FIS Weekly Oil Report

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****There will be no report 20th September due to HM Queen Elizabeth II's State Funeral****

Market Review:

Crude oil market — Short-term **neutral to bearish** with Brent ranging from $88-$95/bbl, as the Strategic Petroleum Reserve (SPR) in the US falls by 8.4 million barrels.

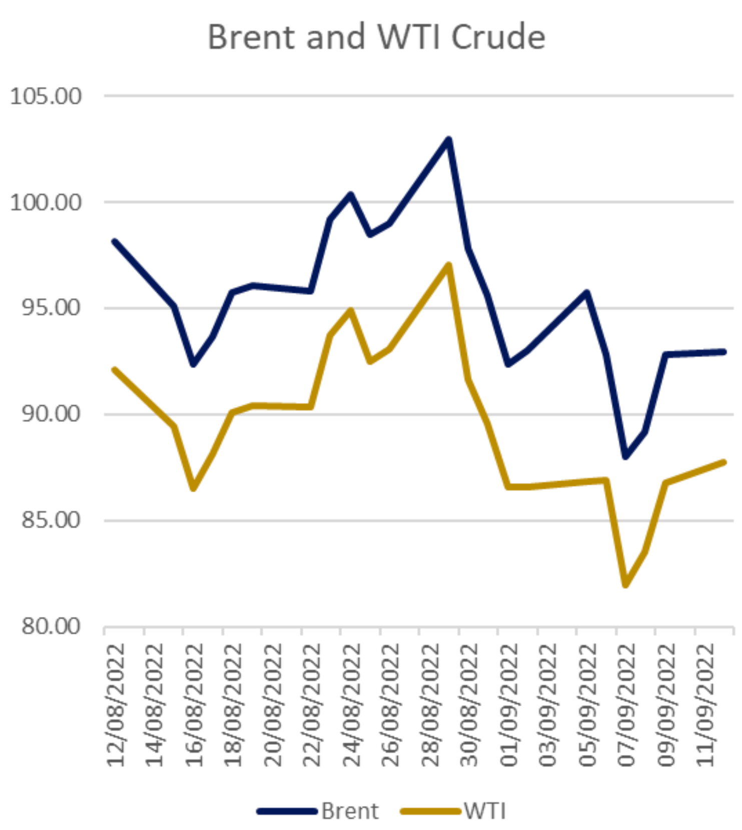
Bunker market — Short-term **neutral to bearish** Singapore VLSFO ranges from $658-$718/mt.

Prices movement	5-Sep	12-Sep	Changes %	Sentiment	
Brent Crude	95.74	92.93	**-2.94**	**Neutral to bearish**	↘
WTI Crude	86.87	87.78	**1.05**	**Neutral to bearish**	↘
VLSFO (Singapore)	718.11	703.11	**-2.09%**	**Neutral to bearish**	↘

Crude Oil Market :

Brent Crude dipped by $2.81, or 2.94%, to $92.93 17.00 GMT week-on-week (w-o-w) on Monday, 12th September. U.S. West Texas Intermediate crude (WTI) gained 91 cents, or 1.05%, to $87.78, Oil Price reported. Last week was the first time Brent crude prices fell to $88 since the Russia-Ukraine War started.

The Strategic Petroleum Reserve (SPR) draw down may have influenced the continued reduction in oil prices. Reuters reported that U.S. emergency crude oil stocks fell 8.4 million barrels last week to 434.1 million barrels, their lowest since October 1984, according to U.S. Department of Energy (DOE) data. This was also one of the largest draws since May. This is part of President Joe Biden's plan to release 1 million barrels per day over six months to ease oil prices in the US due to end in October. It was reported that the White House would not consider more releases from SPR after October. This could be because oil futures continue to drop. It will be a chess game as their decision will likely be influenced by whether OPEC cuts more production.



