FIS

Weekly Oil Report

info@freightinvestor.com | freightinvestorservices.com | (+44) 207 090 1120

26/7/2022

Market Review：

Crude oil market — Short-term **neutral to bearish** with Brent around $97-$105/bbl, as pessimism around the world economy depresses market sentiment.

Bunker market — Short-term **neutral to bearish**, Singapore VLSFO ranges from $720-$775/mt, as poor economic outlook drives crude prices down, dragging down product costs.

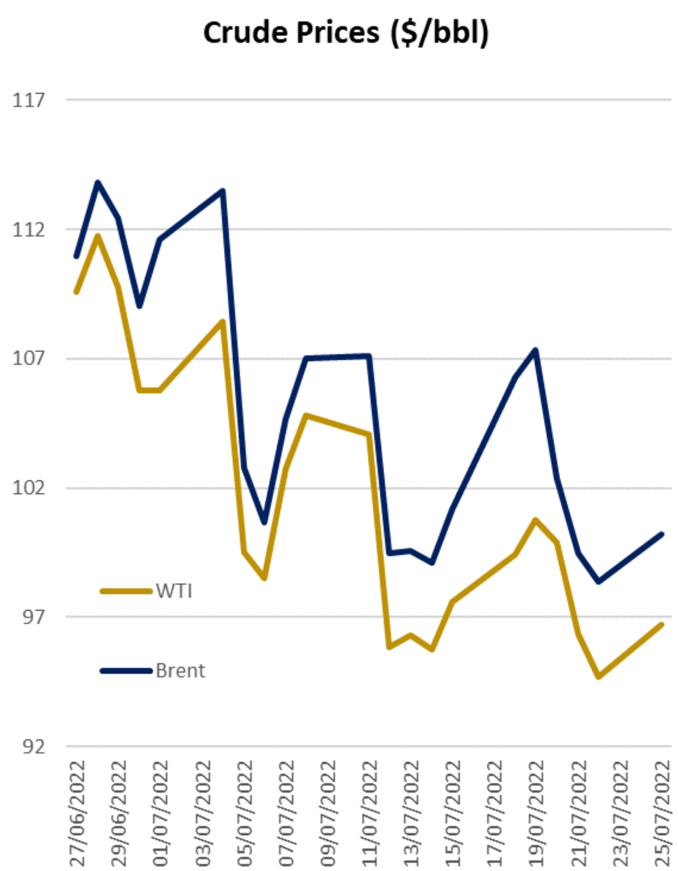
Prices movement	18-Jul	25-Jul	Changes %	Sentiment	
Brent Crude	106.27	100.19	**-5.72**	**Neutral to bearish**	↘
WTI Crude	99.42	96.70	**-2.74**	**Neutral to bearish**	↘
VLSFO (Singapore)	885.16	758.01	**-14.36**	**Neutral to bearish**	↘

Crude Oil Market :

Market continues choppy move downwards

Both WTI and Brent continued their general trend downwards since the end of last month, with choppy trading as global geo-political events continued to cause uncertainty. These different political events are coupled with questions about the future demand for oil as countries look to divest away from oil to help reduce carbon emissions or deal with the current high costs of energy products.

BlackRock's geopolitical risk indicator has charted an increase in risk over the past month. It has not been near recent highs after the start of the Ukraine-Russia conflict, but it is still at levels not seen since late 2020 at the U.S. Presidential election.



A seemingly brighter note was struck earlier last week with the signing of the agreement to allow grains to be exported via the Black Sea. Ukraine and Russia signed mirroring agreements in a deal facilitated by Türkiye to allow the seaborne transportation of goods, ending with the conflict's beginning.

Saudi Arabia plans to increase its oil exports by reducing its reliance on oil for domestic consumption. It is estimated that some 1 million barrels per day (bpd) could be released by Saudi Arabia, increasing its reliance on renewable and natural gas supplies by 2030. This fits into the country's plan for net-zero emissions by 2060, aiming to have 50% of its electric production from renewable energy and a similar amount from natural gas.

As reported in the last oil and products weekly analysis report, the top OPEC producer has announced that it has no plans for any increased capacity beyond the 13 million bpd it has pledged to reach by 2027.

