FIS

# Weekly Oil Report

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## Market Review:

**Crude oil market** — Short-term **bearish** with Brent ranging from $82-$93/bbl, as worries about recession, high interest rates, and the dollar's strength increase.

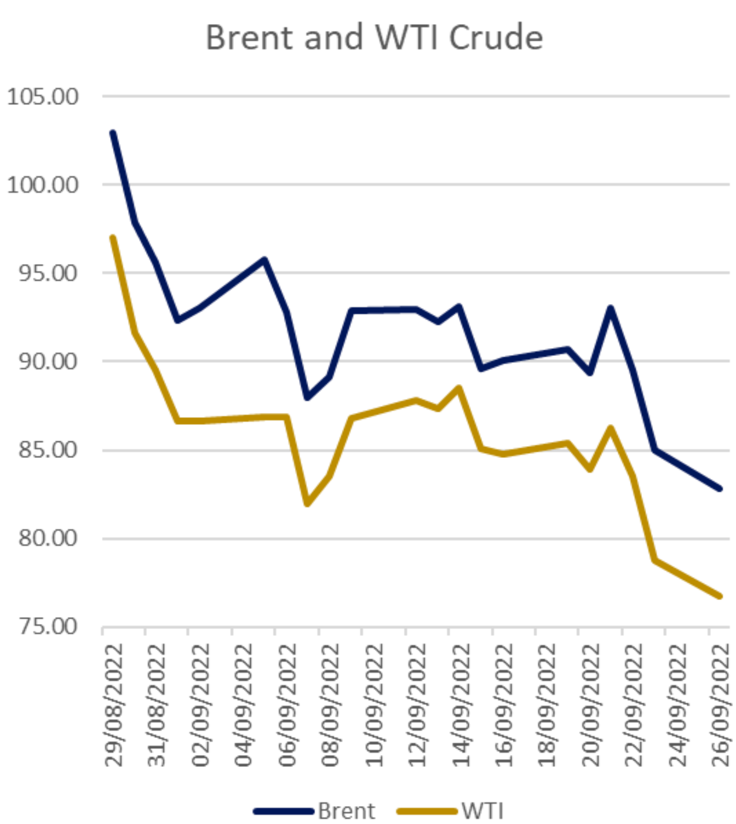
**Bunker market** — Short-term **bearish** Singapore VLSFO ranges from $646-$707/mt.

| Prices movement | 19-Sep | 26-Sep | Changes % | Sentiment | |
|---|---|---|---|---|---|
| **Brent Crude** | 90.66 | 82.86 | **-8.60** | **Bearish** | ↓ |
| **WTI Crude** | 85.36 | 76.71 | **-10.13** | **Bearish** | ↓ |
| **VLSFO (Singapore)** | 679.68 | 660.22 | **-2.86** | **Bearish** | ↓ |

## Crude Oil Market :

### Energy Security 1st, Price 2nd, and Sustainability 3rd

Brent Crude slumped by $7.80, or 8.60%, to $82.86 17.00 GMT week-on-week (w-o-w) on Monday, 26th September. U.S. West Texas Intermediate crude (WTI) dropped $8.65, or 10.13%, to $76.71, Oil Price reported. Prices hit nine-month lows as worries about recession, high interest rates and the strength of the dollar increased. Energy priorities have changed as governments battle inflation, bans on Russian oil loom, and gas supply challenges to Europe continue. It is believed that policymakers may be setting aside sustainability concerns. "Energy Security is number one. Price is number two. Sustainability is number three," Vitol's Chief Executive Officer Russell Hardy said.




The EU sanctions taking effect on December 5th creep closer as the market prepares for one of the most significant shifts in global trade flow. Nearly 3 million barrels per day of Russian crude oil and products will have to be diverted to markets outside Europe. Reuters reported that a large volume would be rerouted to Asia and the Middle East, while Asian outflows would be exported to Europe. However, a certain amount is estimated to be delivered from elsewhere. Colombia's state energy company Ecopetrol is an example as it sells more of its oil production to Europe, replacing Russian supplies. 40-50% of its crude production was exported to Asia this year compared to 60% last year, according to its Chief Executive Officer Felipe Bayon. This is also due to the competition in Asia from cheaper Russian crude oil. Russell Hardy also expects more than a million barrels per day of U.S. crude going into Europe. IEA forecasted the U.S. to overtake Russia as the leading crude supplier to the EU and UK combined.

