FIS

Weekly Oil Report

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Market Review:

Crude oil market — Short-term **neutral to bearish** with Brent ranging from $96-$100/bbl, as conflicting data released from the International Energy Agency (IEA) and the Organization of the Petroleum Exporting Countries (OPEC) paint a similar picture.

Bunker market — Short-term **neutral to bearish**, Singapore VLSFO ranges from $738-$787/mt.

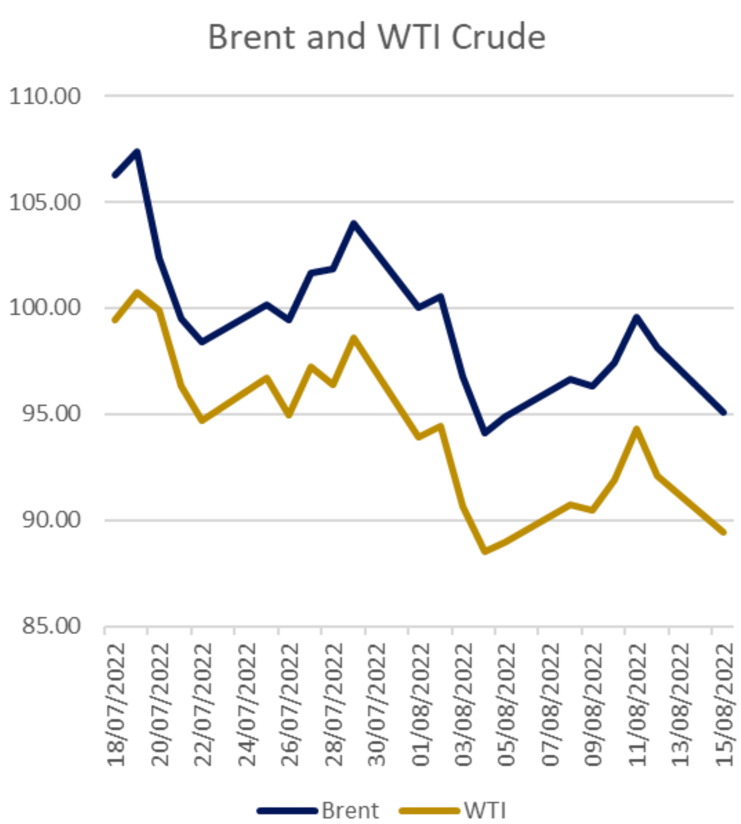
Prices movement	8-Aug	15-Aug	Changes %	Sentiment	
Brent Crude	96.65	95.10	**-1.60**	**Neutral to bearish**	↘
WTI Crude	90.76	89.41	**-1.49**	**Neutral to bearish**	↘
VLSFO (Singapore)	743.68	755.84	1.64	**Neutral to bearish**	↘

Crude Oil Market :

Mixed month for both Brent and WTI

Brent Crude fell by $1.55, or 1.67%, to $95.10 week-on-week on Monday 15th August, Oil Price reported. U.S. West Texas Intermediate crude was down $1.35 or 1.49%, to $89.41 week-on-week on Monday, 15th August.

The dip in oil prices has come after data was released from the International Energy Agency (IEA) and the Organization of the Petroleum Exporting Countries (OPEC), showing different views yet painting the same picture. IEA raised its forecast for global demand growth, increasing its 2022 consumption estimate by 2.1 million barrels per day (bpd) this year. This is a 380,000 per day increase from its previous forecast. In contrast, OPEC reduced its output forecasts by saying that consumption will rise by 3.1 million barrels per day, a reduction of 260,000 bpd from the previous estimates. Even though their estimates are heading in different directions, the overall 2022 global oil demand is much closer. OPEC expect 100.03 million bpd, and IEA forecast 99.7 million bpd. This leaves an insignificant difference of 330,000 bpd. IEA said, “Soaring oil use for power generation and gas-to-oil switching are boosting demand”. OPEC reported that “still healthy growth includes the recently observed trend of burning more crude in power generation”. Even though this may be the case, whether this is sustainable applies. It will require thermal coal prices to either continue to rise or maintain. It also depends on how Europe can find alternatives to Russian gas before winter.



