FIS

Weekly Oil Report

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

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Market Review:

Crude oil market — Short-term **neutral to bullish** around $113-$118/bbl, as OPEC struggle to replace lost supply from Russia.

Bunker market — Short-term **neutral to bullish**, Singapore VLSFO ranging from $1000-$1100/mt, as oil price suffers further concern about supplies.

Prices movement	27-Jun	4-Jul	Changes %	Sentiment	
Brent Crude	110.98	113.50	+2.27	Neutral to bullish	↗
WTI Crude	109.57	108.43	-1.04	Neutral to bullish	↗
VLSFO (Singapore)	976.81	1005.72	+2.96	Neutral to bullish	↗

Crude Oil Market :

Question marks over OPEC capacity worries market

If you look at official capacity figures for several years, Saudi Arabia and UAE have a full capacity of around 12-12.5 and 3 million barrels per day (bpd). Comparing this to the current output of 10.5 and 3.4 million bpd there is, in theory, significant headroom for the two countries to up their production.

However, of late OPEC has been running some 2.6 million bpd below its production target for months, leading to concerns of an increasingly tight supply picture for the oil markets.

OPEC had agreed at their JMMC meeting at the end of last month to increase production by 648,000 bpd, although the current situation of not hitting targets means that many are sceptical that the group will be able to hit this new August target. OPEC's next meeting is on 3rd August to discuss its September output, with observers keen to see what production levels will be reported at that meeting, especially with problems for producers Ecuador and Libya.

Crude Prices ($/bbl)

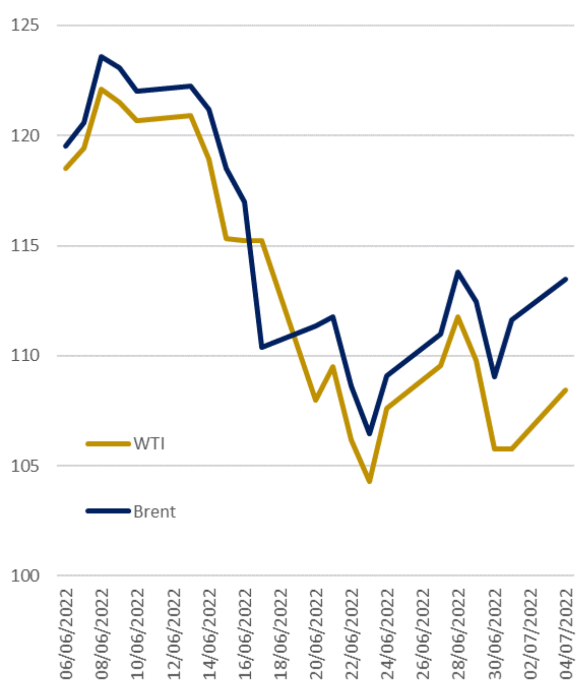
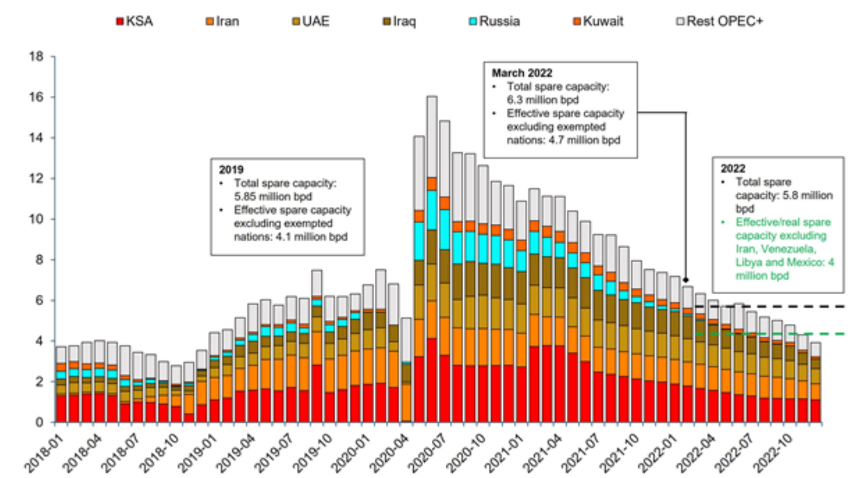