Source: FIS, FT, OilPrice.com, BlackRock

Crude Oil Market (cont)

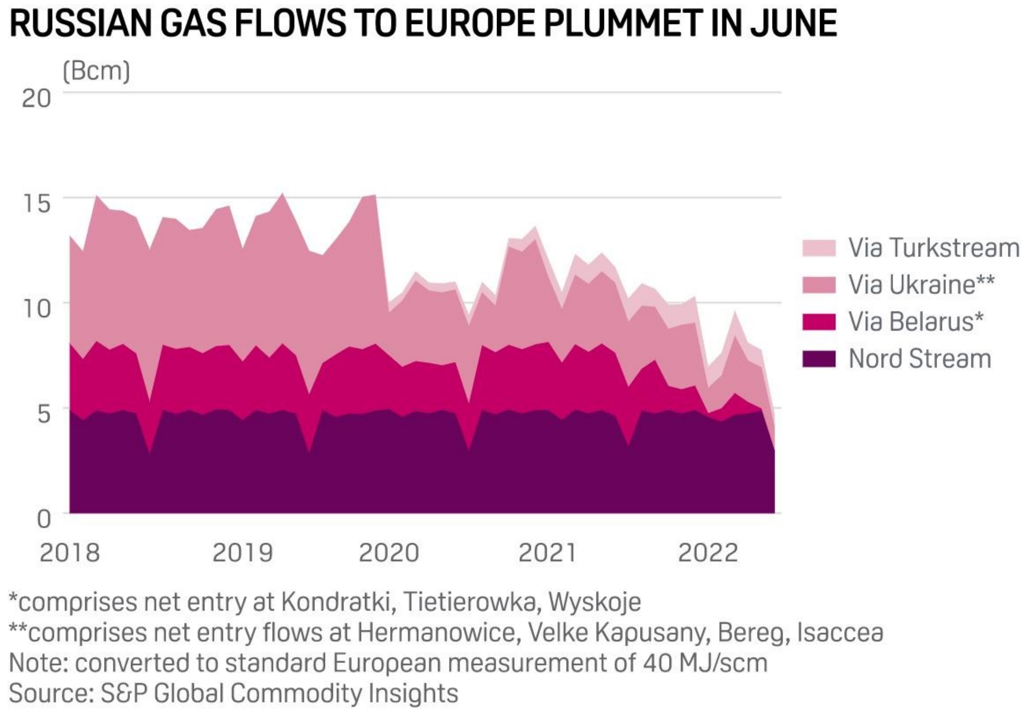
The MI6 Chief threw cold water on the prospect of a successful renegotiation of the Iranian Nuclear Deal last week. Despite renewed efforts by U.S. President Biden and European allies to try to get a deal, the British spy chief was doubtful that the Iranian Supreme Leader wanted to agree on a deal. The current situation and sanctions have kept millions of oil barrels off oil markets. With the current high energy prices, there has been a greater impetus to get a deal agreed by Western governments grappling with the increased cost of living. An agreement that limits the nuclear capabilities of Iran while also allowing millions of barrels of oil production onto markets to cool energy prices is pretty attractive to those governments.

Winter of discontent for Europe?

Later this week, Russia will cut throughput via the gas pipeline Nord Stream 1 to just 20% of its capacity. This has caused alarm bells to ring across the continent, especially in Germany, as governments scramble to limit the impact on fragile post-covid economies. A Reuters poll of economists predicts that German economic growth will only be 0.1%, far below pre-pandemic levels, with the potential for a greater contraction if there are further gas restrictions. Russia has blamed gas turbine manufacturer Siemens Energy for the disruption and further reduction in supply for maintenance on the pipeline. However, many suspect the reduction in supply is more about retaliatory action for Western sanctions on Russia for their military action in Ukraine.

European gas storage levels are only at around 70% capacity, with estimates that the continent needs to reach 95% levels to weather the winter period that could coincide with a total cut-off of Russian gas supplies. The EU has pushed forward a plan to cut gas consumption by 15% in member states, but this has seen pushback from several states as they weigh the economic impact of such a plan vs political unity in the face of such action by Russia. The ability of Europe to source gas from alternative sources was diminished by supply logistics and lack of the necessary infrastructure; there is an impeding crisis on the horizon.