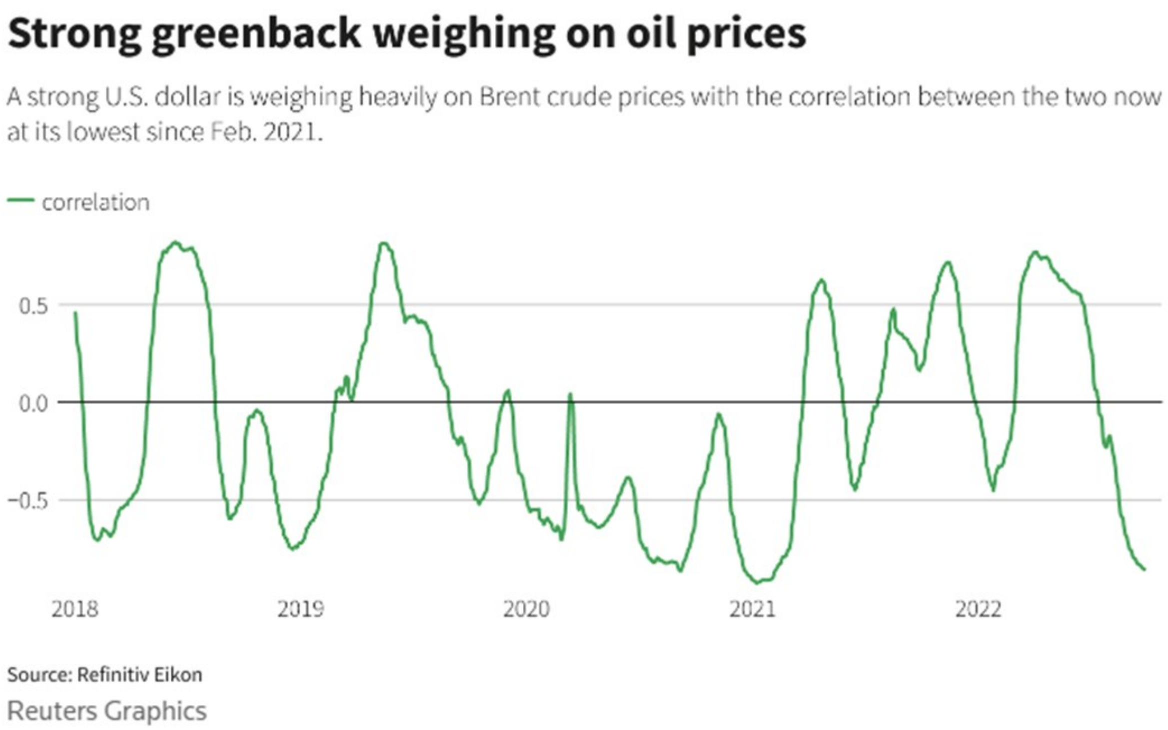
*Source: FIS, ENGINE Online, OilPrice.com, Reuters, Refinitiv Eikon*

## Crude Oil Market (cont)

The rerouting of trading regions could put a strain on the shipping sector. The voyage of Russian oil exports to Asia would be longer, increasing shipping activity and fuel costs for shipping companies. This would also depend on the required vessels and whether they are enough. Is there available infrastructure for the ships? Are there enough shipping companies, insurers, and financial service providers that would not be affected by sanctions of being involved in trading Russian oil into other regions? These constraints could limit how much oil is supplied to the global market and push prices back up.

Others believe the prices are due to rise again after having a steady slide all summer long. JP Morgan commented, "Despite fears over the strength of the global economy, our balances continue to suggest that surpluses observed over summer will turn into deficits starting from October," JP Morgan listed a few points on why they believe prices will return to the $100 level in the fourth quarter. They and others believe global demand will rise again as the natural gas situation encourages more switching toward oil. Releases from the US Strategic Petroleum Reserve are reduced or cancelled. The revival of the Iran Nuclear deal is now unlikely, and the sanctions mentioned above take effect on December 5th. One thing they did not include in their forecast was the US dollar's strong performance, which has dampened oil demand. The growth of the dollar against other currencies means dollar-denominated assets like oil have become more expensive for investors holding foreign currencies. Some say we are already in a recession and others appear to have accepted that a recession will happen as governments and banks fight to get a grip on inflation.

Further short-term supply cuts could support these claims to increase prices as BP Plc and Chevron Corp shut down production at offshore oil platforms in the Gulf of Mexico due to Hurricane Ian. The National Hurricane Center (NHC) reported 100 miles per hour winds as the category 2 storm is expected to intensify. This is the first storm this year to disrupt the U.S. Gulf of Mexico, which accounts for about 15% of the nation’s crude oil, Reuters reported. Regardless of whether the prices fall or rise OPEC+ will be watching the situation carefully as it is reported that they don’t want a sharp increase or a collapse. They want to have a balance in the markets. OPEC+ are meets to set policy on October 5th.




