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** with Brent around $94-$107/bbl, as positive economic data from China and the United States hopes for demand despite nagging fears of recession.

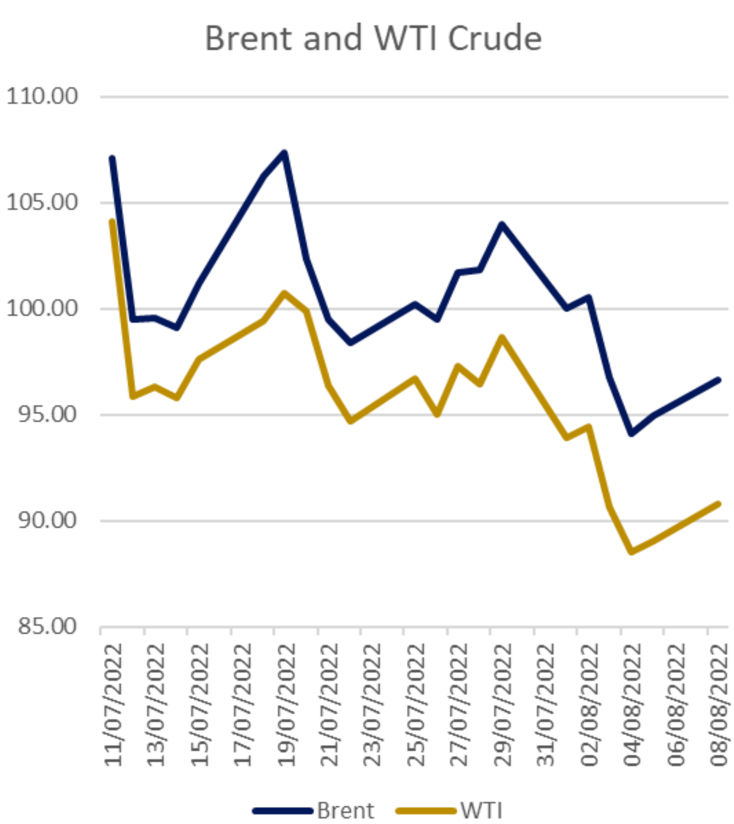
Bunker market — Short-term **neutral to bullish**, Singapore VLSFO ranges from $741-$855/mt.

Prices movement	1-Aug	8-Aug	Changes %	Sentiment	
Brent Crude	100.03	96.65	**-3.38**	**Neutral to bullish**	↗
WTI Crude	93.89	90.76	**-3.33**	**Neutral to bullish**	↗
VLSFO (Singapore)	854.24	743.68	**-12.94**	**Neutral to bullish**	↗

Crude Oil Market :

Mixed month for both Brent and WTI

Oil prices rose after hovering near multi-month lows on Monday 8th, August. Positive economic data from China and the United States fed hopes for demand despite nagging fears of a recession. Brent crude futures settled $1.73, or 1.8%, at $96.65 a barrel. U.S. West Texas Intermediate crude was at $90.76 a barrel, up $1.75, or 1.97%. Front-month Brent prices last week hit the lowest since February, tumbling 13.7% and posting their most significant weekly drop since April 2020, while WTI lost 9.7%, as concerns about a recession hitting oil demand weighed on prices.



After weeks of lockdown disruption, data change suggests that China's demand may pick up in the coming weeks. China recently experienced faster than expected growth in exports. China, the world's top crude importer, brought in 8.79 million barrels per day (bpd) of crude in July, up from a four-year low in June but still 9.5% less than a year earlier, customs data showed. Independent refineries contributed to the increase in inflows in July, which lifted their crude imports by 25.4% to 3.16 million b/d, from 2.52 million b/d in June, according to S&P Global Commodity Insights data. This offers an encouraging boost to the economy as outbound shipments grew 18% in July from a year earlier, the fastest pace this year, official customers data shows.

Economic data from the US has also brought a slight change in the outlook for the economy. The U.S. job growth accelerated unexpectedly in July, lifting employment above its pre-pandemic level. It was also reported that wages continue to be raised by employers. Estimates in the Reuters survey for the number of jobs gained ranged from a low of 75,000 to a high of 325,000. This may influence the Federal Reserve to keep hiking interest rates to fight inflation.

