FIS Weekly Oil Report

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Market Review:

Crude oil market — Short-term **neutral to bullish** around $113-$118/bbl, with the threat of further restriction of Russian supplies.

Bunker market — Short-term **neutral to bullish**, Singapore VLSFO ranging from $950-$1000/mt, as oil price suffers further concern about supplies.

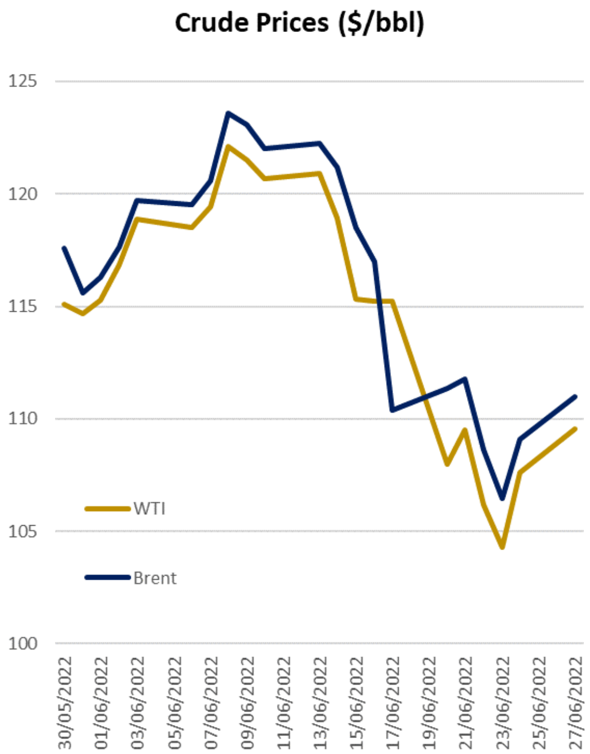
Prices movement	20-Jun	27-Jun	Changes %	Sentiment	
Brent Crude	111.36	110.98	**-0.34%**	**Neutral to bullish**	↗
WTI Crude	107.99	109.57	**+1.46%**	**Neutral to bullish**	↗
VLSFO (Singapore)	957.00	976.81	**+2.1**	**Neutral to bullish**	↗

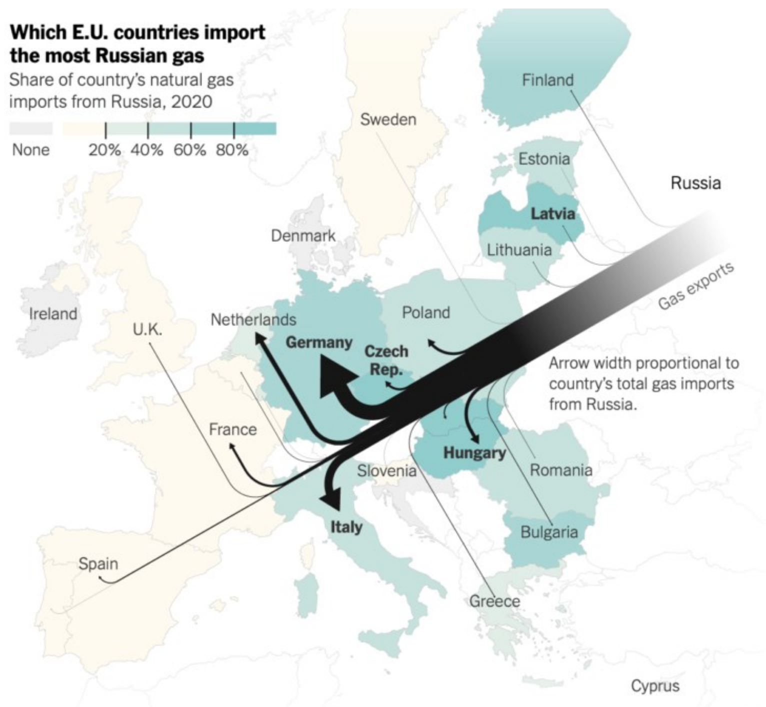
Crude Oil Market :

Prepare for Russian oil price cap and gas cut-off

G7 leaders met this week with one of the topics of conversation being a possible cap on oil prices from Russia. The purpose of the policy would be to limit the profits Russia could receive from selling oil all the while cushioning the impact of high energy prices.

The policy is being strongly championed by the U.S. with Germany warming to the idea as a country significantly exposed to Russian oil exports. This followed another sanction announcement with Britain, Canada, Japan, and the U.S. banning imports of Russian gold.





