FIS

Weekly Oil Report

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Market Review:

Crude oil market — Short-term **neutral to bullish** around $99-$113/bbl, as OPEC's struggle to replace lost supply from Russia continues and China faces Covid restrictions.

Bunker market — Short-term **neutral to bullish**, Singapore VLSFO ranges from $780-$1006/mt, as oil prices continue to suffer further concern about supplies.

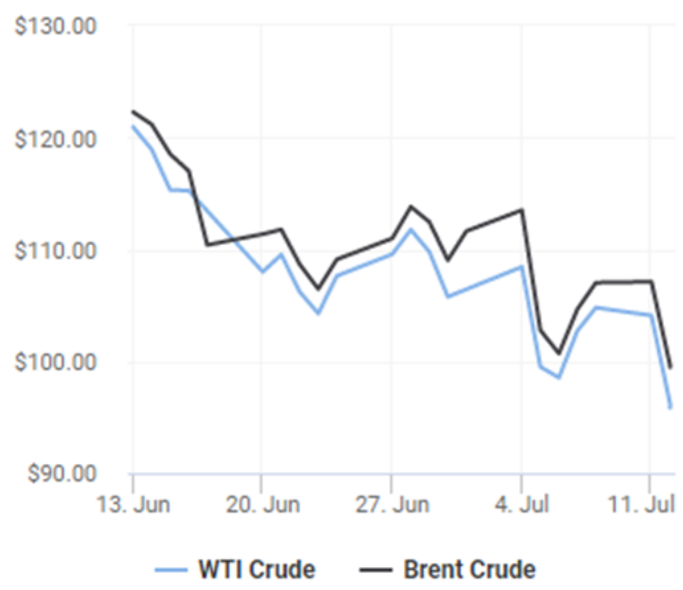
Prices movement	4-Jul	11-Jul	Changes %	Sentiment	
Brent Crude	113.50	105.10	**-7.40**	**Neutral to bullish**	↗
WTI Crude	108.43	104.09	**-1.04**	**Neutral to bullish**	↗
VLSFO (Singapore)	1005.72	794.40	**-21.01**	**Neutral to bullish**	↗

Crude Oil Market :

Oil prices fluctuated making a weekly loss

Recession fears continued to weigh on market sentiments as economies around the world backed inflation-controlling measures. Oil fell below $100 last week for the first time in months as inflationary and recession fears set in. US benchmark West Texas Intermediate crude traded above $98 a barrel, more than 9% lower than the previous week. Over the past month, escalating fears that a looming recession will erode consumption have driven prices down even as the market continues to show signs that supplies remain tight at present. Oil retreats mean the world's most crucial commodity has given up the bulk of the gains seen in the wake of Russia's invasion of Ukraine, which lifted the US benchmark above $130 a barrel in March. Surging inflationary pressures have prompted the Federal Reserve to tighten policy aggressively, which in turn spurred expectations that a demand-sapping recession may lie ahead. The dynamic has largely overshadowed concerns over supply tightness, Bloomberg reports.

The market is set to remain tight given the expectation that the Russian oil supply will reduce as we move through the year. Therefore, we expect any further downside in the market to be limited.



News that could have put more pressure on supply tightness swung in an opposite direction as a court in southern Russia on Monday overturned an earlier ruling suspending Caspian Pipeline Consortium's (CPC) operations on Russia's Black Sea coast, which mainly exports Kazakh crude and instead fined it 200,000 roubles ($3,300), easing concerns about a global oil supply crunch (Reuters). A halt to the pipeline, which carries oil from Kazakhstan's vast Tengiz Field across Russia to the Black Sea, would have strained the oil market and increased tensions between Russia and Kazakhstan, which has little leeway in re-routing its oil exports from CPS. It's due to ship 1.2 million barrels a day this month.

Source: FIS, Rystad Energy

Crude Oil Market (cont)

Markets are braced for new mass COVID testing in China potentially hitting demand, a worry that has outweighed ongoing concerns about tight supply. Shanghai recorded 69 new Covid infections Sunday, the most since late May. China will unveil a raft of economic data this week, with the numbers set to be scrutinized for evidence of Covid Zero's impact on the world's No. 2 economy. Chinese stocks posted their biggest daily decline in about a month on Monday.