Source: FIS, FT, OilPrice.com, BlackRock, China's General Administration of Customs, Bureau of Labor Statistics

Crude Oil Market (cont)

While US and China receive more positive news, pricing competition brews in India, where Russia has undercut the price of oil from Saudi Arabia as Moscow looks to expand their market share in one of the biggest crude importing countries. Observer Research Foundation reported that Indian imports from Russia rose from 0.2% of total oil to 10% since April 2022. The start of 2022 saw 25,000 barrels a day to 600,000 barrels a day between May and June. The imports rose as Moscow offered crude at discounted rates, seeking to shift its customer base after European companies shunned Russian oil in opposition to its invasion of Ukraine. The question remains whether this will continue as sanctions cut off Russian central banks from SWIFT payments. An example of this was Ukraine having to suspend Russian oil pipeline flows to parts of central Europe due to the Western sanctions preventing it from accepting transit fees from Moscow, Reuters reported.

While the demand in Asia showed some promise, the market in Europe has a different picture. As ENGINE noted in a recent report Russia has dropped down from the top of the list of the ARA's most significant fuel oil sources so far in August, while inflows from other regions have gone up, according to cargo tracker Vortexa. With European Union countries preparing to phase out imports of Russian oil products within eight months after an embargo was approved in June, refineries and oil traders in northwest Europe must switch to non-Russian oil. Several buyers have looked to the UK, Colombia, Germany, Finland, Poland, and Sweden for imports this month to replace Russian fuel oil imports, according to Vortexa. The ARA region imported 226,000 b/d of fuel oil in August, lower than July's average of 316,000 b/d, Vortexa data shows. The share of fuel oil imports from Russia has decreased sharply in recent months, from around 50% in May through 38% in June to only 25% in July, according to Vortexa.