Source: FIS, Eurostat, British Department BEIS

Russia looked to turn the screw on European energy supplies as it cut gas supply through pipeline Nord Stream 1 to 60% normal levels, which is said was due to 'maintenance'.

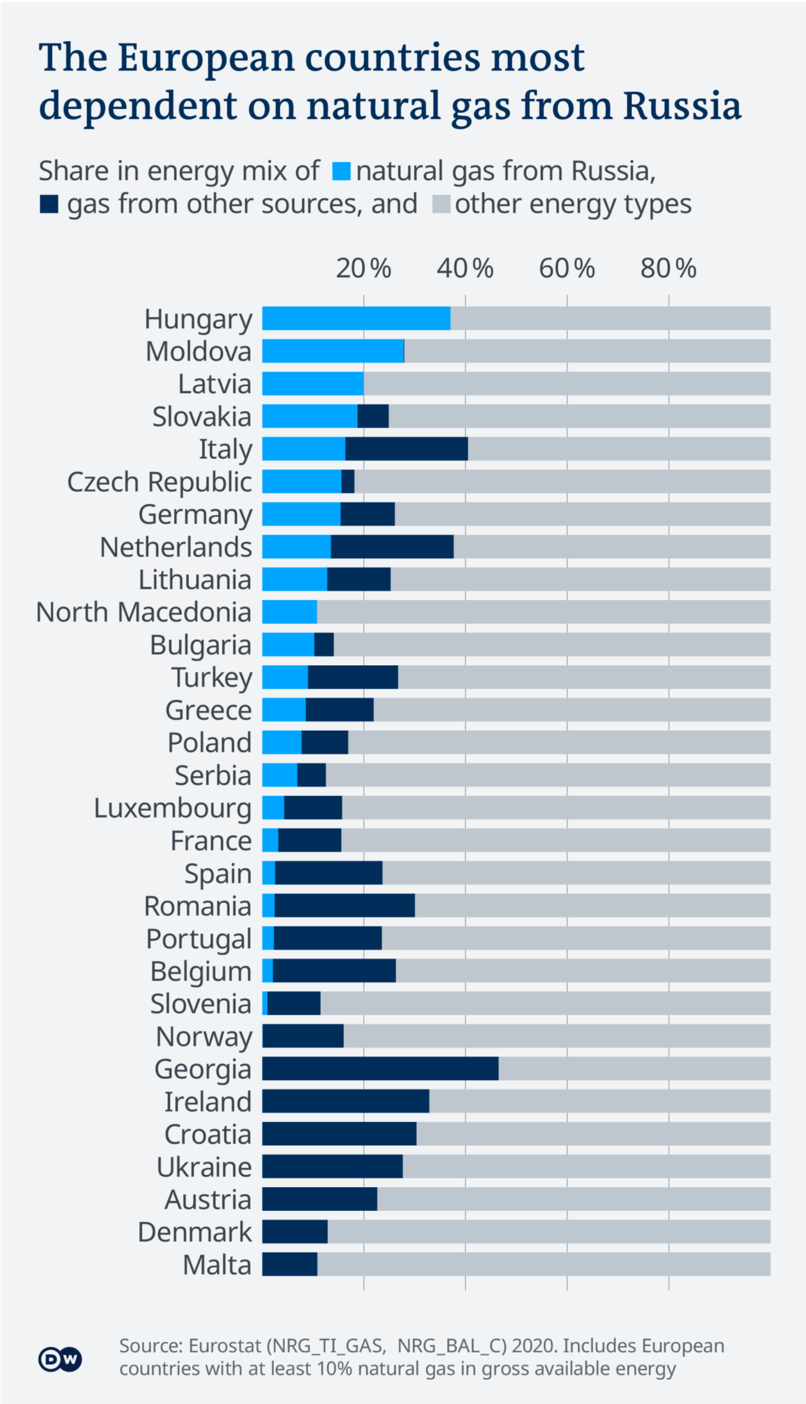
Crude Oil Market (cont)

The politicisation of Russia's oil and gas supplies is causing significant concern in Germany whose gas storage facilities are currently 58% full. The country is looking like it will miss its plan to fill supplies to 90% for the winter, made especially difficult after Russia cut Nord Stream 1 throughput to 60%.

Russia has said that it is due to scheduled maintenance that levels have dropped, but ultimately a decision to further cut supplies could spark a fresh energy crisis in Europe. The IEA has warned Europe to prepare for a complete shutdown of all Russian gas supplies.