Figure 1: OPEC+ spare crude oil production capacity
Million barrels per day



Note: Exempted nations include spare oil production capacities in Iran, Venezuela, Libya, and Mexico
Source: Rystad Energy OilMarketCube, Rystad Energy research and analysis

Source: FIS, Rystad Energy

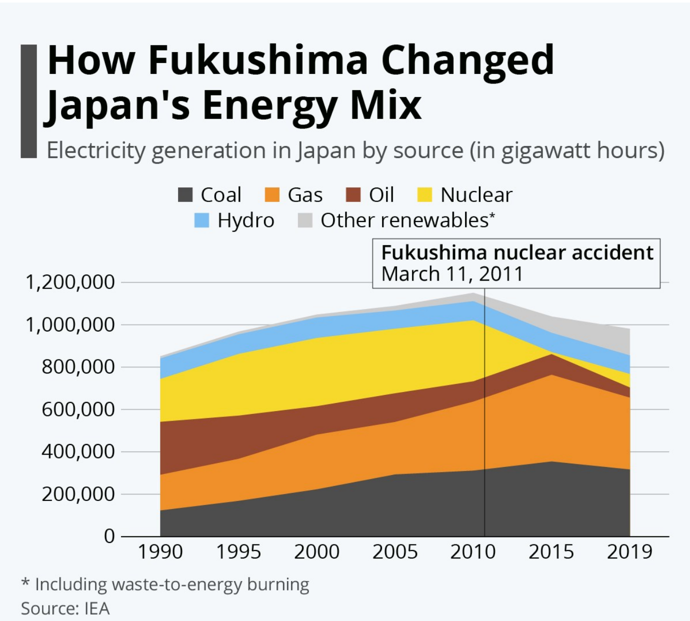
There are question marks over OPEC's ability to further ramp up production above current levels. This comes despite pledges of increases in production to bring levels back to pre-pandemic volumes.

Crude Oil Market (cont)

Despite the green election pledges of U.S. President Joe Biden, it now looks likely that he will sanction new offshore oil licenses in the Gulf of Mexico and Alaska to deal with high oil and petrol prices.

The president had pledged to end all oil drilling on federal land, but the political realities of inflation causing hardship for many Americans and causing a drop in poll ratings have pushed the U.S. Government to weaken this policy. This comes just days after the U.S. Supreme Court struck down the Federal Government's power to regulate coal-fired power stations in a blow to America's transition to a low-carbon energy market.

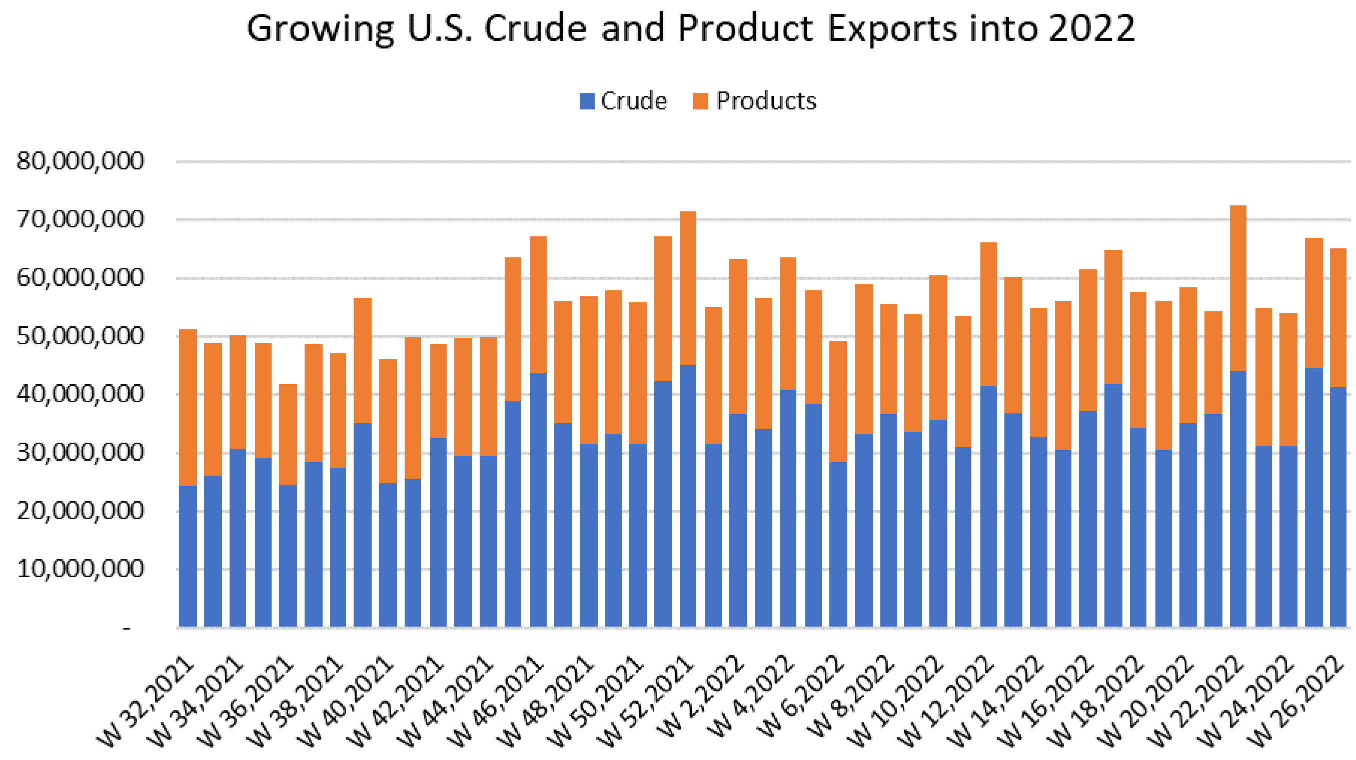
In another move driven by domestic problems of oil supplies, India has imposed special taxes on petrol and diesel exports to prevent low domestic supplies. India is like many other countries, contending with high inflation, with these new tax measures being one of the ways it hopes to prevent further price rises. Exports taxes are now Rs6 per litre of petrol, Rs13 for diesel and Rs6 for aviation fuel.