Chart Source: S&P Global Platts



Warning signs are flashing red for Europe as it struggles to keep political unity in the face of growing concerns for energy supplies as Russia slowly turns the screw on gas supplies via Nord Stream 1

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

Bunker Market :

The bunker prices in the East of Suez moved in mixed directions in the first few days before experiencing a dip late last week. Bunker demand in Singapore was robust last week. Sources said that demand for prompt VLSFO had increased, resulting in high price premiums for prompt delivery dates. Amid the tight VLSFO supply in Singapore, demand for HSFO and LSMGO stems rose. This resulted in stretching lead times for those grades. Singapore VLSFO physical price has dipped w-o-w by 15%. It moved from $1035/mt on Monday 18th at 5 pm UTC to $877/mt Monday 25th at 5 pm. At the same time, its HSFO product was reduced by 0.35%, from $487/t to 485/mt.

Fujairah's VLSFO prices fell sharply against other bunker hubs and are now more competitive against Singapore and Zhoushan. Offers were seen at around $900/mt, contributing to Fujairah's benchmark pulling down. It started the week at around $1,025 on Monday 18th July at 7 am UTC and dipped to $905 on Monday 25th at 5 pm UTC. A reduction of more than 11%. Fujairah's VLSFO price swung from near parity against Singapore last week to a $16/mt discount before returning to a slight premium after the weekend. Its VLSFO price flipped from a $40/mt premium over Zhoushan on Thursday 21st July to a discount of $6/mt on Friday 22nd. A series of VLSFO stems were fixed throughout last week in Zhoushan. This could be due to the Chinese bunker hub pricing its VLSFO competitively to other hubs.

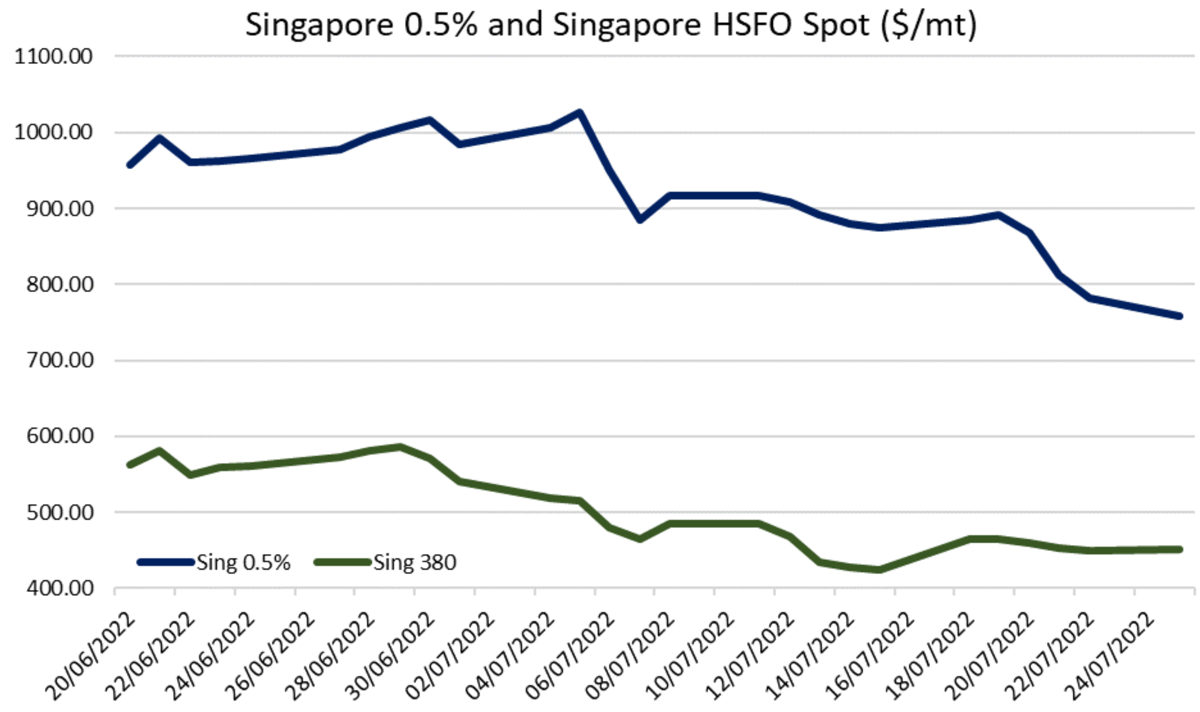
In the European and African markets, independently held fuel oil stocks in ARA ports grew and pushed off the previous week's six-week lows. Sources say the region's prompt supply of HSFO and VLSFO is tight.