Despite Chinese demand concerns, the oil market is still supported by tight supply, in part due to upended trade flows from Russia following its invasion of Ukraine. Time spreads have firmed in a bullish backwardation structure, which indicates scarce volumes.

The EIA's weekly US inventory report was mixed. US commercial crude oil inventories increased by 8.23 MMbbls, which is the largest weekly increase since early May. However, when factoring in releases from the SPR, total US crude oil inventories increased by just 2.39MMbbls. The build was driven by an increase in crude oil imports, which were up 841Mbbls/d WoW, whilst crude oil exports declined by 768Mbbls/d. In addition, domestic refiners decreased their utilization rates over the week by half a percentage point, which would have helped add to the crude build. However, changes to refined product inventories were more supportive. US gasoline inventories declined by 2.5MMbbls, whilst distillate stocks fell by 1.27MMbbls over the week.

Growing fears of a recession and continued sluggish demand in China are pulling oil prices lower, though the current supply-demand balances remain precarious.

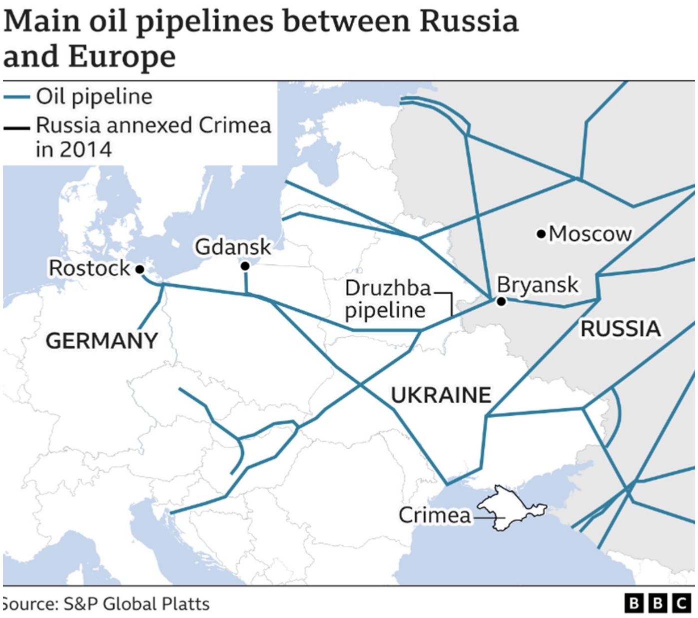
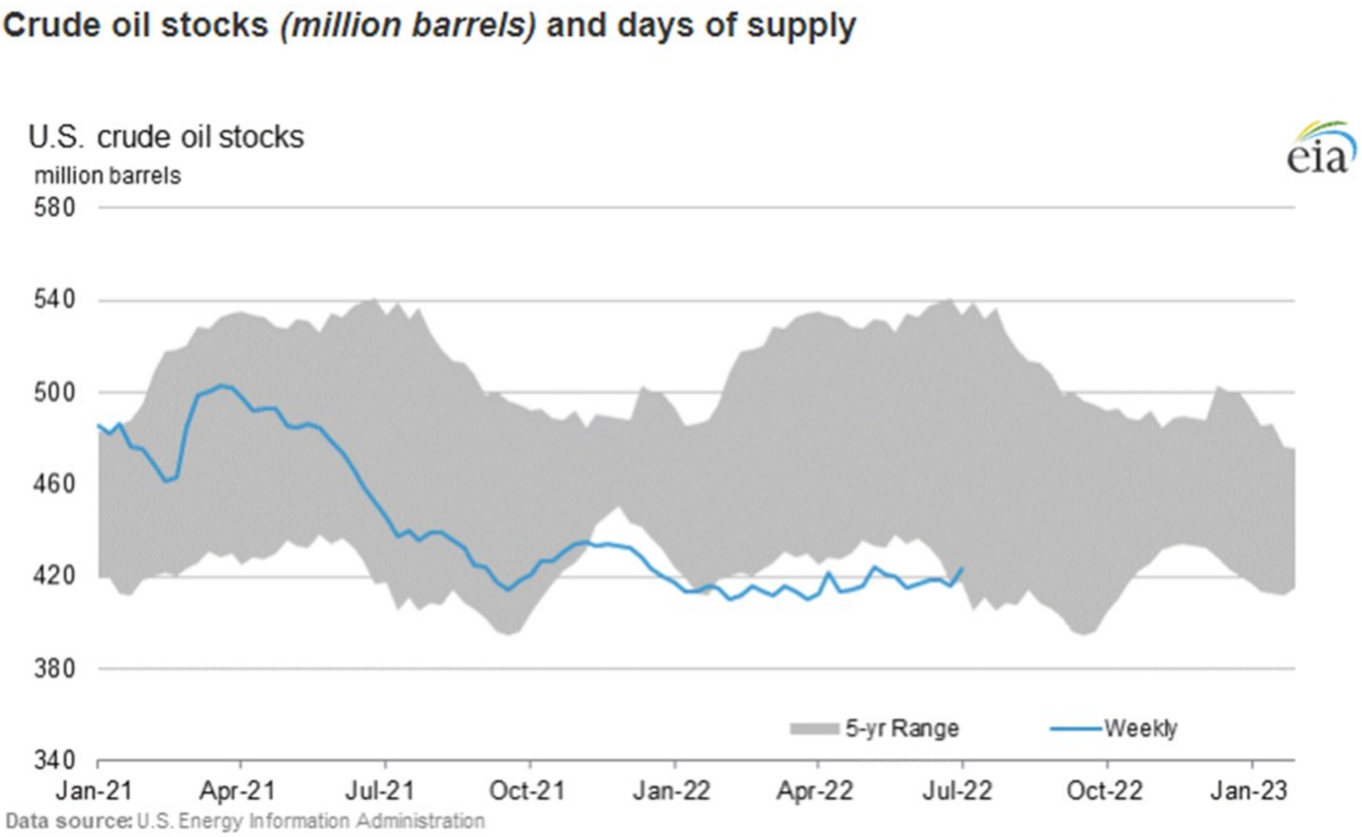