The new measures stipulate that companies must be making provisions for the supply of products to the domestic market, with them being required to keep half the quantity of petrol being exported and 30% of diesel export volumes. The Government also hit oil companies with a windfall tax on crude producers of Rs23,250 per tonne.

Breaking the supposed resolve of Western nations against Russia, Japanese shipper Mitsui says that it will have to keep imported Russian LNG to meet the needs of the country's power demand. With public opinion staunchly against a restarting of more nuclear power plants, the Japanese power network is heavily reliant on imported fossil fuels for its energy production.

Chart Source: Statista



U.S. exports of crude and products have risen since late 2021 into 2022, with combined volumes of seaborne loadings of crude and refined products regularly breaching the 60mil barrels per week threshold.

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

Technical view of the Crude Oil Market:

September Futures – The roll into August has resulted in price gapping lower. However, price remains within the last dominant wave is between the 19/05 and 31/05 (USD 15.70 – USD 125.28). The technical is bullish but with a neutral bias due to the depth of the pullback. Upside moves that fail at or below USD 116.20 will leave the daily technical vulnerable to further tests to the downside, above this level we target the USD 120.41 fractal resistance. Likewise, a close above USD 114.35 will warn that the USD 116.20 resistance could be tested. Downside moves below USD 107.03 will target the USD 105.70 fractal support, this is a key level, if broken the daily technical is bearish.

FIS senior analyst, Edward Hutton

Chart source: Bloomberg

Bunker Market :

Bunker prices continue to have a mixed week with crude

To the east of Suez, bunker demand in Singapore was normal last week. Prompt VLSFO deliveries remained in tight availability and were typically priced $30-50/mt higher than for dates further out, sources said.