Fuel oil stocks in the region increased by 310,000 bbls to 7.29 million bbls in the week to 21 July, Insights Global data show. According to cargo tracker Vortexa, Algeciras and Gibraltar's HSFO imports have decreased from 17,000-21,000 b/d in May-June to barely 4,000 b/d in July.

In the Americas market, Bunker demand has been tepid this week in the Americas, a source says.

Buyers have been looking to start the bunker procurement process earlier than usual in recent weeks. They were keen to fix stems after the market trended down and to ensure fuel availability for their targeted dates. But availability has not been tight to the extremes of late, except for in a couple of locations such as Panama and Trinidad.

Bunker prices in East of Suez had the most significant fall with a narrower premium over the European, African, and American ones, with Rotterdam VLSFO still amongst the lowest of the significant bunkers at $770/of Monday 18th at 5 pm UTC.



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

Bunker Market (cont)

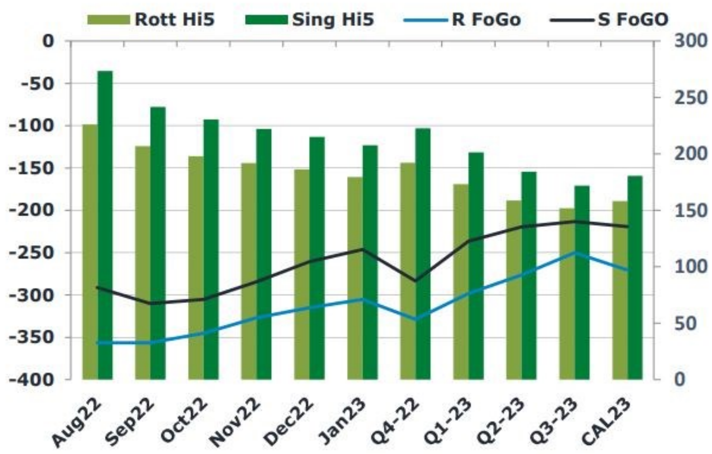
Hi5 and EW Spreads

This week in the fuel market has certainly not been for the faint-hearted, with the volatility of all the different components proving challenging to keep track of. We have seen the front Sing 0.5% cracks trading over $4 lower from the middle of last week - with, at times, a $6 swing in a matter of hours from $18.50 to $12.50 at the end of last week.

The 0.5% EW as a result also came off quite significantly over the past week, with current prints at around the $53 level - a remarkable turnaround from the highs we saw in the middle of last week at around $79 at the close of the 19th of July.

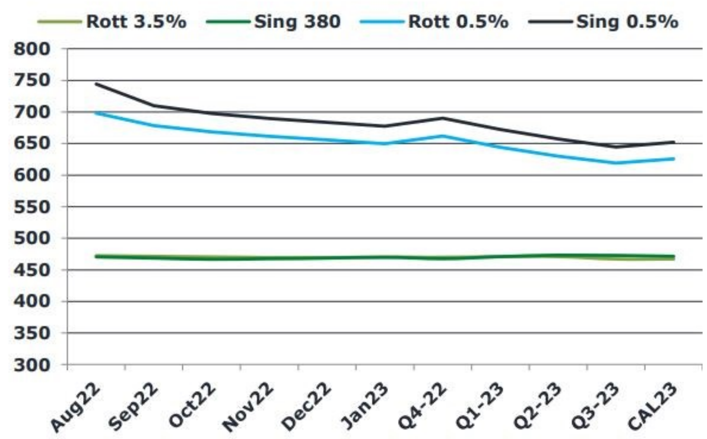
On the subject of EW – the high Sulphur has also been trading violently down to $18 on Monday, with a significant recovery today (Monday 26th July) to +5 at 14.30BST.

