FIS

Weekly Oil Report

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Market Review:

Crude oil market — Short-term **neutral bullish** with Brent ranging from $95-$103/bbl, as fears of an inflation-induced weakening of global economies to soften fuel demand grow.

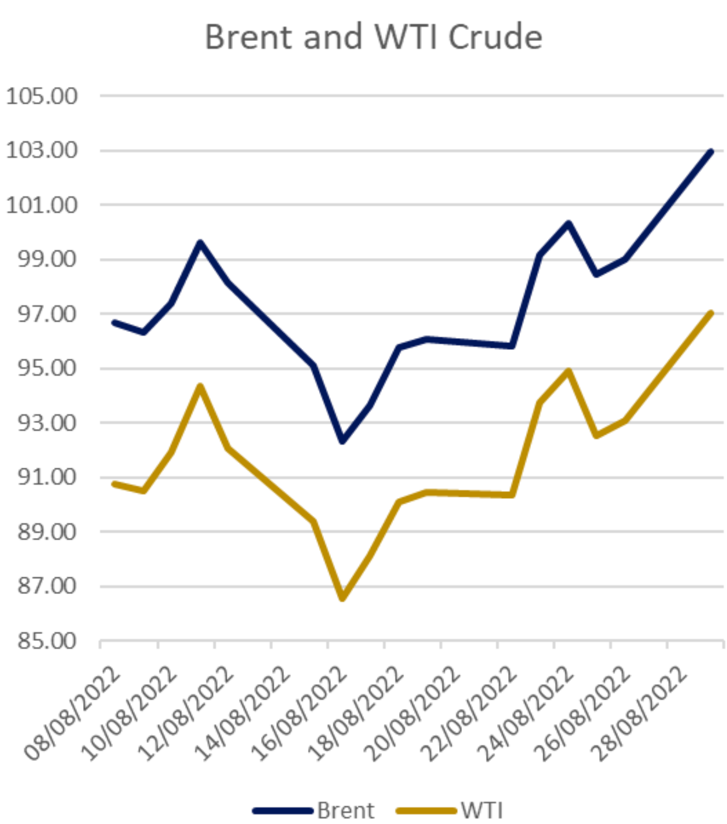
Bunker market — Short-term **neutral bullish** Singapore VLSFO ranges from $752-$809/mt.

Prices movement	22-Aug	29-Aug	Changes %	Sentiment	
Brent Crude	95.81	102.93	**7.43**	**Neutral bullish**	↗
WTI Crude	90.36	97.01	**7.36**	**Neutral bullish**	↗
VLSFO (Singapore)	754.32	790.51	**4.80**	**Neutral bullish**	↗

Crude Oil Market :

Brent Crude rose by $7.12, or 7.43%, to $102.93 week-on-week (w-o-w) on Monday, 29th August. U.S. West Texas Intermediate crude (WTI) was up $6.65 or 7.36%, to $97.01, Oil Price said.

Interest rates continue to increase as inflation continues to plague economies with higher commodity prices added extra inflationary pressures. Central Banks are said to have spent decades building skills and methods of fighting inflation. So far, that is certainly being tested as inflation continues to rise. If they fail to manage this, they could lose public confidence. So far, they have kept increasing interest rates despite their impact on growth, companies going out of business, and people losing jobs. Reuters reported that European Central Bank board member Isabel Schnabel commented, “Even if we enter a recession, we have basically little choice but to continue our policy path," Schnabel said. This could significantly impact fuel demand, which could continue to reduce oil prices.



One of OPEC’s members, Iraq, has claimed that oil production is not affected by the current political turmoil happening in the country. It is said to be facing some of its worst periods of turmoil in years. Oil fields such as the Majnoon oil field and the Basrah refinery have been surrounded. The Basrah refinery is known to produce 210,000 barrels per day currently. This could be a short-term impact as political leaders leading the events have been reported to have told their supporters to withdraw.

Source: FIS, OilPrice.com, Reuters

Crude Oil Market (cont)

Iraq is known to have some of the largest oil reserves in the world. With OPEC struggling to meet its output targets, this situation does not help. However, with a potential reduction of fuel demand due to inflation, the impact may be smaller than initially thought. Further market oil supply worries continued, with Saudi Arabia raising the possibility of cutting its production. Comments came as OPEC work on a new post-2022 agreement. Oil Price reported that Saudi Energy Minister Prince Abdulaziz bin Salman dangled the threat of potential OPEC+ production cuts that could come at any time.