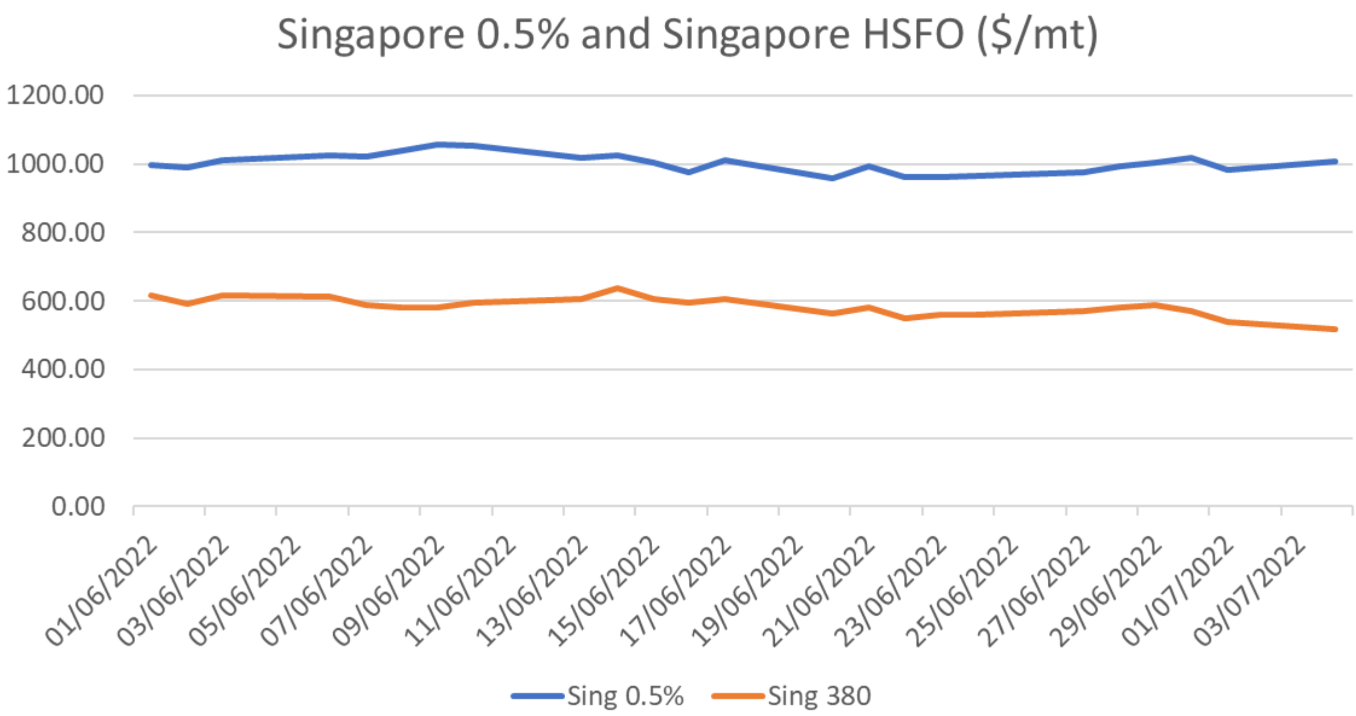
The grade has also been in tight supply in Fujairah after a period of capped production at one of the main refineries near the port. Sources expect supply to remain tight throughout July. This has tightened VLSFO availability as the refinery is a key source for the domestic bunker market and exports, sources said. VSLFO Fujairah has therefore been priced higher than in Singapore and Zhoushan.

In the European and the African market, VLSFO and HSFO supply have been tight in the ARA ports. LSMGO is more readily available for prompt dates, sources said. Supply dates for HSFO remain subject to enquiry in the ARA hub as suppliers struggle to cater to both prompt deliveries and delivery dates further out. Independently held fuel oil stocks in the ARA dropped marginally by 70,000 bbls to 7.86 million bbls for the week ending 30 June, according to the latest data from Insights Global.

In the meantime, prompt HSFO remained difficult to find in Gibraltar, while some suppliers were offering LSMGO for prompt dates, sources said.

To the west in the Americas market, Balboa's LSMGO and VLSFO grades were still priced higher than in Houston as Houston's LSMGO price took bigger falls compared to Balboa's to widen its discount. VLSFO and LSMGO availability in Balboa for prompt dates were tight. A supplier only offered VLSFO for 5 July deliveries at the time, while LSMGO was out of stock, sources said.

Houston's VLSFO price gain outpaced its HSFO to widen the Hi5 spread. Its LSMGO price dropped on a lower-priced stem to widen its discount over Los Angeles. LSMGO and VLSFO availability did improve in Houston and securing bunkers for prompt dates became easier according to sources.