"Europe should be ready in case Russian gas is completely cut off," Fatin Birol told the FT. "The nearer we are coming to winter, the more we understand Russia's intentions," he added. "I believe the cuts are geared towards avoiding Europe filling storage, and increasing Russia's leverage in the winter months."

In a move to deal with this future problem, Germany has fired up its coal-fired power stations, with a new law to bring back 10 gigawatts of power production.



Brent values have been bouncing around the $110 and $120 range with the mixed news in the last few weeks. We will see further restrictions lift in China as Shanghai reported no new Covid-19 cases for the first time in two months and Beijing opened schools. We are also likely to see more news about OPEC+ members and their struggle to meet production targets and offset Russian supply.

Despite the efforts of governments to increase the volume of oil from producers, this may not be enough to deal with the high prices. The Chief Executive of ExxonMobil has predicted a sustained period of high prices and resurgent investment in oil production.

Darren Woods said that "They always say that the cure to high prices is high prices. And that's exactly what I think we'll see. So, it's a question of how high prices eventually rise."

The double-edged sword or a lack of investment and concern for the future of oil could create the perfect storm keeping prices high.

Source: IHS Markit Commodities at Sea Service, Financial Times, Reuters, FIS

Technical view of the Crude Oil Market:

August Futures – Technically bullish but in a corrective phase on the last report, the futures did trade above USD 124.40 to trade within 9 cents of the USD 125.28 fractal resistance. However, resistance held, resulting in the futures trading below the USD 118.55 and USD 112.36 support levels. The last dominant wave is between 19/05 and 31/05 (USD 15.70 – USD 125.28), price remains within this range but has produced a deep pullback, meaning although bullish we have a neutral bias. A close above USD 114.45 will warn that the USD 119.2 resistance could be tested, if it holds then the futures are vulnerable to further tests to the downside; if broken it will warn that the USD 125.28 fractal resistance is vulnerable. Downside moves below USD 107.03 will target the USD 105.70 resistance, below this level the technical is bearish. Technically bullish but with a neutral bias.

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 have a mixed week with crude

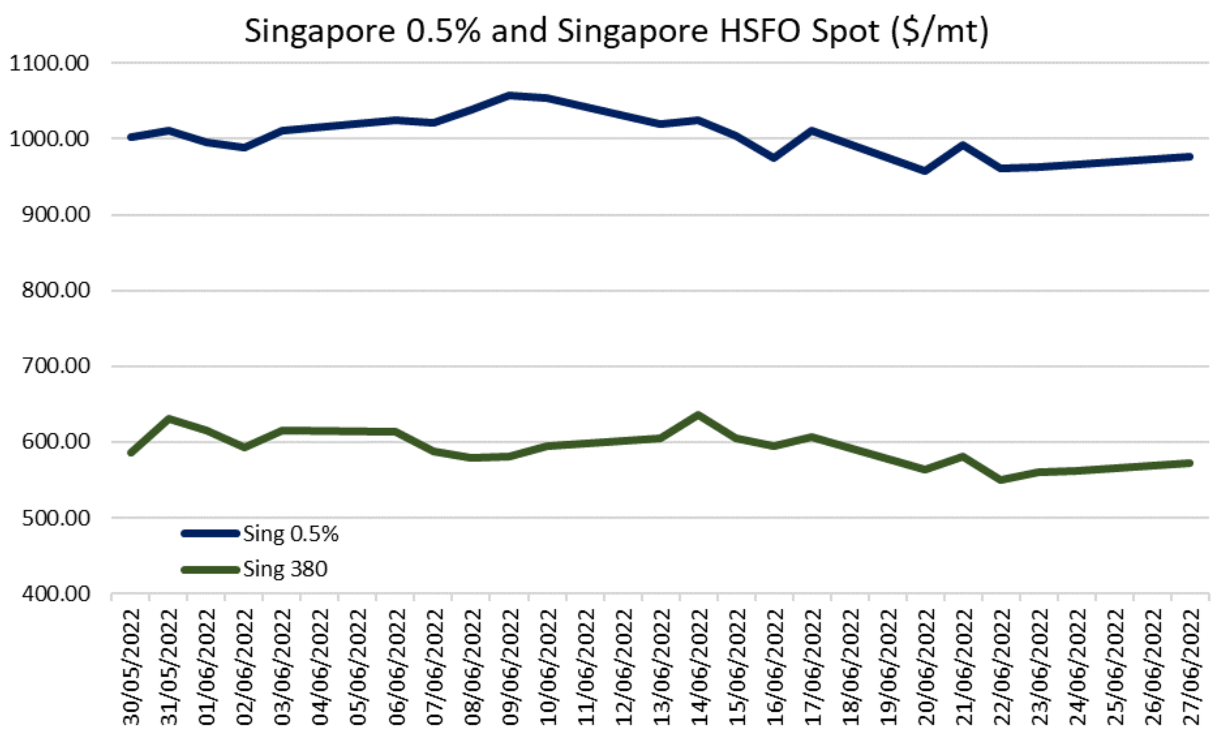
Macro influences on fuel oil continued as bunker prices had a mixed week. Crude values have been volatile after repeated threats by Russia to disrupt gas supplies to Europe. Supply worries persist, with OPEC+ oil producers not having enough spare capacity to meet recovering demand from China as Covid-19 restrictions ease. And the U.S. continue to put pressure on oil companies to increase the supply of oil to reduce inflation.