Rotterdam and Singapore Hi5 and FOGOs



Source: FIS

Rotterdam and Singapore FO Futures



Source: FIS

Hi5 Forward Curve Values

	Rott Hi5	Sing Hi5
Aug-22	226	274
Sep-22	207	242
Oct-22	198	231
Nov-22	192	222
Dec-22	186	215
Jan23	180	208
Q4-22	192	223
Q1-23	173	201
Q2-23	159	184
Q3-23	152	172
CAL23	158	181

Table Sources: FIS

HSFO and 0.5% East-West Spread

	EW380	EW0.5%
Aug-22	-1.50	46.05
Sep-22	-3.00	31.55
Oct-22	-3.50	29.05
Nov-22	-2.25	27.80
Dec-22	-1.00	27.80
Jan23	-0.25	27.80
Q4-22	-2.25	28.20
Q1-23	0.08	28.13
Q2-23	2.17	27.47
Q3-23	5.67	25.55
CAL23	2.70	26.36

Tanker Market:

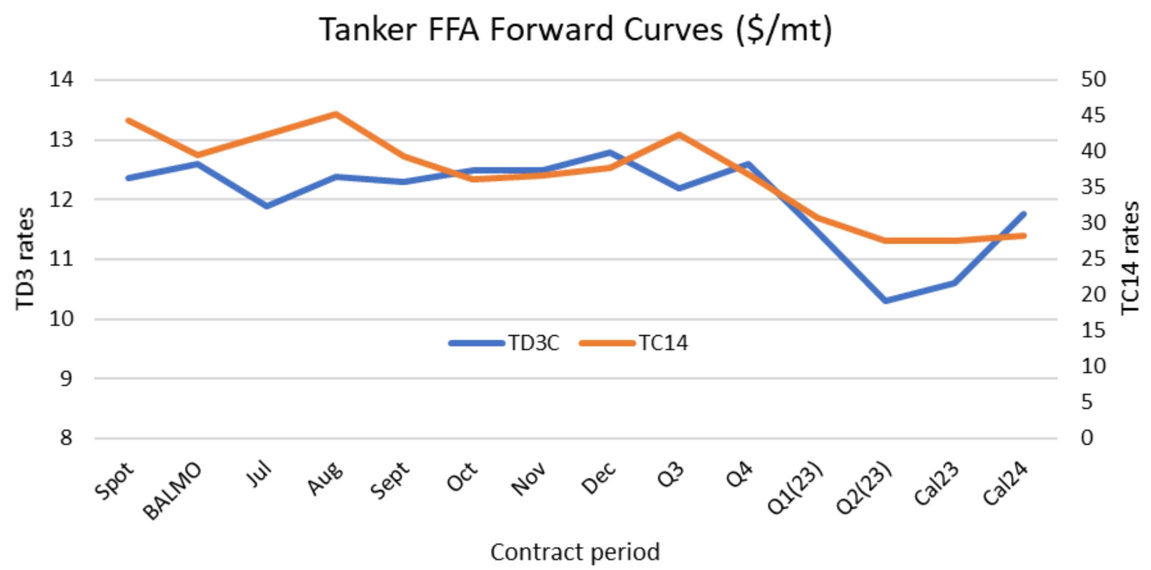
General improvement in tanker routes

Tanker FFA volumes increased on the clean tankers this week (+1774 lots), with DPP FFAs remaining relatively flat (+44 lots).

TC5 was hovering around 285-290ws all week, as TC2 and TC6 saw reductions in the spot market – due to an over-supply of tonnage and a lack of demand. MR owners in the West are now recouping a reported $22,700 per day round trip TCE.

TC14 improved as vessels ballasted to other markets, and delays at the Panama Canal caused a bottleneck of supply on its way back to the mid-200s, currently valued at 225ws.

TD3C continued to improve as the spot market peaked at 61.86ws on 20th July, providing owners with a round-trip TCE of $4,800 per day as per the Baltic.



Oil Tanker Future Rates ($/mt)

	Spot	BALMO	Jul	Aug	Sept	Oct	Nov	Dec	Q3	Q4	Q1(23)	Q2(23)	Cal23	Cal24
TD3C	12.357	12.587	11.882	12.386	12.285	12.486	12.486	12.788	12.184	12.587	11.45	10.3	10.6	11.75
TC14	44.347	39.567	42.3765	45.333	39.42	36.0693	36.7592	37.7447	42.3765	36.8577	30.8	27.55	27.55	28.25

Sources: FIS, Baltic Exchange

Written by **Mopani Mkandawire**, **Sam Twyford**, and **Alex Macarthur**

Edited by **Chris Hudson**, **FIS Communications Director**

News@freightinvestor.com, +44 207 090 1120

Sources: FIS, Baltic Exchange