FIS Weekly Oil Report

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

23/8/2022

Market Review:

Crude oil market — Short-term **neutral** with Brent ranging from $92-$96/bbl, as the global market waits to see if the Iranian nuclear deal can be agreed.

Bunker market — Short-term **neutral** Singapore VLSFO ranges from $730-$773/mt.

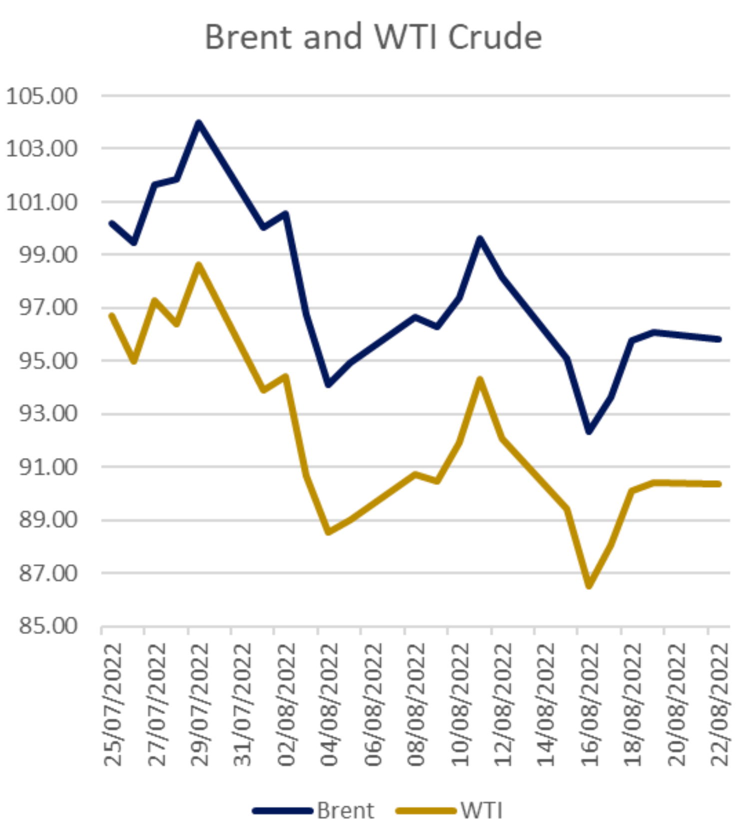
Prices movement	15-Aug	22-Aug	Changes %	Sentiment	
Brent Crude	95.10	95.81	**0.75**	**Neutral**	→
WTI Crude	89.41	90.36	**1.06**	**Neutral**	→
VLSFO (Singapore)	755.84	754.32	**0.20**	**Neutral**	→

Crude Oil Market :

Brent and WTI prices increase

Brent Crude rose by 71 cents, or 0.75%, to $95.81 week-on-week (w-o-w) on Monday 22nd August, Oil Price reported. U.S. West Texas Intermediate crude (WTI) was up 95 cents or 1.06%, to $90.36, Oil Price said.

The markets have experienced mixed directions but mostly remained steady while waiting for Iran's nuclear deal to be revived. Reuters reported that Iran dropped some of its main demands, which could increase the chances of an agreement. Discussions are waiting for a response from the U.S. on the draft agreement. An anonymous official reported by Reuters said, "We think they have finally crossed the Rubicon and moved toward possibly getting back into the deal on terms that President Biden can accept," the official added. "If we are closer today, it's because Iran has moved. They conceded on issues that they have been holding onto from the beginning." Oil supply could increase once an agreement is reached and some sanctions are removed from Iran. This would further ease supply pressure, especially for Europe, with Russia diverting its supply to Asia due to sanctions. There is also an added incentive to get this done as the European ban on Russian seaborne oil is due to take effect on December 5th. Other sources believe Europe may delay the ban if the deal is not agreed upon.