In a world with no Russia-Ukraine war, the news of Russia's fastest-growing oil producer Gazprom Neft's planning to double its oil production would have been welcomed by many, including President Biden. The company said the oil producer plans to double its oil production in Western Siberia. Reuters reported that it plans to increase oil production at the Zhagrin oilfield to 5.5 million tonnes from 2.5 million last year. This is more than 110,000 barrels per day. The timeline is not completely clear. Whether this will prove, good or bad news depends mainly on two things. Whether the war continues is likely, and whether the economy is in a recession.

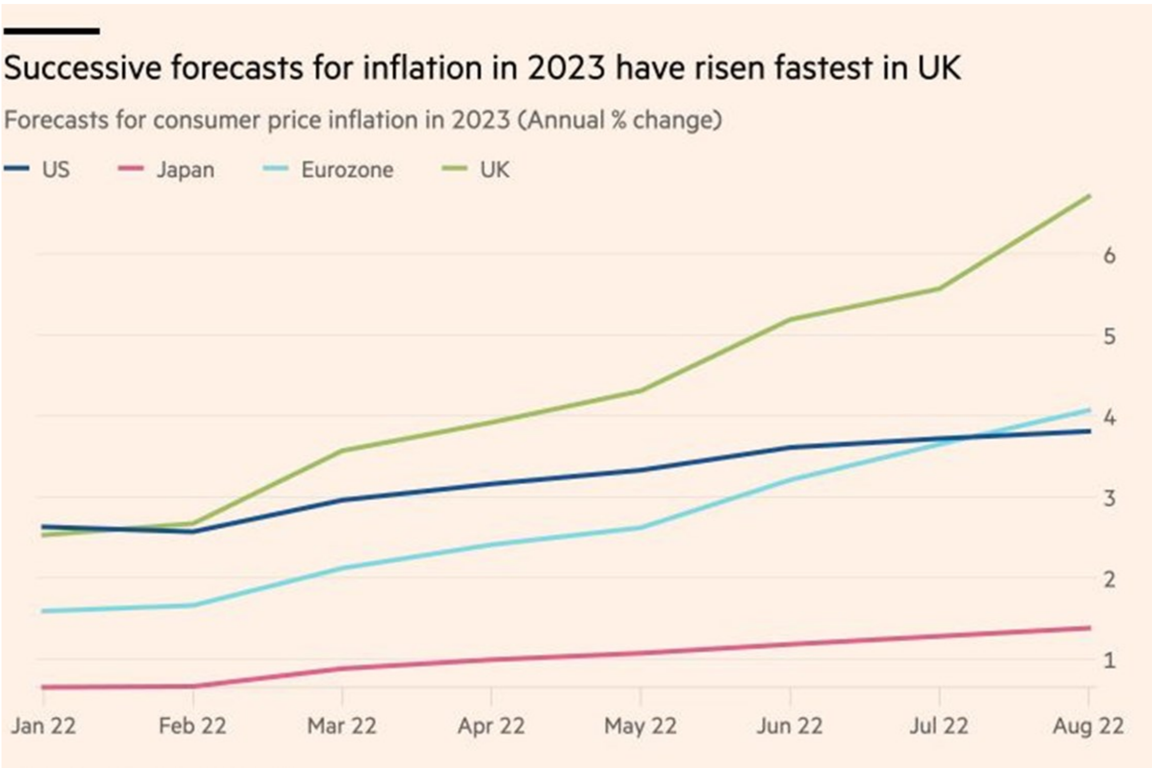


Chart Source: *Financial Times, data source Consensus Economics*

UK inflation could hit 22 per cent next year if soaring gas prices fail to come down, US investment bank Goldman Sachs has warned, reported by Independent.