Chart Source: S&P Global Platts, BBC



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

Technical view of the Crude Oil Market:

September Futures – Technically bullish last week but with a neutral bias due to the depth of the pullback, the futures broke to the downside with price trading below the USD 105.70 fractal support. The technical is now bearish with price below all key moving averages supported by the RSI below 50. Upside moves that fail at or below USD 109.22 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias. Only above USD 114.75 will the daily technical have made a higher high and be considered bullish. Intraday Elliott wave analysis would suggest that the current upside move is considered a countertrend, implying the USD 98,50 support remains vulnerable.

FIS senior analyst, Edward Hutton

Chart source: Bloomberg

Bunker Market :

Bunker prices decrease with crude

In the East of Suez market, Fujairah was pricing VLSFO more competitively to Singapore and Zhoushan. The grade was priced in a wide range in the UAE port, with price points at the lower end of the range keeping a lid on further increases. Price gains were stronger in Singapore and Zhoushan, bringing them almost up to Fujairah's level. VLSFO availability remained tight across all three bunker hubs. With VLSFO particularly tight in Singapore and Fujairah, their Hi5 spreads were stretched and remained near all-time highs of around $550/mt in Singapore and Fujairah, and just shy of $500/mt in Zhoushan. These spreads are currently far superseding pre-IMO 2020 projections.