Source: FIS, OilPrice.com, Reuters

Crude Oil Market (cont)

Not everyone is as optimistic about the deal going ahead, as others believe this could be a short-term solution for high-level importers. It would be challenging for anyone to replace Russian supply. Nikkei Asia has reported that Iran could add as much as 900,000 barrels a day within three months of sanctions easing and potentially reach its full capacity of around 3.7 million barrels per day within six months. Even that does not replace over 11.3 million barrels per day of Russian supply. Iran is one of the top countries with large oil reserves. It is tricky to know the exact figure and how that would be used. It is also worth noting that Russia and Iran are on better terms than the West. Iran may not want to ruin this relationship by challenging Russia's interests in the energy market.

One of Russia's most prominent customers whose oil demand will significantly impact Russian supply continues facing its own challenges as the People's Bank of China (PBOC) lowered the five-year loan prime rate (LPR) by 1.5 percentage points, the BBC reported. This makes it its most significant cut on the record. Building projects have been halted as it faces a property crisis. Lockdowns continue to have an after effect on businesses and consumers. China aims to ease the cost of home mortgage repayments and corporate loans. They also expect to miss their annual economic growth target of 5.5%. Even in uncertain times, the data shows China continues to purchase discounted supplies from Russia.

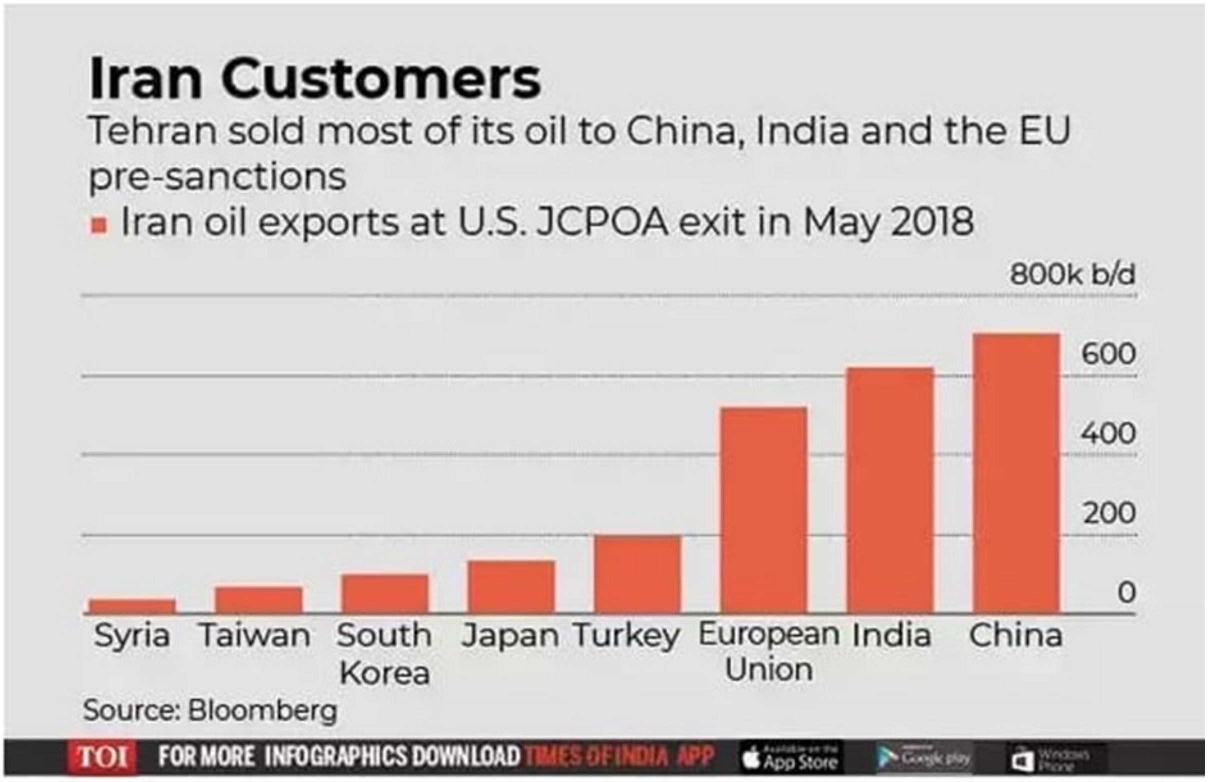


Chart Source: *OilPrice.com*

Nikkei Asia has reported that Iran could add as much as 900,000 barrels a day within three months of sanctions easing and potentially reach its full capacity of around 3.7 million barrels per day within six months.