Source: FIS, FT, OilPrice.com, IEA, Reuters

Crude Oil Market (cont)

As forecasts of oil demand from different sources contradict each other, data from China reported that oil demand fell as refinery output tumbled to 12.53 million bpd, the lowest since March 2020, Reuters reported. It is worth noting that this could be a short-term impact. China had outages at their large refineries. This included Sinopec Shanghai Petrochemical Corp's 320,000-bpd crude facility and PetroChina's 200,000-bpd plant. China may also still be recovering from the effects of its COVID-19 lockdowns. With demand on the decline and a deepening downturn in the housing market, the People's Bank of China reacted by reducing key rates. "In our view, China's growth in H2 will be significantly hindered by its zero-COVID strategy, the deteriorating property sector, and a likely slowdown of export growth," Nomura and Reuters reported.

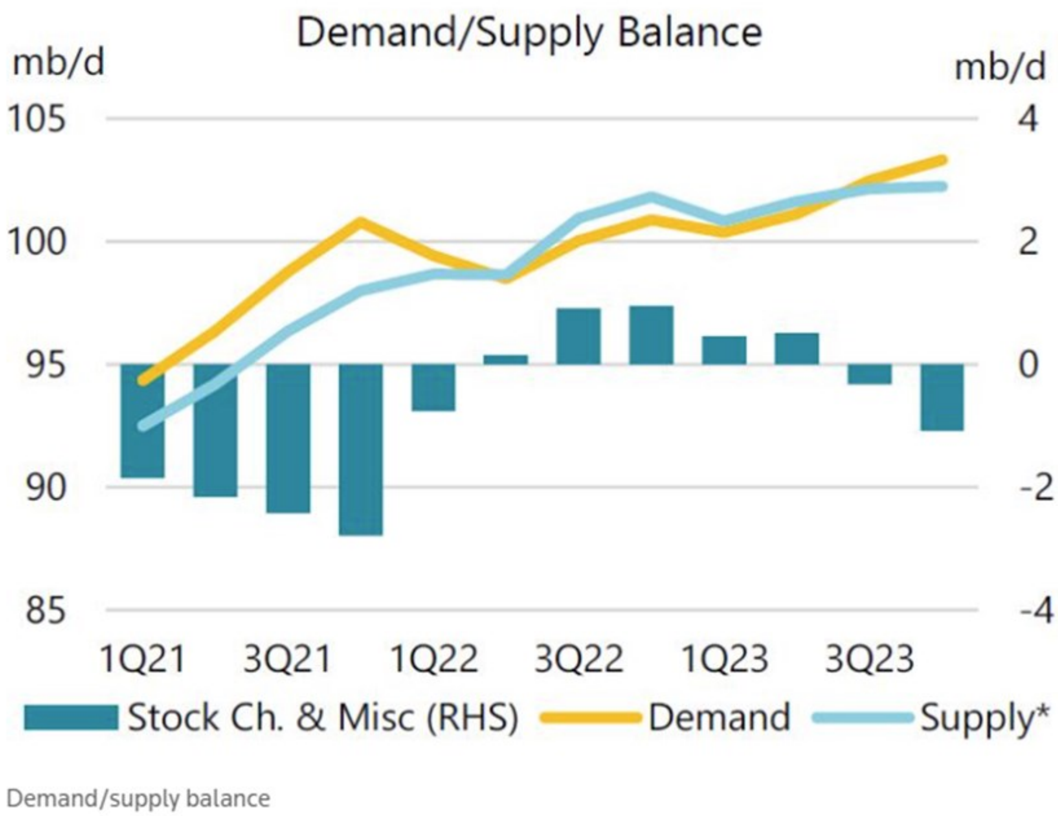


Chart Source: *Reuters*

OPEC forecast the world will need 30.1 million bpd in 2023 from its members to balance the market, up 900,000 bpd from 2022 according to Reuters

Sources: ENGINE Online, IHS Markit Commodities at Sea Service, Reuters, FIS, EIA, Insight Global

Technical view of the Crude Oil Market:

October futures – The 5-waves lower on the last report suggested we were on an extended wave 3, meaning upside moves should be considered countertrend. We highlighted USD 111.60 as crucial resistance, as the technical would have a neutral bias above this level. In contrast, failure to trade above this level would leave the futures vulnerable to further tests to the downside. The futures traded to a high of USD 110.67 before trading to a low of USD 92,78. Our initial downside target of USD 86.37 was based on the USD 105.34 high (see report 18/07). However, this has been revised higher to USD 91.65 based on the deeper pullback. Lower timeframe wave analysis (starting from 29/07) has now produced a 5-wave to the downisde, suggesting we have potentially seen phase completion. There is still the possibility that this wave 5 could extend, with upside moves that fail at or below USD 104.59, leaving the futures vulnerable to further tests to the downside. However, based on the wave analysis in front of us, it would suggest that the futures are no longer considered a technical sell at this point, with resistance levels now looking vulnerable (USD 99.61, USD 101.72, and USD 104.59).