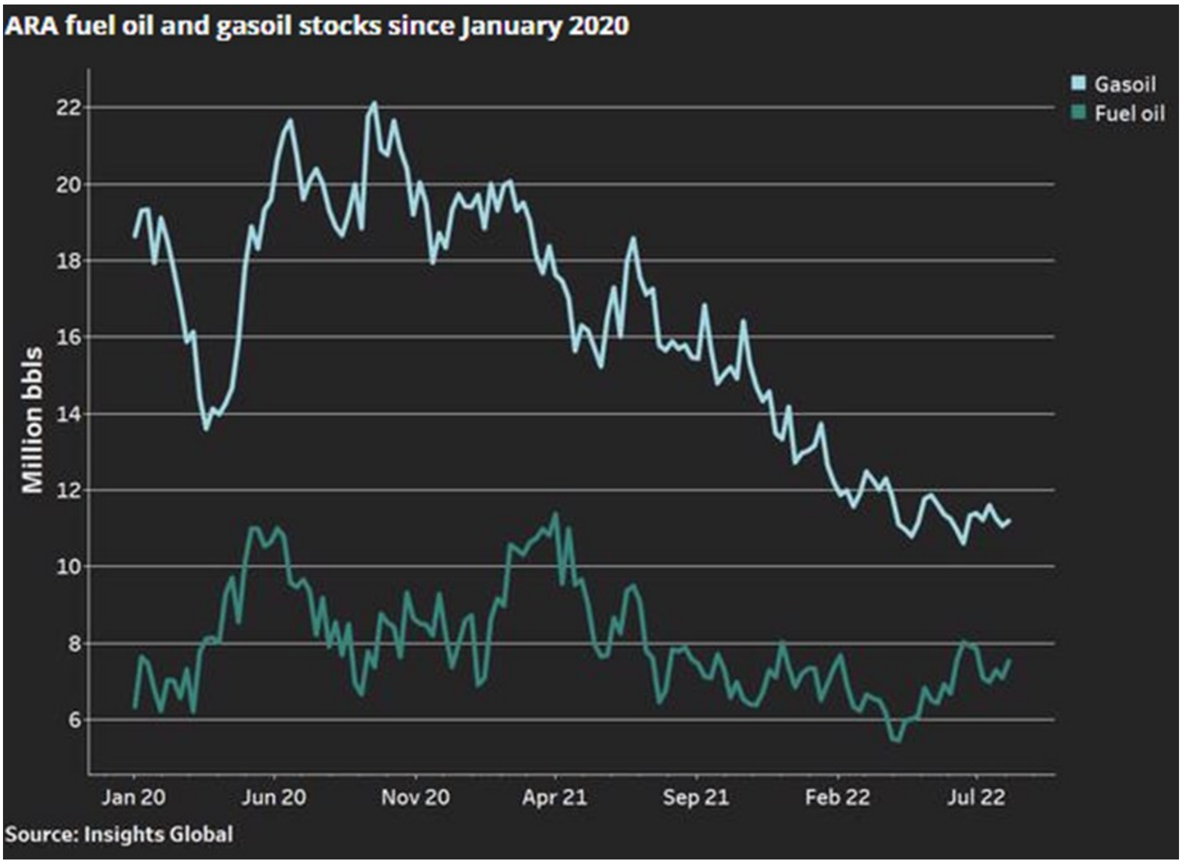


Chart Source: *ENGINE Online at https://engine.online/*

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

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 fall with Crude

Prices of major grade VSLFO decreased as crude oil prices hit multi-month lows last week, the lowest levels since Russia invaded Ukraine. Worries of low demand intensified, causing the most significant weekly drop in Brent crude futures prices since early April. Crude crashed on Friday around the US market open at 1300 UTC, touching a low of $92.78/bbl, only to bounce back up within an hour to $95.78 at 1545 UTC.

As **ENGINE Online** reported, in the East of Suez market, most VLSLFO prices slumped except Fujairah's VSLFO, which fell slightly by 2.32% w-o-w from $923/mt Monday 1st August to $908/mt Monday 8th August 1700 UTC. Bunker operations have been disrupted in Fujairah after barge loadings at some terminals grounded to a halt due to heavy flooding in late July. Fujairah has been pricing VLSFO higher against other hubs, further widening its premium against Singapore and Zhoushan's VSLFO prices. Fujairah's HSFO price remained the lowest amongst major ports finishing the week at $490/mt. LSMGO also maintained its premium over major ports, costing $1338/mt. Zhoushan LSMGO was the closest at $1034/mt.

Bunker demand has been normal in Singapore this week but HSFO and VLSFO availability remained tight. Singapore's VSLFO dropped by 13% w-o-w after starting at $854/mt and moving to $744/mt. Its HSFO dropped by 2.39% w-o-w to $493/mt and LSMGO by over 6% w-o-w to $961/mt. Singapore's VLSFO price has shed $216/mt in the past two weeks, while its HSFO price has remained steady. VLSFO's steep decline has narrowed the port's Hi5 spread which had peaked above $570/mt around mid-July.

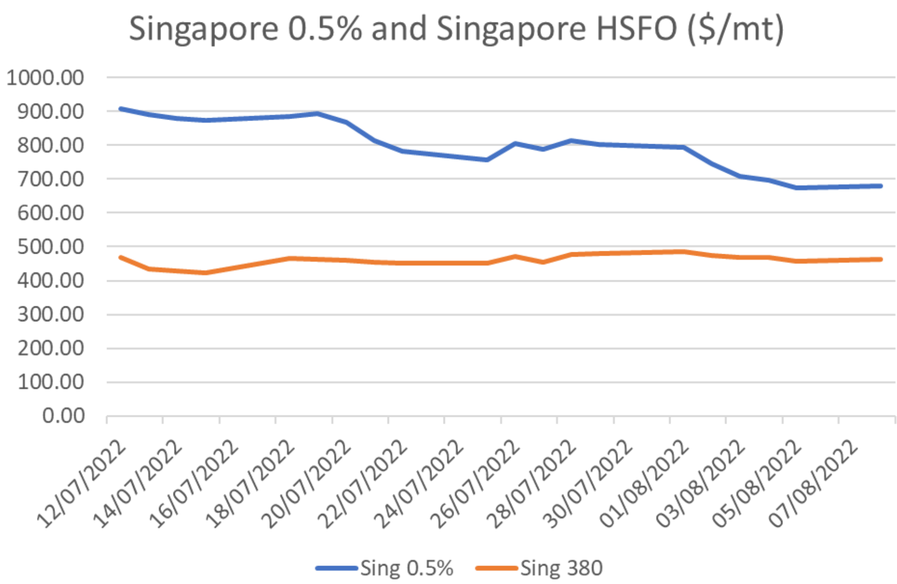
ENGINE Online outlined that Singapore fuel oil stocks were drawn to three-month lows following a net import decline. According to Enterprise Singapore, Singapore's middle distillate stocks have increased to multi-week highs, while its fuel oil stocks have been drawn for a fourth consecutive week. Singapore's middle distillate stocks rose to their highest point since June. Meanwhile, the port's fuel oil stocks have been drawn again and fallen to three-month lows after a period of lower net imports in July.