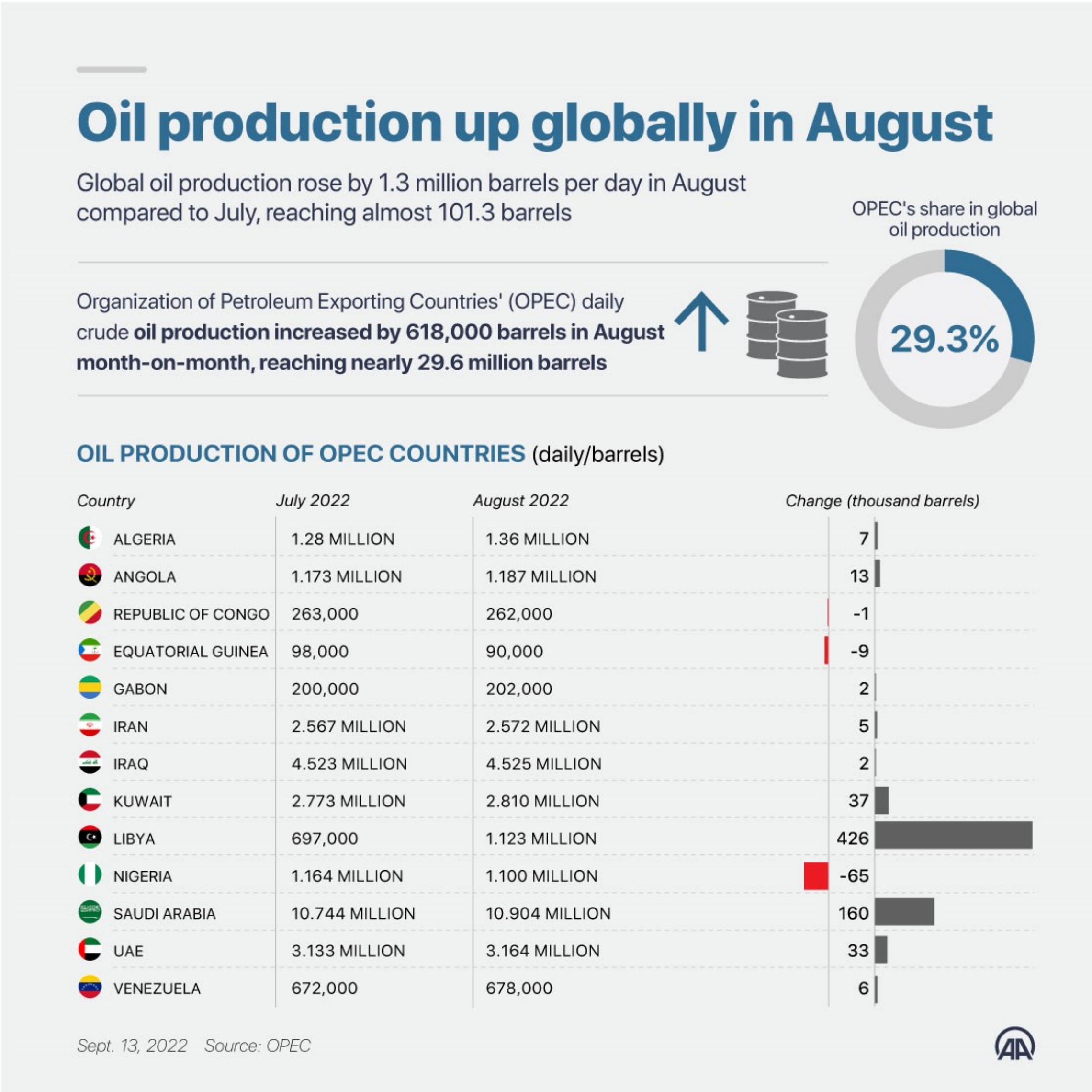
An increase in oil supply from Iran continues to loom, but the revival of the West's nuclear deal with Iran has not progressed recently. There have been 16 months of negotiations between the US and Iran, with a final offer from the European Union last month. Iran responded to this with what the EU called a step backwards. It is now unclear how the West will respond. President Joe Biden is more hesitant to act on the deal now as the midterm elections get closer.