*Source: FIS, ENGINE Online, OilPrice.com, Reuters, Refinitiv Eikon*

## Technical view of the Crude Oil Market:

November Futures – On the last report, we noted that the downside move below USD 91.51 implied that we had started a new bear cycle. The futures initially moved higher and consolidated for a week before breaking to the downside and trading to a low of USD 84.51. Upside moves that fail at or below USD 98.35 will leave the futures vulnerable to further tests to the downside; above this level, the Elliott wave cycle will have a neutral bias. Only above USD 105.48 will the wave cycle have failed. Technically bearish, we maintain our view that we have a potential downside target of USD 71.71.

*FIS senior analyst, Edward Hutton*

*Chart source: Bloomberg*

## Bunker Market:

### Bunker prices fall to multi-month lows

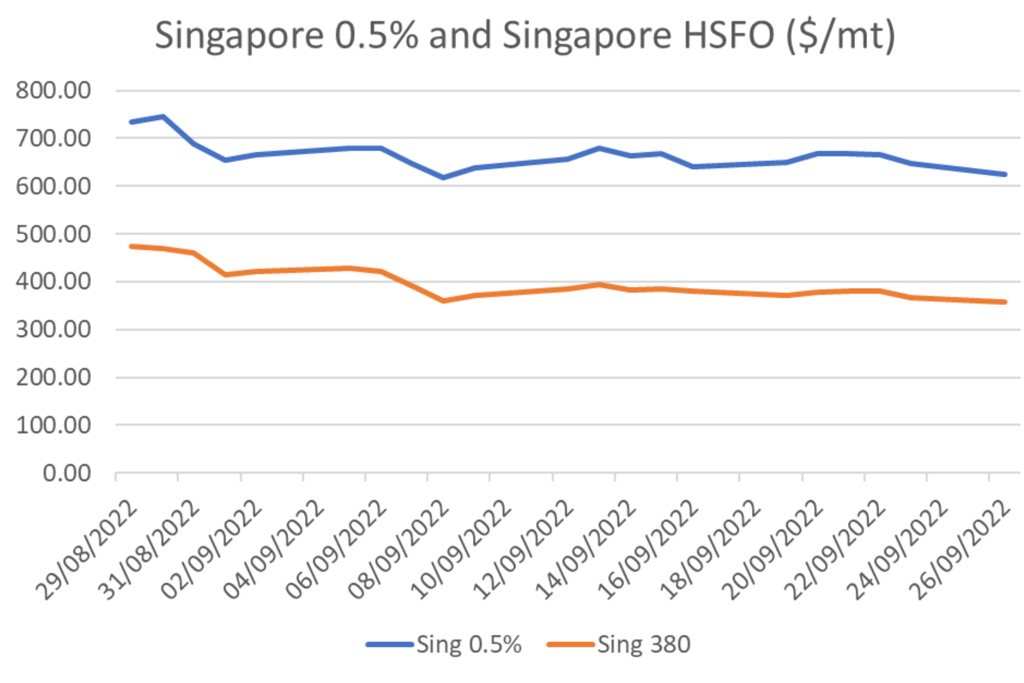
As reported on the FIS Live app, Singapore's VSLFO front-month future fell by $42.50 or 6.53% to $608/mt from Monday, 19th September to Monday, 26th September. Rotterdam's VSLFO front-month future decreased by $46.75 or 7.73% to $557.75/mt. The front-month futures are lower than Singapore and Rotterdam spot prices by $32-$53 in HSFO and VLSFO. There is a gentle backwardation on the futures curve for VSLFO futures. HSFO futures have a subtle contango forward curve.

Physical VSLFO bunker prices had a bearish movement over the last few weeks, hitting eight-month lows. ENGINE Online's prices showed that we are in bearish sentiment as bunker prices reduced to $646-$707/mt in the last week in major ports (Singapore, Rotterdam, and Houston), with further drops in prices in the previous day. The week started with prices falling on Monday and then rising later in the day. We then experienced mixed prices until Wednesday, 21st September, midday. After that, it has been bearish to Tuesday midnight 27th September. Sing 0.5% saw its price drop from $706/mt noon GMT Wednesday 21st September to $646/mt 00:00 GMT Tuesday 27th September.