In the East of Suez market bunker demand fluctuated in Singapore last week, from normal at the start of the week to a slowdown towards the end, a source said. Bunker fuel availability remained tight in Fujairah, Hong Kong, and Shanghai with a slight improvement in Zhoushan, but the market was slow. Bunker fuel availability improved in South Korean ports. A refinery that paused offering volumes to bunker ports resumed VLSFO offers again, which relieved some pressure on availability.

In Europe & Africa, bunker supplies remained tight in South Africa's Durban port, after rising in the previous week. Some suppliers in Durban are expecting replenishment to arrive this week, which could ease pressure on supplies, a source said. Rough weather conditions during most parts of the previous week created a backlog of vessels in Algoa Bay and Port of Elizabeth. Bunkering resumed in Algoa Bay on 16 June, after a suspension on 15 June due to rough weather conditions. Availability of HSFO continued to be tight most of the week in the Gibraltar Strait ports, while some suppliers were offering delivery of VLSFO and LSMGO on prompt dates.

The Americas market started with Houston's VLSFO and HSFO prices slipping against the general market direction, while Balboa saw gains more in line with other bunker ports and Brent. The diverging moves widened Houston's VLSFO discount to Balboa by $25/mt to $97/mt and flipped its HSFO price from an $18/mt premium to a $3/mt discount to Balboa. Houston's HSFO price plunged lower, while Balboa's price was propped up by several price points above $700/mt and moved from a narrow discount to Houston's price to a $53/mt premium. Later in the week Balboa's VLSFO and LSMGO prices drew support from higher-priced stems and rose to wider $81-84/mt premiums over Houston's levels.

While New York's LSMGO price has come off considerably since a supply squeeze last month it remains elevated against Houston and other major ports. New York's LSMGO price has been elevated against other ports for weeks on end, but improved availability has brought its premium over Houston down from a peak of almost $400/mt on 5 May – when supply was squeezed - to less than a third of that now.



Sources: FIS, Lloyds List, ENGINE, Reuters, IHS Markit Commodities at Sea Service

Bunker Market (cont)

Hi5 and EW Spreads

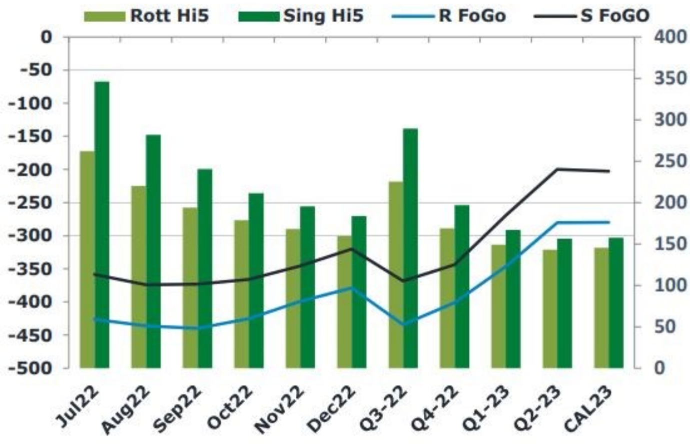
Both the Hi5 and EW markets continued to widen, as better availability of fuels in Rotterdam returned the EW spread to more normal levels, and the persistent depression in HSFO prices widened the Hi5 spread.

The normalising of the EW spread points toward an easing of the tightness of fuel availability in Rotterdam and resultant lowering of price. Levels had risen significantly in response to sanctions on Russia with a concern for fuel availability due to Russia being a significant exporter of fuel into the continent.