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

Technical view of the Crude Oil Market:

October Futures – As noted last week, the futures from a technical perspective were not considered a sell; the upside move above USD 97.77 meant the technical had a neutral bias. The futures have now traded above the USD 100.38 fractal resistance, meaning the technical is now bullish. We are coming under pressure this morning, 30/08, with the futures USD 2.20 lower, warning support levels could come under pressure; however, our intraday Elliott wave analysis would suggest downside moves should be considered as countertrend at this point. Corrective moves lower that hold at or above USD 100.60 will support a bull argument; below this level, the technical will have a neutral bias, and only below USD 98.10 is the technical bearish. Technically bullish, having found support on the 200-period MA, the price is now rejecting the 55-period MA (USD 104.34). Upside moves that close above and hold above this level will further support a bull argument. Key support to follow is at USD 101.60; if broken, the USD 98.10 fractal support will become vulnerable.

FIS senior analyst, Edward Hutton

Bunker Market:

Bunker prices increase with Brent

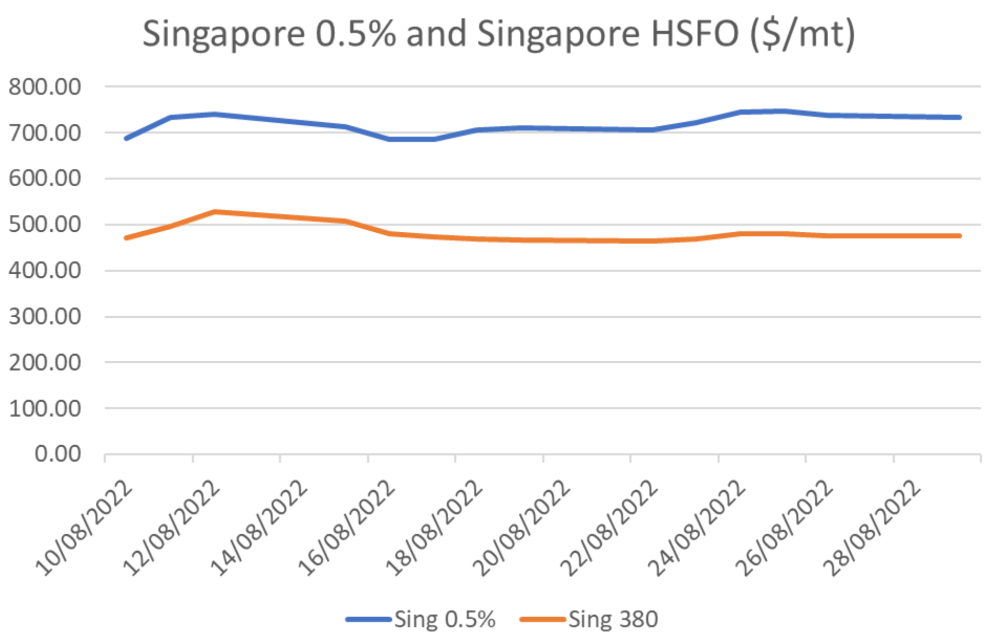
Singapore's VSLFO front-month future advanced by $22.5 or 3.29% to $706.25/mt from Monday 22nd August to Tuesday 30th August, reported in the FIS Live app. Rotterdam's VSLFO front-month future increased by $18.75 or 2.91% to $663.25/mt. The front-month futures are lower than Singapore and Rotterdam spot prices by between $85-$91. There continues to be a gentle backwardation on the futures curve for VSLFO futures. HSFO futures still presents a flat forward curve.

Physical VSLFO bunker prices had a short-term neutral bullish sentiment last week in major ports (Singapore, Rotterdam, and Houston). The week started with prices further dropping Monday and rising just before the early hours of Tuesday before gradually increasing throughout the rest of the week. Prices were steady through the weekend before sharply rising again Monday 29th August.

ENGINE Online reported that Singapore's residual fuel oil inventories increased by 13% and averaged 7% lower this month than in July, according to Enterprise Singapore. At the same time, Fujairah's heavy distillate and residual stocks plunged by 14% and slumped to their lowest level since June this year. Its middle distillate stocks were drawn for a third consecutive week, the latest data from Fujairah Oil Industry Zone (FOIZ) and S&P Global shows.