Source: FIS, ENGINE Online, OilPrice.com, Reuters, Bloomberg

Crude Oil Market (cont)

The resolution seems unlikely as France, Germany, and the UK issued a joint statement saying the Iranian demand that the IAEA probe is shut down raises doubts as to Iran’s intentions and commitment, Aljazeera reported.

OPEC continue to believe its forecast that global oil demand will grow despite inflation as economies seem to perform better than expected, Reuters reported. OPEC projected 102.07 million barrels per day (bpd) in 2023. This is supported by the gas-to-oil substitution for power generation and industrial consumption. The Russia-Ukraine war and the sanctions on Russia have limited gas supply and raised prices. Despite the Chinese seesaw experience of covid restrictions, the market still expects COVID-19 restrictions to ease and boost demand. Data is yet to show whether this will happen. Covid restrictions hit China’s Mid-Autumn Festival numbers. Reuters said the number of tourists fell 16.7% from a year earlier, and tourism earnings slumped 22.8%.



Country	July 2022	August 2022	Change (thousand barrels)
ALGERIA	1.28 MILLION	1.36 MILLION	7
ANGOLA	1.173 MILLION	1.187 MILLION	13
REPUBLIC OF CONGO	263,000	262,000	-1
EQUATORIAL GUINEA	98,000	90,000	-9
GABON	200,000	202,000	2
IRAN	2.567 MILLION	2.572 MILLION	5
IRAQ	4.523 MILLION	4.525 MILLION	2
KUWAIT	2.773 MILLION	2.810 MILLION	37
LIBYA	697,000	1.123 MILLION	426
NIGERIA	1.164 MILLION	1.100 MILLION	-65
SAUDI ARABIA	10.744 MILLION	10.904 MILLION	160
UAE	3.133 MILLION	3.164 MILLION	33
VENEZUELA	672,000	678,000	6

Source: FIS, ENGINE Online, OilPrice.com, Reuters, Aljazeera, Anadolu Agency, OPEC

Technical view of the Crude Oil Market:

November Futures – the OPEC production cut didn't have the effect I was expecting last week, with the futures only trading to a high of USD 96.99 before selling down to new lows. We looked to have witnessed cycle completion, having already seen a 5-wave pattern lower to USD 91.51, followed by a move up to USD 105.48. from an Elliott wave perspective, the downside move below USD 91.51 would suggest we have started a new bear cycle (I.E., a wave 3 of a larger cycle). Since trading to a low of USD 87.24, we have seen the futures trade up to USD 94.89 (12/09) on the back of a weaker U.S. dollar. Upside moves that fail at or below USD 99.28 will leave the futures vulnerable to further tests to the downside; above this level, the wave cycle has a neutral bias, and only above USD 105.48 will the wave cycle have failed. If we suspect we have now moved into a larger cycle, then we have a potential downside target of USD 91.71. Technically bearish based on the lower low/wave cycle with upside moves considered countertrend at this point.

FIS senior analyst, Edward Hutton

Brent Nov 22 Morning Technical Comment – 60 Min

Chart source: Bloomberg

Bunker Market:

Bunker prices decrease with Brent

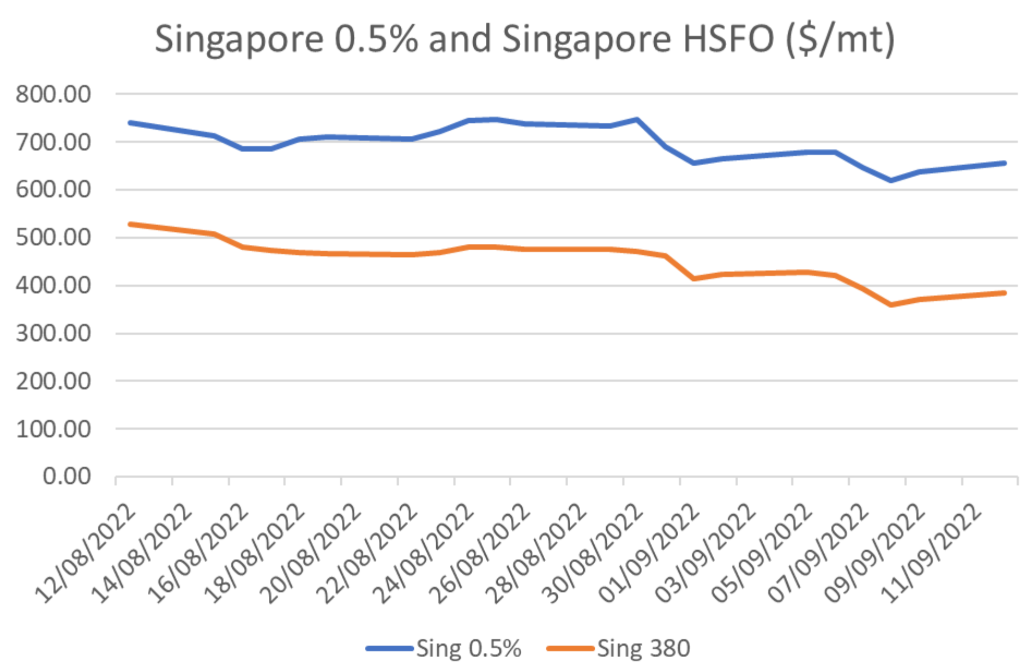
As reported on the FIS Live app, Singapore's VSLFO front-month future fell by $12 or 1.78% to $663.25/mt from Monday, 5th September to Monday, 12th September. Rotterdam's VSLFO front-month future decreased by $12.75 or 2% to $623.75/mt. The front-month futures are lower than Singapore and Rotterdam spot prices by $22-$46 in HSFO, VLSFO, and LSMGO. There is a gentle backwardation on the futures curve for VSLFO futures and HSFO futures are moving from a flat forward curve to a contango structure.

Physical VSLFO bunker prices had a short-term bearish movement. ENGINE Online's prices showed that we could have bearish sentiment as bunker prices reduced their range to $658-$718/mt in the last week in major ports (Singapore, Rotterdam, and Houston) before moving steadily over the previous two days of the week. The week started with prices rising on Monday and then dropping later in the day. Prices continued to decline until the late hours of Wednesday, 7th September. Sing 0.5% saw its price drop from $718/mt 17:00 GMT Monday 5th September to $657/mt 00:00 GMT Thursday 8th September. That's an 8.50% drop. Prices began to rise again, climbing back to the $690/mt area at the end of the week. Houston VSLFO maintained the premium over Singapore's and Rotterdam's until the weekend when Sing 0.5% cut and challenged the premium difference. Monday ended with Houston regaining premium by $9 at 5 pm GMT.

Typhoon Muifa is becoming one of the strongest typhoons of the year – with wind speeds estimated at 124 mph, according to Asia Financial. It threatens to bring delays and suspensions to South Korean ports and others, including the second busiest port in China. Zhoushan has suspended bunkering operations until 15th September, according to ENGINE Online. Prices and fuel availability will depend on the impact the typhoon will have.

As fuel oil prices continue their gradual decrease with Brent, it is thought that fuel oil demand could rise in the remainder of the year. Power generation demand and seaborne trade are increasing with more economies opening up post covid-19. S&P Global reported that Platts analytics see fuel oil demand could rise by 125,000 b/d quarter on quarter to 7.4 million b/d in Q3 2022. This is likely as we see an increase in gas-to-oil switching, especially in Europe, as their dependency on Russian gas was severely impacted, raising prices and limiting supply. Bloomberg also reported that Asian gas prices have been at their highest since the Russia-Ukraine war began. Falling fuel oil prices will only increase demand for fuel oil as an alternative. The question of how far prices will reduce may depend more on crude oil's macro and geopolitical influences.