Sources: ENGINE Online, Reuters, FIS, Nikkei Asia, OilPrice.com

Technical view of the Crude Oil Market:

October Futures – Price traded below the USD 92.38 support last week but failed to test our downside targets, with the futures only achieving a low of USD 91.51. The futures have since increased with price trading between the 8 – 21 period EMA's whilst the RSI remains below 50. The technical remains bearish; however, the upside move above USD 97.77 means we now have a neutral bias; above USD 100.38, the technical becomes bullish. Price remains bearish, but we are seeing a series of divergences on lower timeframe charts warning that the current downside move could be exhausting, suggesting caution on downside moves at this point. If we trade to a new low, it again points to wave extension. However, based on the information, the market is not a technical sell. We acknowledge that any change in the Iranian situation could make this market a fundamental sell.

FIS senior analyst, Edward Hutton

Brent *Oct 22 Morning Technical Comment – 60 Min*

Chart Source: Bloomberg

Bunker Market:

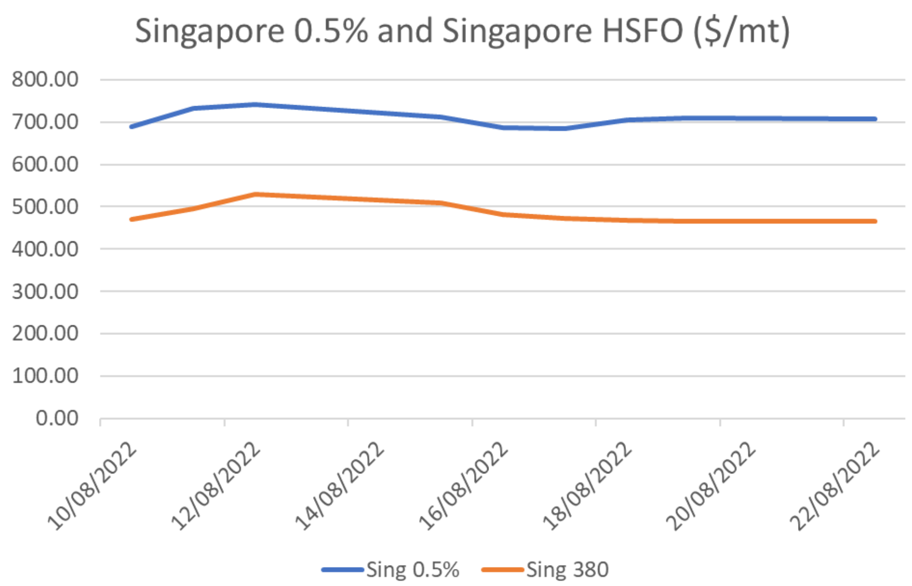
Bunker futures increase with Brent

Singapore's VSLFO front-month future advanced by $19.75 or 2.97% to $683.75/mt week-on-week on Monday 22nd August, reported on the FIS Live app. Rotterdam's VSLFO front-month future increased by $15 or 2.38% to $644.5/mt week-on-week on August 22nd. The front-month futures are lower than Singapore and Rotterdam spot prices by between $65-$71. There is a gentle backwardation on the futures curve for VSLFO futures. HSFO futures continue to present a flat forward curve.