We continue mentioning alternative fuels as we believe this is something for all to keep an eye on. Last week we talked about a 'green and digital corridor' for shipping between Singapore and Rotterdam, as reported by Ship and Bunker. This week we hear talk of ships fuelled by nuclear power gaining credence. Ship and Bunker said research and study of the molten salt reactor. Studies show that greenhouse gas carbon dioxide can be reduced by 98%, while other emissions can be eliminated. However, it has the same acceptance barriers as other fuel alternatives and the challenge of disposing of nuclear waste.

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



Sources: *FIS, Ship & Bunker, Reuters, IHS Markit Commodities at Sea Service*

Bunker Market (cont)

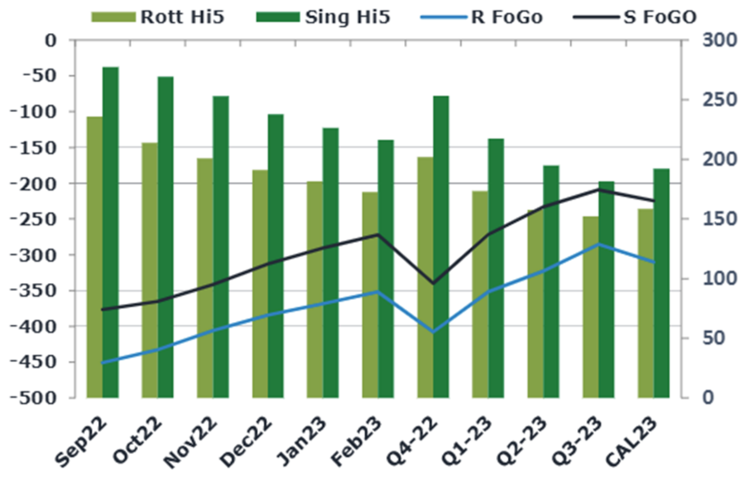
Hi5 and EW Spreads

Crude oil prices remain extremely volatile whilst the market tussles week on week between poor demand outlook and supply tightness. Last week saw Brent crude bounce back from a huge plunge to trade over $100/bbl on 25/08/22, which has held into this week.

Climbing crude prices from supply side fears such as OPEC threatening to cut output in a bid to stabilise prices, combined with low bunker demand in Europe this month, have seen the 3.5% sulphur Rotterdam barges crack dip significantly for another week, with the Sep22 contract printing a low today of -$28.40/bbl; over a $4.00/bbl drop on the week.

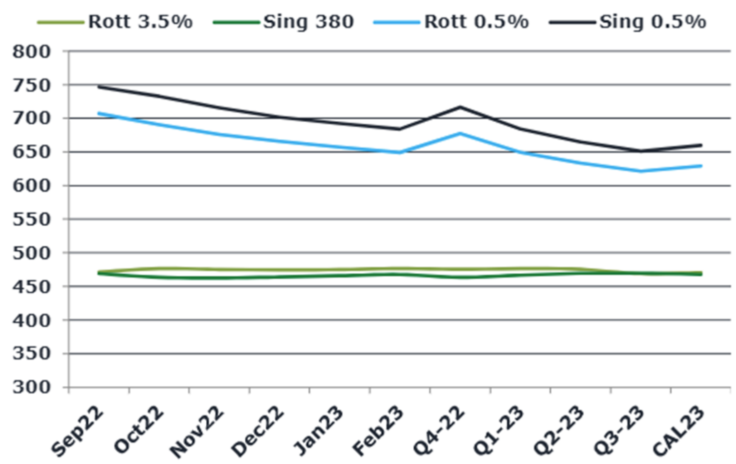
Low sulphur spreads for Euro and Sing have been slipping today, bringing them further away from last week's levels. The Sing 0.5% Sep22/Oct22 spread printed a high of $15.25/mt 24/08/22, now trading at $11.00/mt. Likewise, the Euro 0.5% front months contract was pegged at $16.50/mt on 26/08/22 to now printing $14.75/mt – not as significant a drop seen by the Singapore marine fuel, but still notable.