That's an 8.50% drop. Houston VSLFO lost its premium over Singapore's on Tuesday, the 20th, after HM Queen Elizabeth II's funeral. We did not report this as there was no weekly oil report that week. However, it does continue to maintain a premium over Rotterdam's VSLFO.

U.S exports of petroleum products broke records by increasing 11% to 6 million barrels per day (bpd) in 1H22, the Energy Information Administration (EIA) said on Monday, 26th September. Distillate fuel oil and hydrocarbon gas liquids (HGLs) represented the most significant volumes. As mentioned in the crude oil market commentary, the disruption of trade flows has contributed to U.S. exports seeing a jump between January and June. However, the data does not show that exports of American products are increasing to Europe. This is most likely due to the EU ban not taking effect yet.

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




***Sources:*** *FIS, ENGINE Online, OilPrice.com, IHS Markit Commodities at Sea Service,*

## Bunker Market (cont)

### Hi5 and EW Spreads

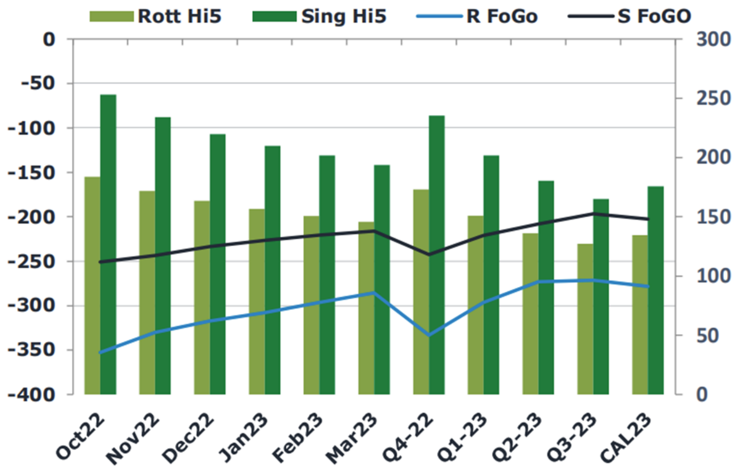
Turbulence continues in the oil markets this week, as we've seen the lowest levels to trade on crude oil in 9 months. Thus, fuel oil product's flat price that derive from the price of crude oil have been following suit.

The front month Rotterdam Hi5 has tightened from last week's high of $209/mt, currently pegged around $188/mt with Brent crude $5.00/bbl lower than this time last week.

We saw an upward swing of around $6 in the 0.5% sulphur EW last Wednesday to print a weekly high of $54.00/mt in the front month. The differential began to tighten up in the latter half of the week into the beginning of this week where it trades steadily at $52.75/mt.

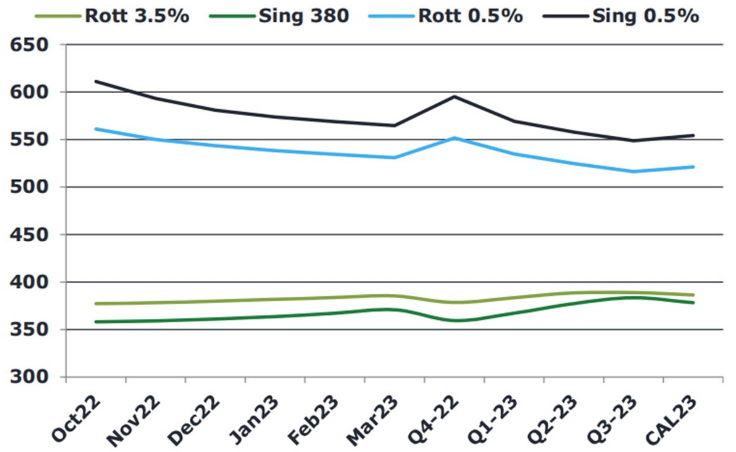
With much lower crude, the 3.5% Rotterdam barges crack dramatically strengthened over the course of the week, the front crack last trading at -$25.30/bbl, up from last week's low of -$28.35/bbl.