The Hi5 spread continued its march upwards above $300 on the front month's futures contract as prompt levels accentuated the difference between the VLSFO and HSFO products.

This will please scrubber owners who will are enjoying a significant discount in fuel costs compared to their non-scrubber counterparts. There is, however, on the horizon a view that this trend will reverse, with longer -dated contracts—Q4 onwards—narrowing in value week-on-week. This could indicate a market view that we could see a reversal of the trend.

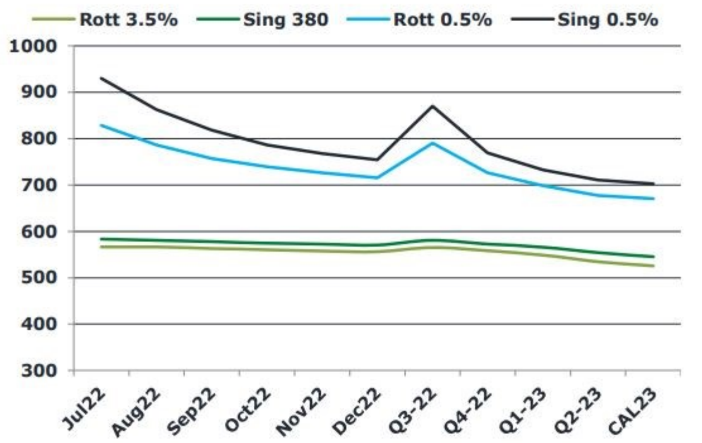
Rotterdam and Singapore Hi5 and



Source: FIS

Prompt Hi5 prices widened further, but they did narrow slightly further down the curve

Rotterdam and Singapore FO Futures



Source: FIS

EW spreads have increased by double digit amounts in the last two weeks.

Hi5 Forward Curve Values

	Rott Hi5	Sing Hi5
Jul-22	262	346
Aug-22	220	282
Sep-22	194	240
Oct-22	179	212
Nov-22	168	195
Dec-22	159	184
Q3-22	225	290
Q4-22	169	197
Q1-23	149	167
Q2-23	143	156
CAL23	145	157

Table Sources: FIS

HSFO and 0.5% East-West Spread

	EW380	EW0.5%
Jul-22	17.50	101.60
Aug-22	14.50	76.10
Sep-22	14.50	61.10
Oct-22	14.25	46.85
Nov-22	15.00	42.10
Dec-22	14.50	39.10
Q3-22	15.50	79.60
Q4-22	14.58	42.68
Q1-23	17.08	34.93
Q2-23	19.50	32.77
CAL23	5.00	32.20

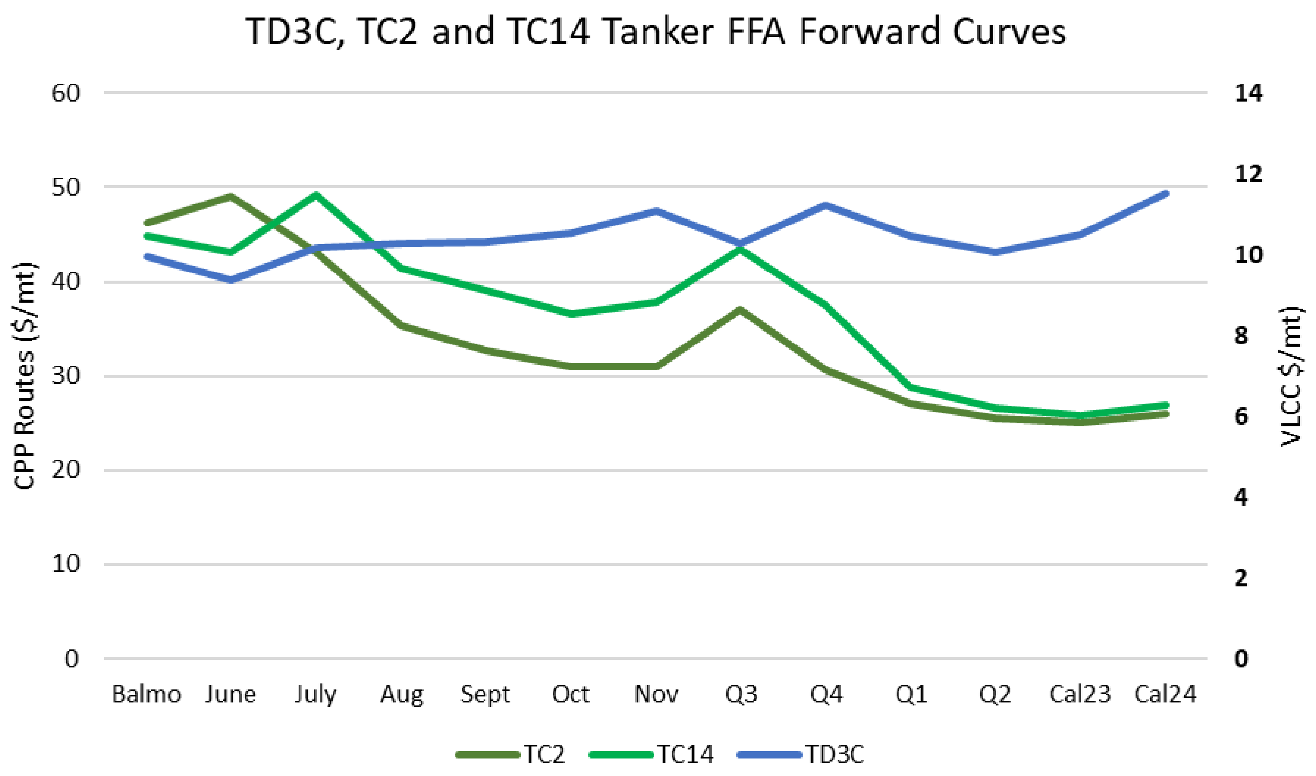
EW values have significantly increased after relative fuel availability eased in the West after an initial shock of Russian sanctions