In the European and African markets, most VSLFO prices fell slightly, with Rotterdam continuing its discounts over Gibraltar and Durban. Rotterdam VSLFO reduced by 5% from $747/mt on Monday 1st to $710/mt Monday 8th compared to the steady price for its HSFO, which decreased by over 2%. Gibraltar closed at $779/mt, reducing by under 5%. Rotterdam's LSMGO is also a discount to Gibraltar and Durban as it experienced an 8% decline w-o-w.

ARA fuel oil stocks grow 6% on the week amid signs of higher non-Russian inflows. ARA fuel oil stocks rose 6% on week amid signs of higher non-Russian inflows.

Bunker prices also dipped in the Americas markets, with Houston and Balboa VLSFO experiencing 3% and 2% changes w-o-w. Hi5 spreads narrowed across several of the region's essential ports over the past week as VLSFO price declines outpaced those for HSFO.

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



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

Bunker Market (cont)

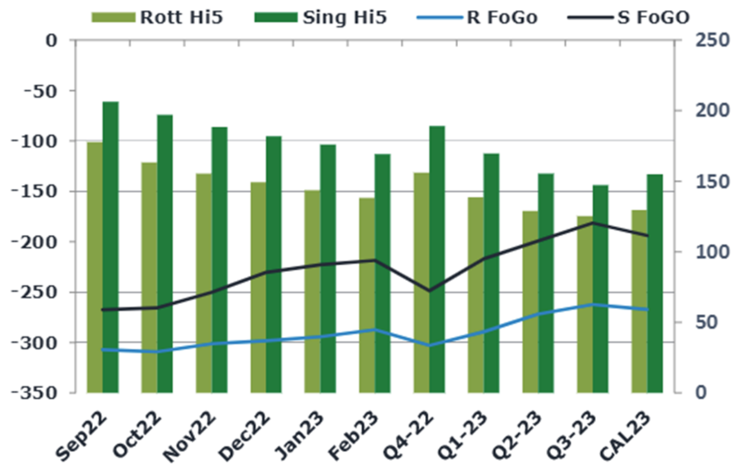
Hi5 and EW Spreads

Traders and loading data showed that fuel oil markets remained well-supplied across Northwest Europe and the Mediterranean. However, the high sulphur fuel oil crack spread has continued to drop over the week, reaching a two-month low of minus $21.25 amid the expected introduction of European sanctions against Russian-origin HSFO.

Some traders continue to see Russian-origin fuel oil traded in European markets, but ample supplies would cap any steep uptick. The marine fuel market would likely come under further pressure from prevailing levels as regional refiners ramp up output amid higher Western arbitrage arrivals in the second half of August.

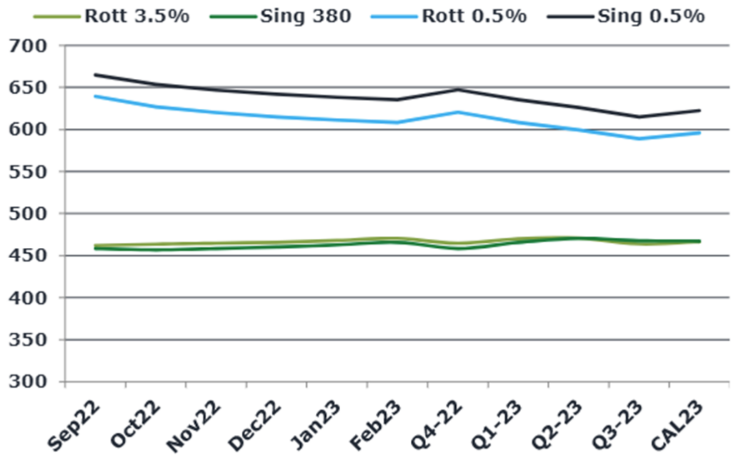
The Singapore marine fuel 0.5% sulphur September-October swaps spread was pegged at $9.75/mt as of 11 am Singapore time on August 8th, compared with $7.75/mt at the Asian close on August 5th. Platts Singapore marine fuel 0.5% S cash differential to swap values was assessed at $16.05/mt on August 5th, its lowest since February 16th, when the differential was at $15.02/mt, S&P Global Commodity Insights data showed.