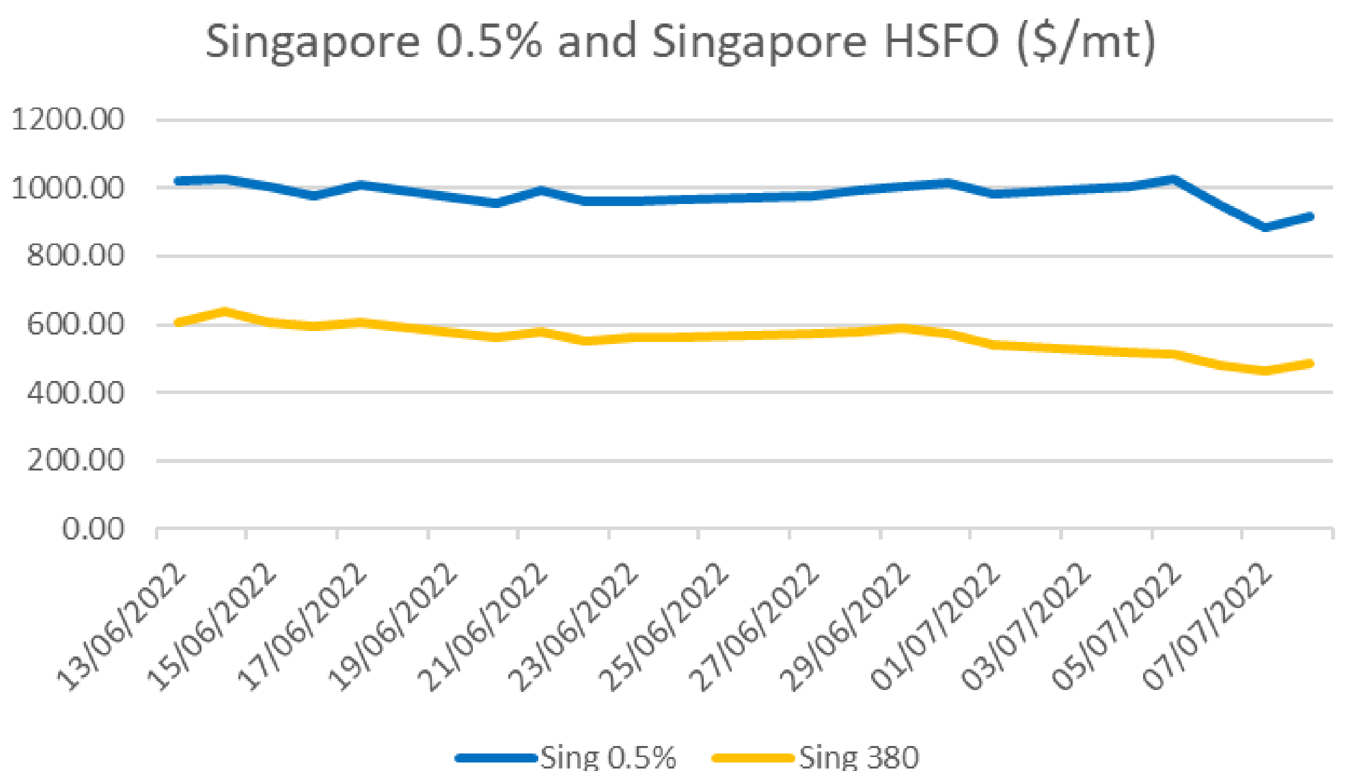
In Europe and African markets, a fall in the broader oil complex has pulled down VLSFO prices this week. Rotterdam's VLSFO price has decreased by $104/mt in the past two days.

It was mentioned last week that independently held fuel oil stocks in the ARA dropped by a marginal 70,000 bbls to 7.86 million bbls in the week ending 30 June, while the region's gasoil stocks increased by 60,000 bbls to 11.39 million bbls, according to latest data from Insights Global. Fuel oil stocks in the ARA have been drawn marginally for two straight weeks. Before this draw, they had been adding weight since a slump in April with support of continuous inflows from Russia. The inventories in June averaged 14% higher than May's.

Marine fuels quality testing firm Maritec has found several VLSFO samples in the ARA in recent months with high potassium and acid number levels. Feedback from vessels, based on these samples, shows damage to fuel pumps on main propulsion engines and increased deposit formation in exhaust systems, Maritec says.

Americas market availability was tight in Panama which was reflected in widening price premiums over Houston across fuel grades this week. Balboa's HSFO price flipped from a narrow discount to a $14/mt premium, and its premiums for VLSFO and LSMGO pushed beyond $100/mt and $150/mt, respectively at the end of last week.

Balboa's LSMGO price has held up better against Brent's downward pull this week, only shedding $8/mt since last Friday. Declines have been much greater in Houston and Los Angeles ($36-37/mt) and New York ($64/mt).