Physical VSLFO bunker prices were a short-term neutral sentiment in major ports (Singapore, Rotterdam, and Houston) last week. The week started with prices dropping Monday morning and Tuesday evening before gradually increasing on Wednesday 17th and Friday 19th morning. Prices were steady through the weekend before beginning Monday 22nd falling again. Overall global VSLFO prices are approaching pre-Ukraine war levels. Despite the markets remaining tight for months, the possibility of inflation leading to a worldwide recession has driven down crude and bunker prices.

Last week we mentioned examples of alternative fuel options for the future. We heard this week of a 'green and digital corridor' for shipping between Singapore and Rotterdam, reported by Ship and Bunker. The Maritime and Port Authority (MPA) of Singapore and the Port of Rotterdam are working together to get sustainable vessels between the two hubs by 2027. An MPA representative told Ship and Bunker, "To this end, MPA and the Port of Rotterdam are exploring a variety of low and zero-carbon fuels, including biofuels, hydrogen and its carriers (ammonia, e-methanol), as aligned with the multi-fuel bunkering transition in shipping".

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



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

Bunker Market (cont)

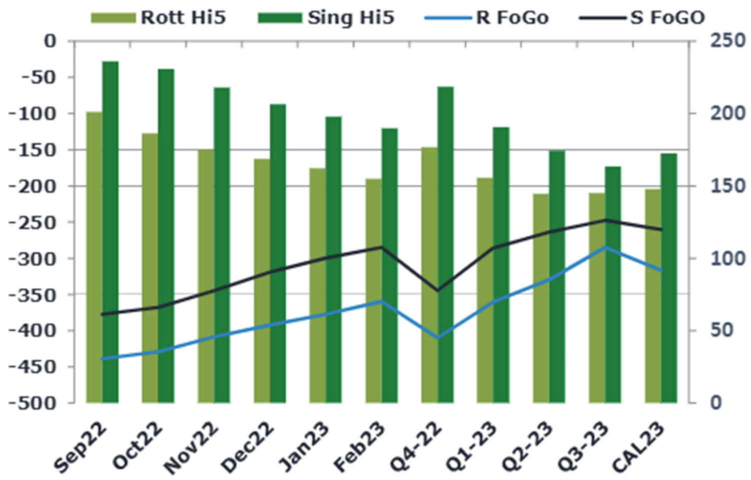
Hi5 and EW Spreads

The Fuel oil markets continue to see volatility in a recent macroeconomic environment that has been less predictable than Manchester United's win over Liverpool last night. Significant price swings in the Brent crude futures have filtered down into the fuel products, with the 3.5% sulphur Rotterdam barges crack coming off around $5.50/bbl on the week, printing -$24.20/bbl today 1140 BST from -$18.75/bbl at UK close last Tuesday (Sep22 contracts).

The 0.5% EW has widened over the week, trading in the front month at around $39.50/mt today, up from $33/mt at close last Tuesday, seeing its widest differential on 18/08/22 last week at $40.30/mt.

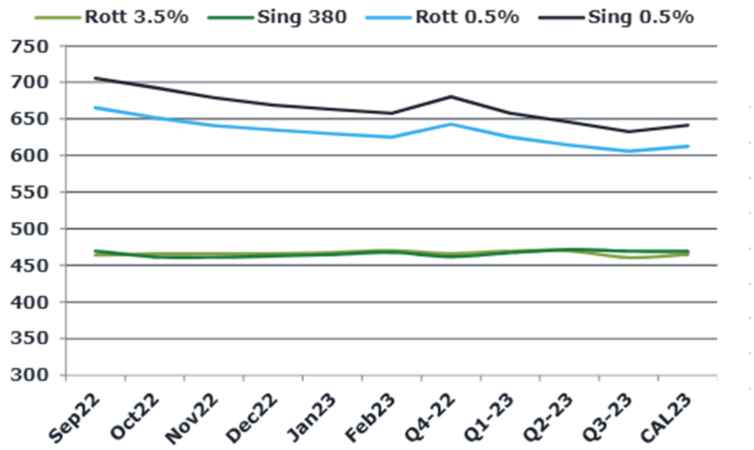
Sing 380cst spreads for the front months have come off heavily from last week's highs of $8/mt on 19/08/22, trading as low as $4/mt today. However, there are minor signs of recovery as the spread is currently printing $5.50/mt 1140 BST.