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	178	206
Oct-22	163	197
Nov-22	155	188
Dec-22	149	182
Jan-23	144	176
Feb-23	138	169
Q4-22	156	189
Q1-23	138	170
Q2-23	129	155
Q3-23	125	147
CAL23	129	155

Table Sources: FIS

HSFO and 0.5% East-West Spread

	EW380	EW0.5%
Sep-22	-3.50	25.40
Oct-22	-6.75	26.90
Nov-22	-6.25	26.90
Dec-22	-5.75	27.15
Jan-22	-5.25	27.15
Feb-23	-4.50	26.90
Q4-22	-6.25	27.00
Q1-23	-4.42	26.90
Q2-23	-0.33	26.40
Q3-23	3.83	25.73
CAL23	1.50	26.21

Tanker Market:

West vs East tanker fortunes diverge

MR owners in the West continue to enjoy sizeable returns as rates return to punchy levels. Tight supply with demand remaining has pushed TC2 back to almost 362ws at the time of writing, with TC14 peaking at 369.17ws on the 4th of August, giving owners a return of a reported $43,700 per day TCE round trip.

The opposite has been seen in the East, with TC12 (WC India / Japan on an MR) & TC17 (AG / E Africa on an MR) both seeing heavy reductions in the spot market. TC17 is now valued at 313.33ws from highs of nearly 500ws on 22nd July and TC12 at 292.66ws from highs of 385ws on 22nd July.

Volumes on the Clean Tanker FFAs have decreased weekly, down a reported 537 lots.

TD3C has seen value shed further, with the spot market continuing its downward trajectory. Although not all doom and gloom for owners with Brent coming off, meaning cheaper bunker fuels, the Baltic Exchange finally printed a positive time charter equivalent assessment of $39 on Friday 5th August for VLCC owners for the first time in 569 days (as reported by Tradewinds.) Although many questioned the methodology, both eco and non-eco owners reported upbeat earnings for some time.

Volumes on the Dirty Tanker FFAs saw a considerable reduction, with the first week of the summer holidays and bank holidays in Geneva, meaning a lot of people were out – a reported drop of 5,270 lots traded week on week.

Oil Tanker Spot Prices ($/mt)

	22/07	25/07	26/07	27/07	28/07	29/07	01/08	02/08	03/08	04/08	05/08	08/08
TC2	271.67	281.67	285.56	304.17	336.67	345	347.22	349.17	348.33	350.56	358.61	361.94
TC12	385.63	386.56	384.06	382.19	375.31	369.38	365	360.31	365	378.93	298.75	292.66
TC14	225	225	233.33	280	325	325	331.67	350	375	369.17	359.17	341.67
TC17	499.17	491.67	480	474.17	455.83	443.33	423.33	403.75	367.92	345.83	337.5	313.33

Sources: FIS, Baltic Exchange

Technical view of the Tanker Market:

August Futures – The futures traded through our resistance levels before entering a corrective phase, with the price closing today at USD 11.6471 (08/08). Downside moves that hold at or above USD 10.9320 will support a bull argument; below this level, the futures will have a neutral bias. The RSI is above 50 with the stochastic in oversold territory; momentum is warning the futures are vulnerable to further tests to the upside. Elliott wave analysis would suggest that we are in a countertrend corrective wave 4, suggesting there is a bullish wave 5 to follow. We are seeing a similar wave pattern on the September contract, with crucial support to follow on this technical at USD 10.7526.

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

Chart Source: Bloomberg