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

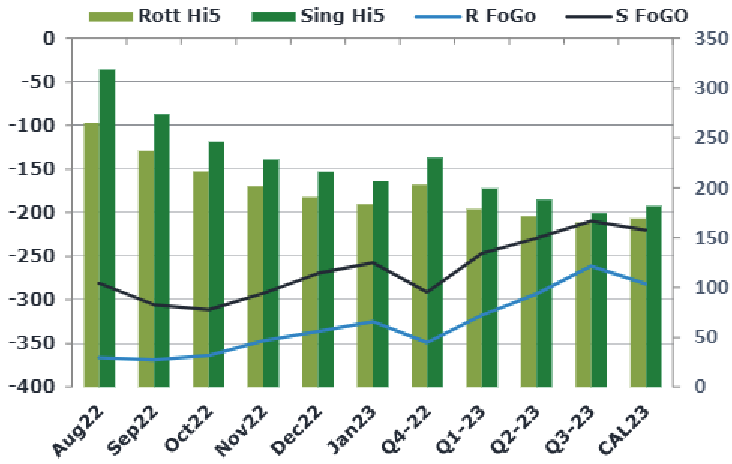
Bunker Market (cont)

Hi5 and EW Spreads

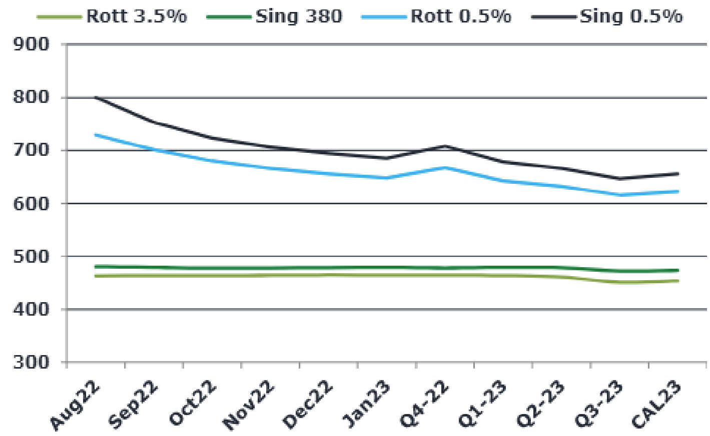
The Hi5 spreads are yet again at the forefront of conversation in the fuel markets this week with strength remaining in the front-month spreads in both key bunkering hubs in Rotterdam and Singapore. On the 5th of July, we saw some eyewatering highs on the Singapore Hi5 at 510.50 with the Rotterdam printing at 342.75 on the same date at settlement. Many owners are reaping the rewards for this soaring spread which has increased profit margins dramatically across scrubbed fleets.

The 0.5%S FOB Rotterdam barge Brent crack was last assessed on July 8 at $12.78/b, down $2.45/b on the week, amid a wider correction in the energy market. While VLSFO markets softened in Europe, Asia remained tight due to a shortage of very low sulphur blending components. LSSR, a common blend stock for the IMO-2020 compliant marine fuel, was heard heading to Singapore recently.

Rotterdam and Singapore Hi5 and FOGOs



Rotterdam and Singapore FO Futures



Source: FIS

Hi5 Forward Curve Values

	Rott Hi5	Sing Hi5
Aug-22	270	327
Sep-22	240	281
Oct-22	218	254
Nov-22	203	237
Dec-22	192	222
Jan23	184	211
Q4-22	204	238
Q1-23	178	204
Q2-23	168	191
Q3-23	154	176
CAL23	161	184

Table Sources: FIS

HSFO and 0.5% East-West Spread

	EW380	EW0.5%
Aug-22	15.25	72.35
Sep-22	12.50	53.35
Oct-22	10.25	46.10
Nov-22	10.50	44.10
Dec-22	11.25	41.60
Jan23	12.25	39.85
Q4-22	10.70	43.95
Q1-23	13.17	38.85
Q2-23	14.50	37.68
Q3-23	16.00	37.60
CAL23	8.00	37.93