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	201	236
Oct-22	186	231
Nov-22	175	218
Dec-22	169	207
Jan-23	162	198
Feb-23	155	190
Q4-22	177	219
Q1-23	156	191
Q2-23	145	174
Q3-23	145	163
CAL23	148	172

Table Sources: FIS

HSFO and 0.5% East-West Spread

	EW380	EW0.5%
Sep-22	5.00	40.00
Oct-22	-4.25	40.50
Nov-22	-5.25	37.50
Dec-22	-4.00	33.75
Jan-23	-3.00	32.75
Feb-23	-2.75	32.25
Q4-22	-4.50	37.25
Q1-23	-2.58	32.25
Q2-23	1.42	30.75
Q3-23	8.17	26.25
CAL23	2.25	28.54

Tanker Market:

MRs in the West continue to be very choppy, with rates being very reactive to a slight change in tonnage or demand. TC2 saw spot returning to ws230 (22/08) down from circa ws362 on the 8th of August – a reduction of 120ws points in two weeks. In the USG, TC14 spot was assessed at ws157.5 on 22/08, down from ws370 levels seen on 5th August. As a result, the Baltic MR Basket TCE came off from circa $38k to $25k a day.

More trading has been seen in the front months on TC6 paper – with rates now returning to sub ws300 (ws269 on 22/08), still not printing less than ws200 since January of this year.

After a dip on TC17 to ws280s in the spot market, we have seen this improve back to circa ws350.

This volatility in the physical market has translated to an uptick in trading on the CPP paper, with an improvement of 587 lots.

TD3C is continuing to look positive with the highest spot rate since early 2020 printing last Thursday, ws80.95 – providing owners with a reported round trip TCE of circa $41K according to the Baltic. After a quiet start to the year on the DPP paper, this rise in rates provided many with the opportunity to take profit from positions entered early in the year, and as a result, we have seen large volumes of Cal 23, Cal 24 and even Cal 25 trading on TD3C.

DPP Tanker paper volumes increase by 10,909 lots week-on-week.

Oil Tanker Spot Prices (worldscale)

Tanker Spot Rates (worldscale)

	04/08	05/08	08/08	09/08	10/08	11/08	12/08	15/08	16/08	17/08	18/08	19/08	22/08
TD3C	57.50	57.45	57.82	58.55	59.00	59.82	61.09	64.45	72.86	80.00	80.95	80.41	79.64

	08/08	09/08	10/08	11/08	12/08	15/08	16/08	17/08	18/08	19/08	22/08
TC2	361.94	658.89	346.94	340.56	327.22	307.5	287.5	341.67	248.33	234.17	230.56

Sources: FIS, Baltic Exchange

Technical view of the Tanker Market:

Tankers TD3

September Futures – The futures traded straight through the USD 13.312 high and our potential upside target of USD 15.197; this forced the RSI to new highs, meaning the negative divergence has failed. We do not have intraday data to create precise Elliott wave counts, but this new high would suggest the futures are actually on an extended wave-3 and not a wave-5, as previously thought. Technically bullish with price above all key moving averages supported by the RSI above 50. Downside moves that hold at or above will support a bull argument; below this level, the technical will have a neutral bias. Based on the momentum indicators making new highs, downside moves should be considered countertrends. Resistance levels are now At USD 16.2210, USD 17.3646, and USD 18.8962.

FIS senior analyst, Edward Hutton

Written by **Mopani Mkandawire**, **Archie Smith**, and **Alex Macarthur**

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

News@freightinvestor.com, +44 207 090 1120