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

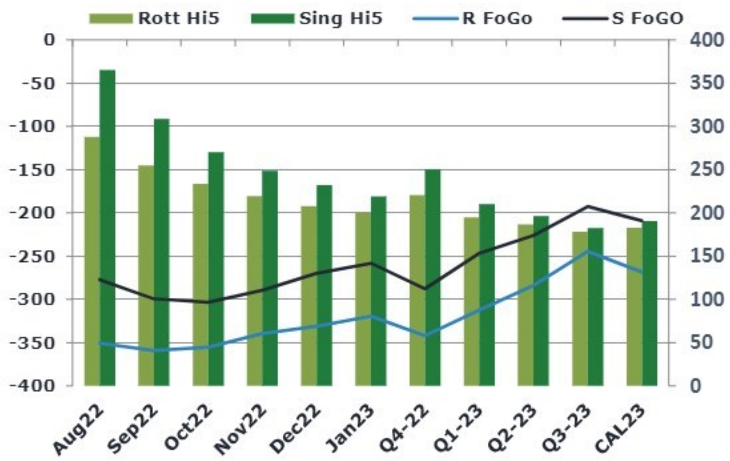
Bunker Market (cont)

Hi5 and EW Spreads

The front-month Sing 0.5% spread was the hot topic of last week as we ended the 2nd half of the year, printing at highs around the mid-80 levels for the July / Aug spread. The Euro did also push, albeit not to the dizzy heights of Singapore, to around the mid-40 levels towards the end of June.

The EW 0.5% also pushed higher to $100+ levels in the closing period of June after a gradual incline through the month. The high sulphur equivalent remained stable at 14 levels through June as the HSFO Crack continues to slide dragging down the value of the HSFO Complexes as Russian oil still supports the market.

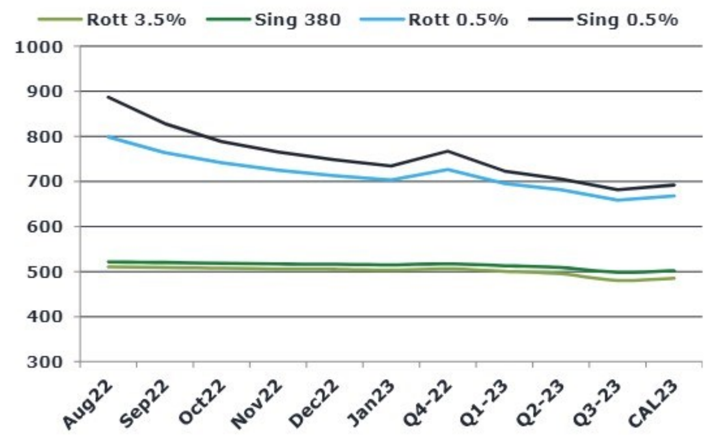
Rotterdam and Singapore Hi5 and FOGOs



Source: FIS

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

Rotterdam and Singapore FO Futures



Source: FIS

Hi5 Forward Curve Values

	Rott Hi5	Sing Hi5
Aug-22	288	365
Sep-22	255	309
Oct-22	234	270
Nov-22	219	249
Dec-22	208	232
Jan23	200	219
Q4-22	220	250
Q1-23	195	210
Q2-23	187	196
Q3-23	178	183
CAL23	183	191

Table Sources: FIS

HSFO and 0.5% East-West Spread

	EW380	EW0.5%
Aug-22	11.00	88.25
Sep-22	11.00	64.75
Oct-22	10.75	47.25
Nov-22	11.00	40.25
Dec-22	11.00	35.50
Jan23	11.75	30.75
Q4-22	10.95	41.00
Q1-23	12.50	28.00
Q2-23	14.25	23.92
Q3-23	18.33	22.67
CAL23	8.00	24.52

EW values have eased after making considerable moves after touching negative levels several weeks ago.

Tanker Market:

Tanker market still buoyant

Although it has been choppy across the board, earnings are positive for CPP tankers and positivity for DPP owners remains as there appears to be a light at the end of the tunnel.

