analysis report.

The HSFO EW flattened further, as prompt futures prices were valued around flat. The continued restriction of Russian supplies of oil and products is driving European prices higher relative to other regions, as the sanctioned country had been a significant export to European countries prior to their invasion of Ukraine.

Rotterdam and Singapore Hi5 and



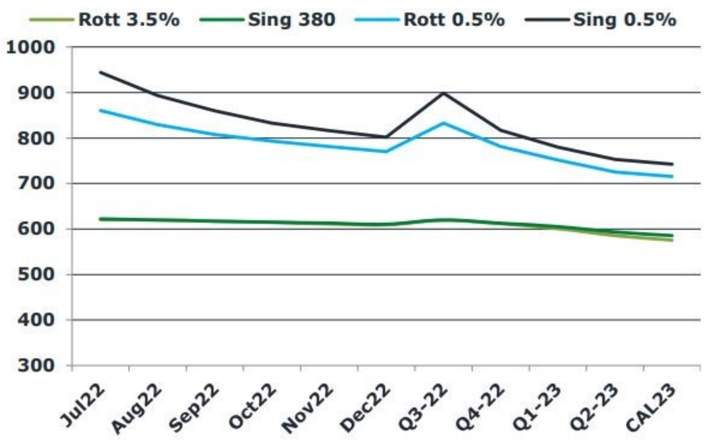
Source: FIS

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

Key Port Indicators	May 2022	Y-O-Y Growth (%)
Vessels Arrivals (M GT)	239.40	▲ 0.5
Vessels Arrivals (Number)	7,815	▲ 8.4
Container Throughput (M TEUs)	3.12	▼ 2.9
Cargo Throughput (M Tonnes)	47.10	▼ 8.3
Bunker Sales (M Tonnes)	4.12	▲ 1.1

***Singapore Bunker Fuel Sales**. Source: MPA*

Rotterdam and Singapore FO Futures



Source: FIS

Bunker prices remained volatile, with futures displaying a narrowing of HSFO and VLSFO prices into Cal 23.

Hi5 Forward Curve Values

	Rott Hi5	Sing Hi5
Jul-22	246.05	314.60
Aug-22	217.80	274.10
Sep-22	199.05	244.85
Oct-22	185.05	225.35
Nov-22	174.55	210.10
Dec-22	166.30	197.85
Q3-22	220.95	277.85
Q4-22	175.30	211.10
Q1-23	152.97	179.27
Q2-23	136.97	158.35
CAL23	133.22	152.83

Table Sources: FIS

HSFO and 0.5% East-West Spread

	EW380	EW0.5%
Jul-22	2.00	83.85
Aug-22	0.00	63.85
Sep-22	0.00	51.85
Oct-22	0.50	40.10
Nov-22	1.50	34.85
Dec-22	1.25	31.60
Q3-22	0.70	66.50
Q4-22	1.08	35.52
Q1-23	4.50	28.27
Q2-23	7.75	27.50
CAL23	15.50	26.89

Narrowing 380 EW illustrates the issues that Rotterdam based fuels are having with prices almost equal to Singapore values.

Tanker Market:

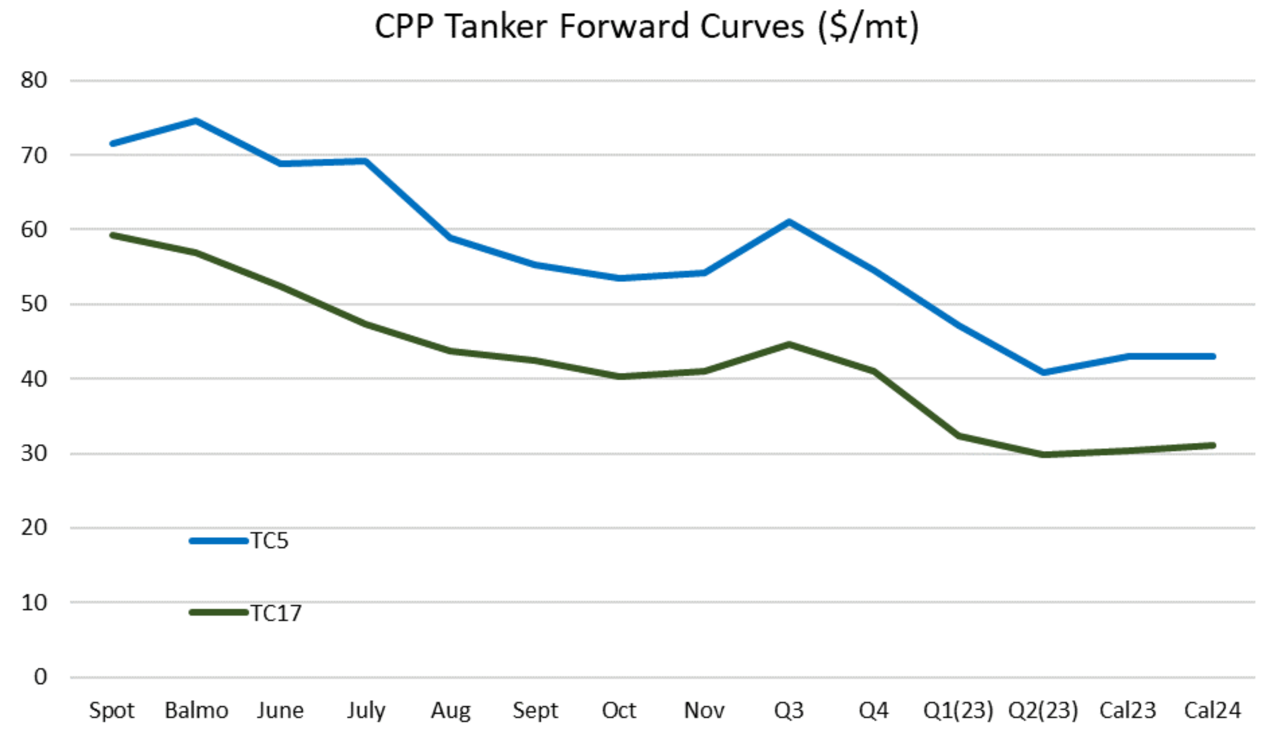
CPP Tanker positivity remains

As has been the theme of late, the CPP tanker market has remained strong and continued to improve across several routes. TC2, TC5, TC6 & TC17 are all far north of 300ws (TC17 ws550) now in the spot market, with improvements seen throughout the curves in each. Whilst TC14 has come off in the spot market, we have seen the back of the curve improve and continued to be supported – seemingly traders spotting some bargains in comparison to the recent highs of ws440+ at the front.

This volatility on the clean has been reflected in the volumes, with YTD on the clean tanker FFAs up over 9,000 lots in the same period as last year.

CPP Tankers appear to be stealing the limelight on the Tanker FFAs. The excitement of previous years on TD3C remains muted for the time being, with little movement throughout the curve as the spot market continues to hover in the region of ws43.5 – ws44.5 with Chinese demand muted. However, some positivity exists with Q4 trading at a 14pt premium over the spot market.

Equally, this flatness on TD3C has been reflected in the volumes seen YTD on the DPP Tanker FFAs compared to the same period last year, with almost 30,000 lots less being traded so far.



Product tanker rates have enjoyed much improved returns after a long period of stagnation. The short squeeze on demand for product is expected to ease with increasing supply and return to normality for the world.

Product Tanker Future Rates (WS)

									$/mt	$/mt	$/mt	$/mt
	June	July	Aug	Sept	Oct	Nov	Q3	Q4	Q1(23)	Q2(23)	Cal23	Cal24
TC5	305.5	307.5	261.25	245.75	237.5	241	271.5	242.5	47.1	40.85	43	43.1
TC17	478.75	442.75	407	394.5	374.75	380.75	414.75	380.75	32.4	29.8	30.45	31.15

Sources: FIS, Baltic Exchange

Technical view of the Tanker Market:

TD3C:

July Futures – Technically bullish with downside moves considered as countertrend last week the futures the futures have traded above the USD 9.6930 resistance, meaning we target the USD 10.258 high. Downside moves that hold at or above USD 9.1924 will support a bull argument, below this level the technical will have a neutral bias. Technically bullish we are conscious of the small 5 wave pattern that has formed from the USD 8.8850 low on the 24/05, this is warning we have the potential to enter a corrective phase soon. If we trade below USD 9.5730 then we have the potential to test the support zone (USD 9.4437 – USD 9.1924). Technically bullish with key support at USD 9.1924, caution on a move below USD 9.5730.

FIS Senior Analyst, Edward Hutton

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