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



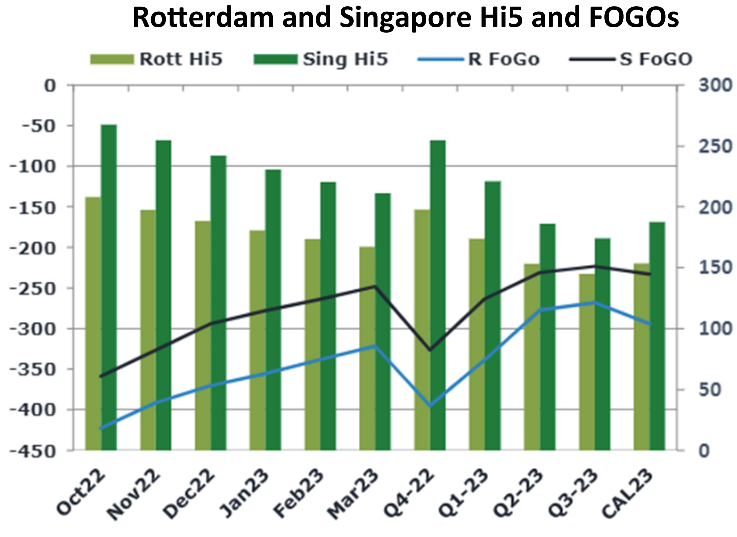
Sources: *FIS, ENGINE Online, Asia Financial IHS Markit Commodities at Sea Service, Insights Global*

Bunker Market (cont)

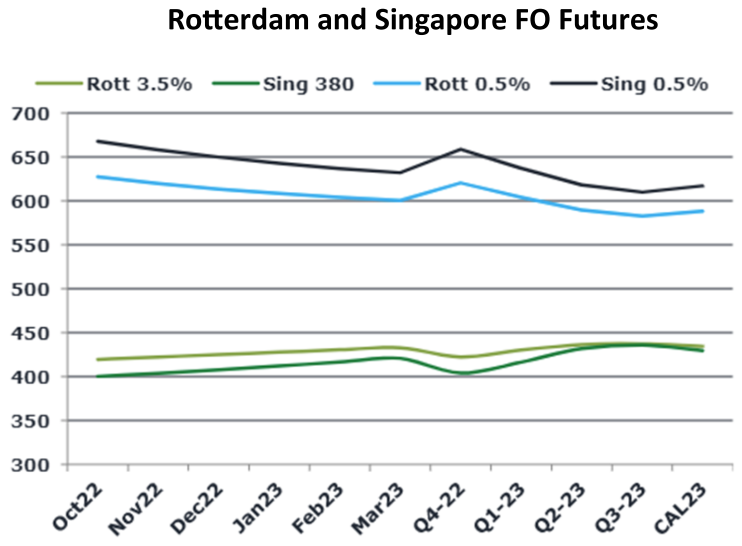
Hi5 and EW Spreads

The bunker market has been mixed for the most of this week; week-on-week we are down across the board on VLSFO and HSFO in both Singapore and Rotterdam. The Asian low sulphur fuel oil market structure and refining margins are likely to increase on falling input cured costs. Still, the market sentiment remained bearish due to a supply overhang and sluggish bunker demand. As measured by Insights Global, fuel oil stocks in the Amsterdam-Rotterdam-Antwerp region dropped 0.9% to 1.132 million mt in the week to Sept. 8, after falling 9.7% the previous week.

The front-month cracks on the VLSFO have remained relatively stable over the past week, remaining around the $11-$12 range for the Singapore Oct crack and $5-$6 for the equivalent tenor in Rotterdam. The HSFO Barges crack for October has weakened slightly as the week has progressed, falling from -$26/mt levels to marking -$27.45 post-Singapore window on Tuesday, 13th September.