FIS senior analyst, Edward Hutton

Brent Rolling front month (Daily)

Chart Source: Bloomberg

Bunker Market:

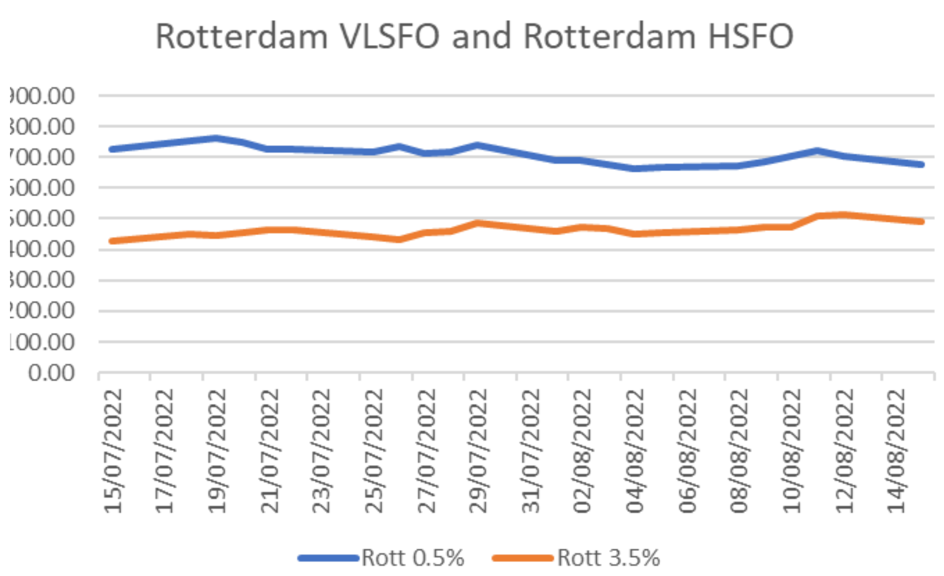
Bunker prices rise as Crude falls

Singapore's VSLFO front-month future advanced by $13.75 or 2.06% to $680/mt week-on-week on Monday 15th August, reported in the FIS Live app. Rotterdam's VSLFO front-month future advanced by $2.75 or 0.43% to $643.5/mt week-on-week August 15th. The front-month futures are slightly lower than Singapore and Rotterdam spot prices, ranging between $60-$80. There is a gentle backwardation on the futures curve for VSLFO futures. At the same time, HSFO futures present a flat forward curve. There is no clear direction in the futures movement, with multiple headlines contradicting each other and influencing mixed movements for fuel oil pricing.

Physical VSLFO bunker prices have been bearish in major ports and have come down with Crude over the last few weeks. The last two weeks have presented smaller week-on-week changes. There is no clear suggestion of whether we could see prices fall. ENGINE ONLINE reported that Singapore's residual fuel oil inventories fell last week and has been 12% lower this month than in July. In contrast, it was also reported that ARA's independently held fuel oil stocks increased, hitting their highest level in six weeks, also written by ENGINE ONLINE and shown by Insights Global data. The contrast in activities for whether fuel oil stocks are increased or decreased supports the headlines in the different regions. Russian oil and gas supply has been reduced in Europe and continues to rise in Asia.

While Shipowners and Charterers continue to weigh up the cost implications of using HSFO or VLSFO their ships, it was reported that the International Maritime Organization will introduce a carbon intensity indicator that rates vessels on their carbon emissions. This will influence shipowners to run their vessels on LNG. The question is, what sort of prices will this bring? The current more carbon efficient Singapore LSMGO was a significant $1006.54/mt on Monday 15th August. Demand remains much lower than the discounted VSLFO and HSFO. With shift of the Russian oil supply into Asia forcing other consumers to look for alternatives, we will start seeing more innovative solutions. For example, the Netherlands issued its first license to supply hydrogen as a bunker fuel. The use of hydrogen is still in its infancy. There are, therefore still technological and political hurdles to face before it is a viable commercial alternative.