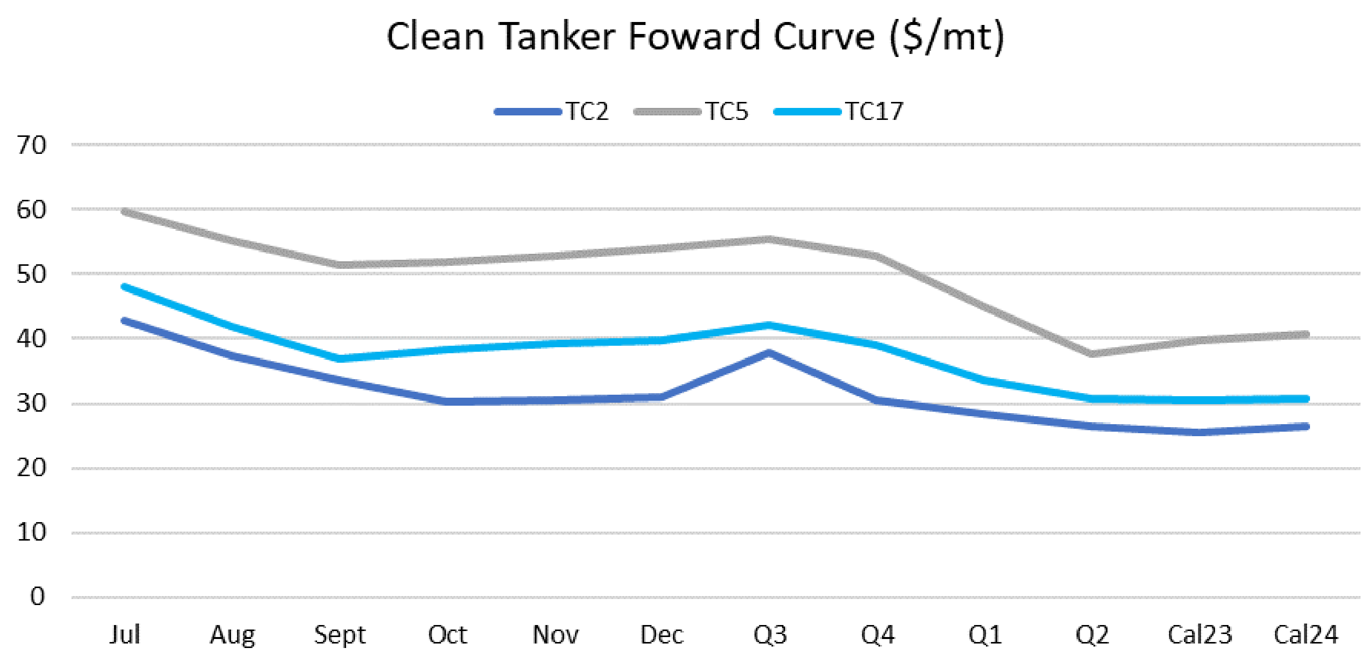
MRs in the East appear to be holding levels, with the spot market falling to ws470 before recovering in excess of ws500 again.

TC2 has seen freight recorrect slightly, albeit to ws330 which still equates to $28.5/per day TCE for owners on a round trip.

TC14 continues to remain a positive route for owners as the spot market recovered from lows of ws170 on 13/06, now being assessed at ws270 and continuing to rise on the back of a short week there with 4th July celebrations on Monday.

Long Range (LRs) tonnage in the East has seen a reduction in rates of 90ws pts off in less than 3 weeks. TC5 @ ws379 on 17/06 now assessed at ws289.

VLCC owners continue to enjoy a more positive market. With TD3C up 5+ points in the spot market equating to an increase of 10% in value – however, still assessed to be making a negative return on a round trip for owners without Eco ships or scrubbers fitted.



Product Tanker Future Rates ($/mt) Sources: FIS, Baltic Exchange

	Jul	Aug	Sept	Oct	Nov	Dec	Q3	Q4	Q1	Q2	Cal23	Cal24
TC2	42.9128	37.2771	33.4747	30.2495	30.3853	30.9964	37.8882	30.555	28.4	26.35	25.45	26.35
TC5	59.678	55.174	51.3456	51.9086	52.8094	54.048	55.3992	52.922	45	37.6	39.8	40.7
TC17	48.1241	41.7757	36.7992	38.3863	39.274	39.7582	42.233	39.1395	33.55	30.8	30.4	30.8

Sources: FIS, Baltic Exchange

Technical view of the Tanker Market:

TD3C:

August Futures – Technically bullish on the July contract last week but in divergence with the RSI which needed to be monitored, the futures traded to new highs. The August contract is above all key moving averages supported by the RSI above 50, momentum indicators are making new highs with price, suggesting downside moves should be considered as countertrend. Corrective moves lower that hold at or above USD 9.9834 will support a bull argument, below this level the technical will have a neutral bias. Only below USD 9.4550 is the technical bearish. Price is now approaching the USD 11.1060 resistance; upside moves above this level will target the USD 11.4050 and USD 11.5584 levels. Technically bullish, downside moves should be considered as countertrend at this point.

FIS Senior Analyst, Edward Hutton

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

Edited by **Chris Hudson**,

FIS Communications Director

News@freightinvestor.com, +44 207 090 1120