Source: FIS



Source: FIS

Hi5 Forward Curve Values

	Rott Hi5	Sing Hi5
Oct-22	208	268
Nov-22	198	255
Dec-22	189	242
Jan-23	181	231
Feb-23	174	221
Mar-23	168	211
Q4-22	198	255
Q1-23	174	221
Q2-23	153	186
Q3-23	145	174
CAL23	154	188

Table Sources: FIS

HSFO and 0.5% East-West Spread

	EW380	EW0.5%
Oct-22	-19.25	40.30
Nov-22	-18.50	38.55
Dec-22	-17.25	36.30
Jan-23	-15.75	34.30
Feb-23	-14.00	32.80
Mar-23	-12.00	31.80
Q4-22	-18.35	38.40
Q1-23	-13.92	32.97
Q2-23	-4.25	28.63
Q3-23	-1.42	27.38
CAL23	-5.25	29.13

Tanker Market:

Trans-Atlantic activity continued to recover, with TC2 spot firming 16.65% from 200ws to 233.33ws and TC14 a similar amount (16.83%) jumping from 163.33ws to 190.83ws. MR Atlantic TCE basket September assessment closing the week at 32,216$/ day up from 30,173$/day the close of the previous week (ending 02/09). TC2 October FFA mirroring gains on the spot market, as ws270 became 290 by Friday. TC14 Balmo contract hit 212 on Friday (+25ws from Friday's Baltic Spot Index assessment) further highlighting owners reason's to smile. LR1's strengthened also, TC5 spot market moving from 310.71ws up to ws332.14. TC5 Oct FFA firming from 280ws to 295ws over the course of the week.

In the VLCC market, after a slow start to the week, a flurry of activity pushed TD3C spot index back up to around 80ws, after beginning the week slipping to three-week lows, ws73.40. A midweek influx in particular highlighted a flurry, as a scramble for cargoes saw, according to Tankers International, three VLCCs fixed on Thursday adding to eight on Wednesday, of which two were above $50,000 per day. Easing of sanctions on Iran is also likely to boost the VLCC trade with an estimated extra 1-1.5m barrels per day being exported. This was reflected in the paper market, October up 10ws on the week from 72.25 (Mon. 05/09) to 82 (Fri. 09/09), Q4 from 71.5 (Wed. 07/09) to 80.25 (Fri. 09/09) and the Cal23 contract opening print of the week (Tues. 06/09) was down at $11.20/mt, with the final print on Friday (09/09) up to $11.80/mt. About half of Guyana's oil exports have reportedly headed to Europe in 2022 to replace Russian crude, with the Suezmax sector being the biggest beneficiary - Guyana's oil exports taken by Europe increased from 16% last year to 49% so far in 2022. TD20 Spot market was relatively stagnant around the 126.5ws mark in the shortened week. Paper contracts became softer, Q4 opening the week trading at ws144 and Cal23 $15.75/mt with last seen levels ws128.5 and $15.20/mt respectively. USGC Aframax rebounded a touch in the spot market after coming off the week, after the US holiday on Monday ws206.07 became ws210.71 by the end of the week.

DPP FFA volumes in total were down 1546 lots to 7437 lots, week of 5th – 9th September, CPP FFA volumes up 286 lots to 4229 lots, an impressive feat given the US holiday for Labour Day on Monday.

Technical view of the Tanker Market:

Tankers TD3

October futures – Technically bullish last week, the futures looked to have entered a countertrend wave 4 with key support at USD 13.2580. The futures traded to a low of USD 14.0220 before trading to new highs, indicating we are now on wave 5 for this cycle phase. The new high has created a negative divergence with the RSI; however, based on our wave analysis (using William's approach), we have a potential upside target at USD 17.6954; above this level, we have further resistance at USD 18.6940 and USD 19,9660. Downside moves at or above USD 14.8717 will support a bull argument; below this level, the futures will have a neutral bias; only below 14.0220 is the daily technical bearish. Technically bullish, if we look at the weekly Elliott wave cycle, we look to be on a bullish wave 3, suggesting this current wave 5 is only part of a larger bull cycle.

FIS senior analyst, Edward Hutton

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