Text pricing data: *FIS and ENGINE Online,* ***Chart data:*** *FIS*



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

Bunker Market (cont)

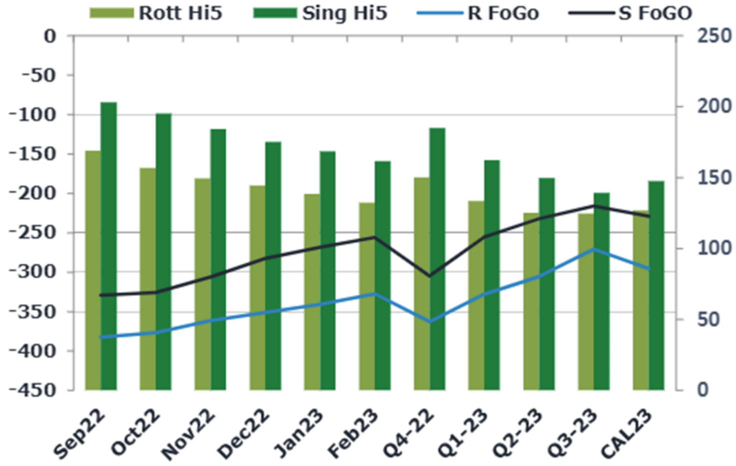
Hi5 and EW Spreads

The fuel markets seemed to have lost momentum over the week gone by, after hitting the dizzy highs of $100 on Brent early last week to a few consecutive days of losses on the European benchmark. The Asian low sulphur fuel oil market structure was expected to weaken Aug. 15, weighed down by worries over increasing supplies amid higher Western arbitrage shipments into the region. European fuel oil markets remained stable on the day Aug. 15, as traders remained cautious on the back of EU sanctions against HSFO.

The Hi5 differentials over the past week have narrowed with the Singapore hitting $236.62 last week, closing yesterday on the FIS COB at $203.41 - with a similar story on the Rotterdam getting up to $229.50 whilst closing at $184 on Monday.

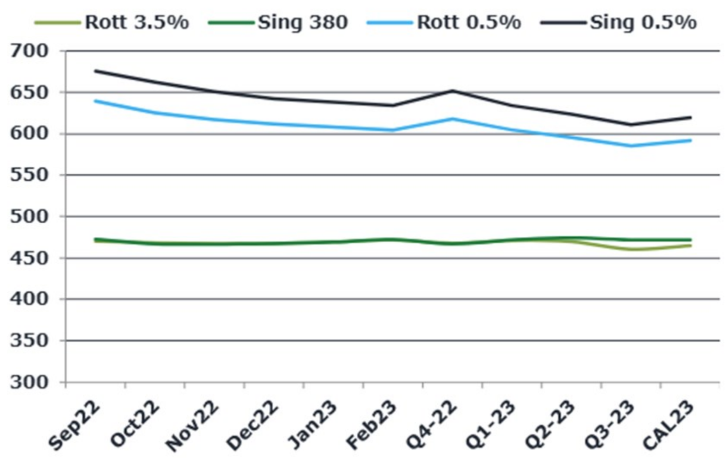
In terms on time spreads, the whole VLSFO curve for Rot and Sing has flattened through August, with the softening of the front spreads, having seen $18 print on the Singapore Sept/Oct front month spread towards the end of last week with that same spread at around $12.25 at the end of the Singapore window on Tuesday. The same Rotterdam spread was printing at around $17.50 towards the end of last week, with that same marker at $13 on Tuesday morning – notably stronger than Singapore.