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	236	278
Oct-22	214	269
Nov-22	201	253
Dec-22	191	238
Jan-23	182	227
Feb-23	173	217
Q4-22	202	253
Q1-23	173	217
Q2-23	158	195
Q3-23	152	181
CAL23	159	192

Table Sources: FIS

HSFO and 0.5% East-West Spread

	EW380	EW0.5%
Sep-22	-2.25	39.35
Oct-22	-13.25	42.10
Nov-22	-12.75	39.10
Dec-22	-10.50	36.10
Jan-23	-9.25	35.35
Feb-23	-9.00	34.85
Q4-22	-12.15	39.10
Q1-23	-9.42	34.52
Q2-23	-5.83	31.52
Q3-23	0.83	29.77
CAL23	-1.25	31.27

Tanker Market:

TC2 spot market continued to decline, ending the week at ws224.44 after exceeding ws360 just over two weeks prior. The paper market at the front of the curve saw some volatility, strengthening last week with September opening at ws255, peaking at ws275 on Thursday(25th) afternoon though with a slim cargo list the September TC2 contract at the time of writing has most recently traded sub-ws220. MRs in the US Gulf have also remained on the slide, TC14 spot ending the week at ws144.17, a level not seen since late February. Front-month (September) FFA contract has seen a decrease in premium by over 25% in just over a week, with a print of ws215 last Monday (22nd) and last seen (Tuesday 30th) ws160. The MR Atlantic Triangulation Basket TCE lost $1,569 from $22,947 to $21,387 last week. Although, hearing owners are repeating or refusing at current spot levels, suggesting we are at a floor. CPP rates rallied in the MEG, LR1s coming stronger with TC5 climbing 30ws to a shade under 300, ws299.29. This was reflected in the paper market with the Q4 contract opening at ws262 on Monday (22nd) am and closing Friday (26th) at ws291. A spree of fixing of in the MR sector boosted TC17 rates by ws73.59 to ws419.17. A slow week cross-med, with TC6 falling 55 points to ws214.38.

VLCC rates have generally remained stagnant, in comparison to the previous weeks. Middle East Gulf/USG (via Cape of Good Hope) fell marginally by WS0.61 to WS45.72 (a round-trip TCE $2647) and USG/China fell from initial fixing at $9 million (a round-trip TCE of $30,519) to $8.931250. But with reported fixtures between $9.3 and $8.7 million, level headedness prevailed to support midway levels. TD3C rates held around two and a half year highs, a marginal rise after opening the week at ws79.64 and ending up at ws80.64 (a round-trip TCE of $37,270 per day). Front month (September) in the paper market peaked at ws83.5, Q4 crept above ws80 and Cal23 ended the week traded at $12.40/mt. Vessel demand is up almost 25% and cargo volumes have increased over 25% since June as appetite for imports from both Europe and China are showing few signs of easing. TD20 remained stagnant, spot ranging from ws131.36 to ws132.27. In the paper market, deferred contracts again were popular in trading, Cal23 closing the week trading at $16.40/mt (Fri 26th) after opening at $15.60/mt (Mon 22nd) finding the most volume (around 50kt/m) at a midpoint $15.95 and $16/mt in midweek; Cal24 remaining flatter, trading in a tighter range $15.60-70/mt. USGC Aframax to Europe declined for the third week in a row, ws231.42 closing the week out in the spot market, a monthly low, shadowed by the prompt contract (September) in the paper market softening from ws238 seen on Monday, to a low of ws220 though we did see a late really on Friday evening to ws225.

DPP FFA volumes were again reasonably strong in the FFA market with a total of 13,132 lots crossed between Monday and Friday though a decline, week on week against the previous week's (5th-19th Aug) total of 16.971 lots.

Technical view of the Tanker Market:

Tankers TD3

September Futures – As noted last week, the new high in price and the RSI suggested we were on an extended wave 3 and not a wave 5, with downside moves considered as countertrend. The futures have traded back up to new highs, with prices above the USD 16.2210 resistance but below the USD 17.3646 level. The daily RSI is now in divergence with price, not a sell signal; it does warn that we have the potential to see a momentum slowdown. Elliott wave analysis suggests we remain in a bullish wave 3, meaning downside moves should be considered countertrends. Corrective moves lower that hold at or above USD 13.4114 will support a bull argument; the futures will have a neutral bias below this level. Resistance is now at USD 17.3646, USD 18.8962, and USD 19.5315. Technically bullish, the divergence will need to be monitored.

FIS senior analyst, Edward Hutton

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