Tanker Market:

Improved spot market sparks positivity in tanker market

Some long-awaited positivity was seen for the VLCC market & the DPP market in general. Improvements in the spot market have been positive for the curve, with some recovery seen through both Q3 & Q4. TD3C has seen the spot market improve over 10% over the last 7 days (20th June ws45.27 / 27th June ws50.36) with the Baltic quoting TCE improving from -$20k+ per day to almost -$14k a day now. Whilst rates have improved, volumes have remained muted – with little-seen trading across DPP routes and just a meagre 5kt traded on TD3C on Monday 27th June. There is still some way to go before owners start to see positive returns and with the usual summer weakness on the horizon it may be too early to open the champagne, but owners will be hoping for changing trading patterns and China reducing quarantine restrictions, which will provide some positivity for Oil and Tanker demand.

The story remains the same on the CPP tankers, with rates remaining inflated compared to last year's levels – LR owners returning over $50k per day & MRs $40k+ a day. TC14 remains the only route on the FFAs with the spot market sub ws300 (still a healthy ws245) as rates remain high. TC6 has sustained ws500+ for a week now, with earnings reportedly at $96,000 per day with a Mediterranean / Black Sea Handy voyage reported on subs in excess of a whopping ws900!



Tanker spot rates have risen signaling an improve market sentiment for both crude tankers and product tankers

Product Tanker Future Rates ($/mt)

	June	July	Aug	Sept	Oct	Nov	Q3	Q4	Q1(23)	Q2(23)	Cal23	Cal24
TD3C	9.3651	10.1707	10.2714	10.3218	10.5232	11.077	10.2714	11.2281	10.45	10.05	10.5	11.5
TC2	49.0578	43.1844	35.308	32.7278	30.8945	30.8945	37.0734	30.6908	27.1	25.45	25	25.95
TC14	43.1156	49.275	41.3417	39.1244	36.6113	37.8432	43.362	37.5476	28.7	26.6	25.85	26.95

Sources: FIS, Baltic Exchange

Technical view of the Tanker Market:

TD3C:

July Futures – Technically bullish on the last report we were conscious of a small 5-wave pattern that had formed, warning we could enter a corrective phase soon. However, corrective moves lower that held above USD 9.1924 would support a bull argument. The futures entered a corrective phase and traded to a low of USD 9.2530 (held support) before moving higher. We remain technically bullish with price above all key moving averages supported by the RSI above 50, in theory, we now target the USD 10.2580 high. The new high has created a negative divergence on both the RSI and the stochastic, not a sell signal it does warn we have the potential for a momentum slowdown and will need to be monitored. Downside moves that hold at or above USD 9.4509 will support a bull argument, below this level the technical will have a neutral bias, only below USD 9.2530 is it bearish. Technically bullish, the divergences will need to be monitored as they are warning buyside momentum could soon slow down.

FIS Senior Analyst, Edward Hutton

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