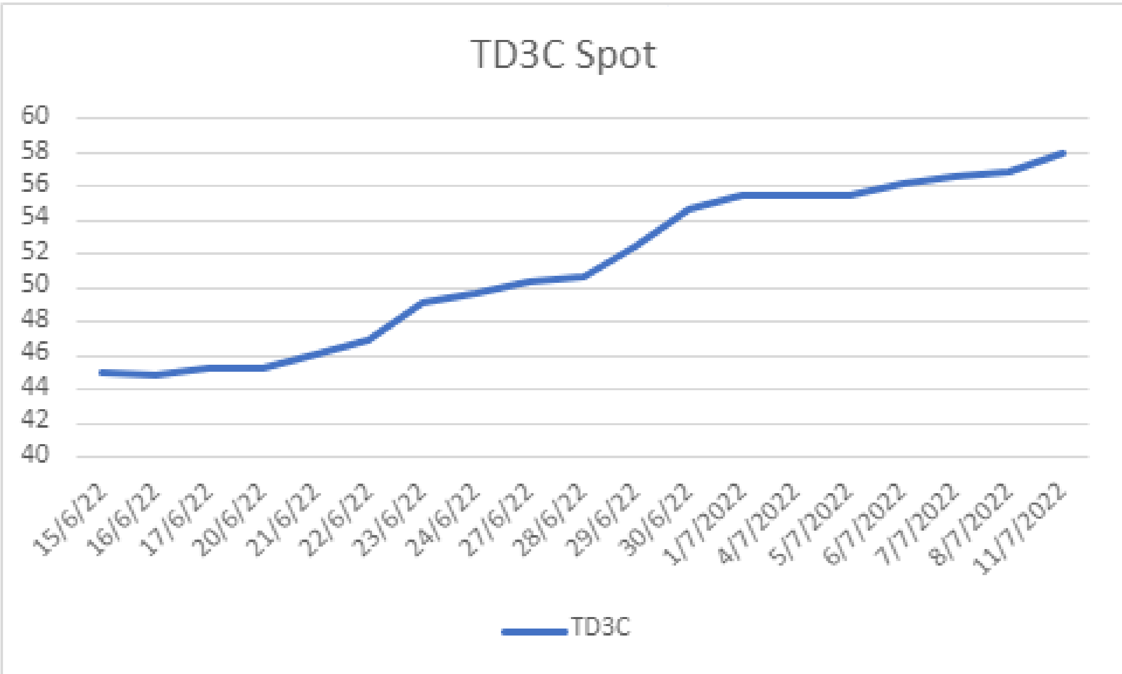
Tanker Market:

More positivity for the VLCC market as TD3C continues to improve

TD3C printed ws57.95 on Monday 11th July after being assessed at only mid-40s in mid-June. Although volumes have been small on Friday & Monday – overall volumes on both the Clean & Dirty have increased week on week (+1,630 lots). As a result, we have seen the TD3C curve recover from some losses in previous weeks.

Further reductions were seen this week in the middle East as TC5 continued its steady decline in the spot market before bottoming out at ws285. TC17 faired similarly, seeing a big correction to close to 460ws levels from a high of 513ws at the end of June. Earnings still producing a reported healthy $40k per day at current levels.

Whilst earnings have reduced for MR owners in the West, they are still providing healthy returns – The MRA TCE reported to be $43,761 per day, calculated using a combination of the TCEs for both TC2 & TC14. In spite of TC2 & TC14 both coming off since the end of June



Product Tanker Future Rates ($/mt)

Sources: FIS, Baltic Exchange

	Spot	BALMO	Jul	Aug	Sept	Oct	Nov	Dec	Q3	Q4	Q1 (23)	Q2 (23)	Cal23	Cal24
TD3C	11.6711	12.084	11.8323	11.7316	11.4798	11.8826	12.4868	13.091	11.6812	12.4868	10.75	10.2	10.65	11.5

Sources: FIS, Baltic Exchange

Technical view of the Tanker Market:

TD3C:

August Futures – Technically bullish last week with downside moves considered as a countertrend due to the RSI making new highs. The futures did pull back but held support before trading above our upside resistance levels. Both the futures and the RSI have made a new high, supporting a bull argument; however, the current upside move is now over 161.8% the length of the previous bull wave, warning we have the potential to enter a corrective wave soon. Downside moves are still considered as a countertrend at this point, corrective moves that hold at or above USD 10.1897 will support a bull argument, below this level, the technical will have a neutral bias. Near-term resistance is now at USD 11.7634 and USD 12.0400.

FIS Senior Analyst, Edward Hutton

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