**Rotterdam and Singapore Hi5 and FOGOs**




*Source: FIS*

**Rotterdam and Singapore FO Futures**




*Source: FIS*

**Hi5 Forward Curve Values**

| | Rott Hi5 | Sing Hi5 |
|---|---|---|
| Oct-22 | 184 | 253 |
| Nov-22 | 172 | 234 |
| Dec-22 | 164 | 220 |
| Jan-23 | 157 | 210 |
| Feb-23 | 151 | 202 |
| Mar-23 | 146 | 194 |
| Q4-22 | 173 | 236 |
| Q1-23 | 151 | 202 |
| Q2-23 | 136 | 181 |
| Q3-23 | 127 | 165 |
| CAL23 | 135 | 176 |

*Table Sources: FIS*

**HSFO and 0.5% East-West Spread**

| | EW380 | EW0.5% |
|---|---|---|
| Oct-22 | -19.00 | 50.15 |
| Nov-22 | -19.00 | 43.15 |
| Dec-22 | -18.75 | 37.40 |
| Jan-23 | -18.00 | 35.15 |
| Feb-23 | -16.50 | 34.40 |
| Mar-23 | -14.50 | 33.65 |
| Q4-22 | -18.90 | 43.55 |
| Q1-23 | -16.33 | 34.40 |
| Q2-23 | -11.08 | 33.32 |
| Q3-23 | -5.42 | 32.48 |
| CAL23 | -7.25 | 33.09 |

## Tanker Market:

TC2 remained around the ws300 mark in the spot market, with ws300.83 becoming ws299.44 by Friday, with a midweek spike at ws310. The paper market became stronger at the front, October initially traded ws278 following spot higher to 315, with levels as high as ws320 seen. TC14 firmed aggressively on the back of increased cargo and a tighter list, the week starting with negativity following a long weekend after plummeting ws100 between Thursday 15/09 and Tuesday 20th down to ws188.33. By the close of business on Friday that figure became ws305.83 although sources are expecting a correction to take place before the end of the month, October FFA traded up to ws250 from ws222 seen on Tuesday. TC5 rates in the spot market continued the slide from the previous week, after hitting a high of ws340 on 13/09 we began last week at a shade under ws320, end the week at ws284.29; likewise the TC1 shed 30 points to end at ws240 though the round trip still held over $50k per day. Front of the TC5 paper curve saw strong volatility once more, October opening the week at ws310 with a low of ws280. Handymax vessels in the Mediterranean continued to climb this week with TC6 jumping 24.07 points to ws248.13. Available tonnage remained tight as cargoes continued to enter the market.

TD3C Spot topped 100ws for the first time since the end of April 2020 last week, hitting ws103.05 on Wednesday 21st, after opening ws99.91 and ending the week at ws103.82. Cargo numbers this month, out of both the Middle East Gulf and US Gulf are believed to be over 240, second only to the 261 recorded in March 2020 leading to a flurry of fixtures and stronger rates. In the paper market, Cal23 opened at $13/mt, with a high of $13.10/mt though coming down late in the week with lower crude, to closing $12.75/mt on Friday 23rd. At the front of the curve, October generally traded in the lower mid 90s range, about 7ws difference to spot, with a midweek peak at ws97 in strong size (200kt +).

Suezmax TD20 spot market opened the week ws136.36 ticking up to ws139.55, with a week of very limited activity on the paper side. Elsewhere in the Suezmax sector, Black Sea/Augusta remained predominantly flat hovering around ws184-185. The Baltic Exchange TCE had jumped $5,660 the week prior, but only $1,031 was added this week to finish at $59,472 per day. “Despite plenty of anticipation this week, rates failed to see any substantial increase in the Suezmax market,” Howe Robinson said in its daily report on Friday. “However, there remains underlying optimism amongst owners that we will see rates climb as the winter months draw closer.”

Aframax Baltic TCE jumped just shy of $1k to finish at $44,835 per day. USGC/UKC softened in the spot market from ws220 down to ws215.71 reflected in the paper curve as the prompt contract (October) came off gradually throughout the week, opening on Tuesday at ws243 down to ws235 seen on Friday afternoon on a quiet week.

## Technical view of the Tanker Market:

### Tankers TD3

October Futures – We noted last week that based on the weekly cycle, the futures were still only on wave 5 of an extended wave 3 with a potential upside target at USD 17.6954; we had further resistance at USD 18.6940 and USD 19.9660. The futures traded to a high of USD 19.4030. Our oscillators are moving to new highs, having not crossed below 0, telling us that downside moves should be considered countertrends. Corrective moves lower that hold at or above USD 15,8515 will support a bull argument; the technical will have a neutral bias below this level. Upside moves above the USD 19.4030 will have further resistance at USD 19.9660, USD 21.5709, and USD 22.2366. Technically bullish with downside moves considered as countertrend, there is still the possibility that this current wave 3 is extending.

*FIS senior analyst, Edward Hutton*


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*Chart Source: Bloomberg*