Rotterdam and Singapore Hi5 and FOGOs



Source: FIS

Rotterdam and Singapore FO Futures



Source: FIS

Hi5 Forward Curve Values

	Rott Hi5	Sing Hi5
Sep-22	169	203
Oct-22	157	195
Nov-22	149	184
Dec-22	144	175
Jan-23	139	169
Feb-23	132	162
Q4-22	150	185
Q1-23	133	162
Q2-23	125	150
Q3-23	125	139
CAL23	127	147

Table Sources: FIS

HSFO and 0.5% East-West Spread

	EW380	EW0.5%
Sep-22	2.25	36.20
Oct-22	-1.25	36.95
Nov-22	-1.00	33.70
Dec-22	-0.25	30.45
Jan-23	0.00	29.95
Feb-23	0.50	29.70
Q4-22	-0.85	33.70
Q1-23	0.67	29.62
Q2-23	4.33	28.70
Q3-23	11.33	25.95
CAL23	4.40	27.41

Tanker Market:

The USG MR market took a big hit this week, with the spot market falling to ws175 from highs of almost ws370 on 4th August. As a result, we have seen a reduction through the curve with a lot of selling, causing the front months to come off, and earnings for owners have almost halved.

In turn, TC2 has seen an accumulation of tonnage and the spot market has continued to slide - rates falling from ws362 on 8th Aug to being assessed at ws307.5 yesterday.

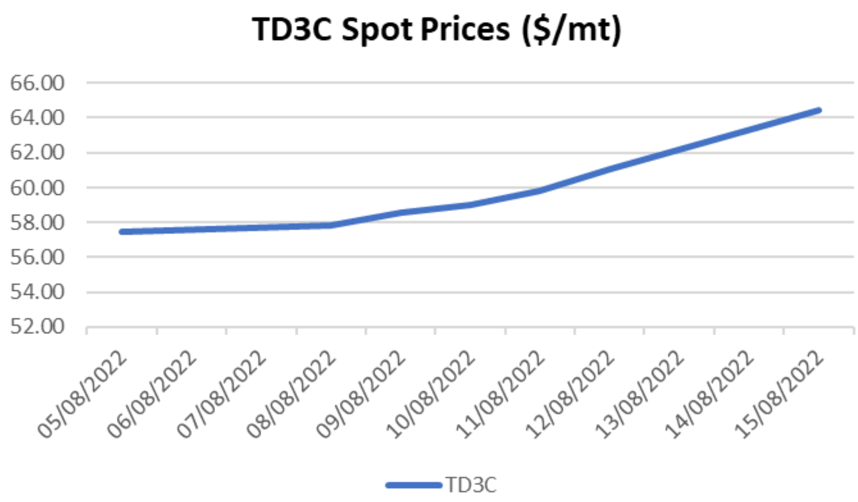
It has been an uneventful week in the East, with TC5 staying in the mid-ws260s, TC12 staying with the ws250-300 range and TC17 relatively flat before a ws35 point increase yesterday back to ws328.

Clean volumes in the FFAs were reduced by 500 lots this week.

All eyes are on TD3C in the DPP market at the moment, with spot improving from ws57.45 on 5th August to being assessed at ws64.45 (setting new year highs), an improvement of 7pts – a vast improvement that hasn't been seen in the VLCC market for some time. In combination with cheaper bunker fuels, owners' earnings are now very much in the positive and provide some long-awaited positivity for VL owners.

Huge improvements along the curve were seen on Monday 15th with over 1500 lots of TD3C trading – with volumes week on week improving by 830 lots.

Oil Tanker Spot Prices ($/mt)



	05/08	08/08	09/08	10/08	11/08	12/08	15/08
TD3C Spot	57.45	57.82	58.55	59	59.82	61.09	64.45

	Spot	Balmo	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Q4 (22)	Q1 (23)	Q2 (23)	Q3 (23)	Cal (23)	Cal (24)
TD3C	64.45	68.00	63.50	79.00	76.00	76.50	77.00	13.20	76.50	12.95	10.95	10.10	11.45	12.10

Sources: FIS, Baltic Exchange

Technical view of the Tanker Market:

Tankers TD3

September Futures – Last week, we noted that the futures were vulnerable to a test to the upside in both the August and September contracts, with the price looking like it was in a countertrend wave 4. The downside move in the futures held EMA support and is now moving higher; upside moves above USD 13.3120 will target the USD 13.8589 resistance in the near term, with a potential upside target (using William's approach) as high as USD 15.1977. If we trade below USD 11.6920 before trading to a new high, the futures will remain in a complex corrective wave 4, with key support holding at USD 10.7717. Technically bullish with the futures needing to confirm that we are on a bullish Elliott 5th wave. Upside moves that do make a new high will create a negative divergence with the RSI; this will need to be monitored as it warns of the potential for a momentum slowdown.

FIS senior analyst, Edward Hutton

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