FIS Weekly Oil Report

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Market Review:

Crude oil market — Short-term **bullish** with Brent ranging from $88-$97/bbl, as COVID cases flare up yet again in China raising concerns of global demand.

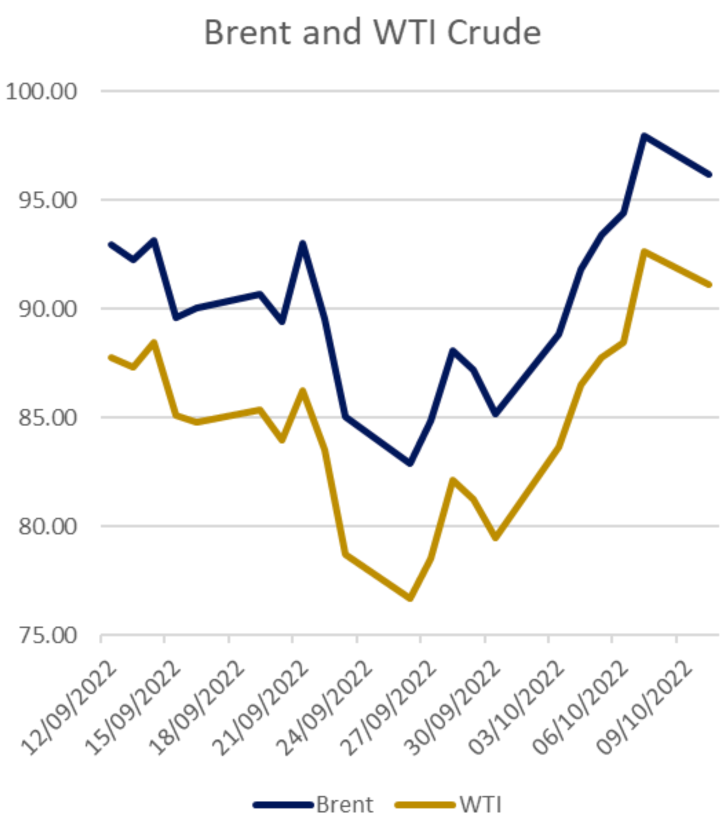
Bunker market — Short-term **bullish** Singapore VLSFO ranges from $669-$787/mt.

Prices movement	3-Oct	10-Oct	Changes %	Sentiment	
Brent Crude	88.86	96.19	**8.25**	**Bullish**	↑
WTI Crude	86.52	91.13	**4.61**	**Bullish**	↑
VLSFO (Singapore)	698.81	784.11	**12.21**	**Bullish**	↑

Crude Oil Market :

Crude Jumps after OPEC Production Cut

Brent Crude increased by $7.33 or 8.25% to $96.19 17.00 GMT week-on-week (w-o-w) on Monday, 10th October. U.S. West Texas Intermediate crude (WTI) gained $4.61, or 5.33%, to $91.13, Oil Price reported. Prices increased after a production cut by the Organization of the Petroleum Exporting Countries (OPEC) and its allies, known collectively as OPEC+. As expected, President Biden looks to his administration and Congress to retaliate to OPEC's production cut after the move was called "shortsighted" by the national security adviser Jake Sullivan and National Economic Council Director Brian Deese said in a statement. The probability of Biden making direct releases from the nation's Strategic Petroleum Reserve has increased based on the reactions and comments from the White House. It was also interesting that Saudi Aramco, one of the world's largest oil producers, has told customers in Asia that they would receive full contract volumes of crude oil. Their main customers are China, Japan, the U.S, South Korea, and India. This would mean the supply cut could be directed to customers like the U.S.



"$100 oil is coming!" That's what the markets are shouting. Oil's second weekly gains. People seem to think it will hit the $100 mark. There is still, however, plenty of uncertainty in the market. We still do not know what will happen with Russian supply after the EU oil ban and G-7 price cap.

Source: FIS, ENGINE Online, OilPrice.com, Financial Times, Reuters

Crude Oil Market (cont)

The world's biggest crude importer China also re-ignited concerns about demand for global fuel as their data shows slowing economic activity. Caixin's services purchasing managers index (PMI) fell below 50-mark for August and September. Some may also say, "here we go again" as China increases their anti-COVID measures as infections rise again. Big cities like Shanghai and Shenzhen are some of those affected; local authorities are closing schools, entertainment venues and tourist spots. India's monthly fuel demand has also been at a ten-month low, which could soften the blow of OPEC+ cutting their supply. In terms of real-time supply, nothing is expected to happen immediately. A Commerzbank report said, "An undersupply is even looming next year because the production cut is supposed to apply until the end of 2023, according to the OPEC+ decision".

The markets will hope for new alternatives and sources to ease tight supply. An example of this would be Norway for the European market. Last week brought news that Norway's oil production is expected to rise by 15% in 2023. The Nordic country became Europe's top gas supplier after Russia cut its exports, while crude oil from Johan Sverdrup, an oil field in the North Sea, about 140 kilometres/87 miles west of Stavanger, Norway, is helping to replace Russian Urals ahead of an EU ban. Norway's full-year production of crude oil, condensate, and natural gas liquids (NGL) is seen rising to 2.26 million barrels per day. The government said that Norway's total production of oil liquids and natural gas is expected to hit 4.3 million barrels of oil equivalent per day next year. It is worth noting that Norway will need consistent effort from operators to increase production, develop new fields, and make discoveries to offset the global decline in oil and gas field production as we look to hit our net-zero targets. They're not the only ones who seem to be shifting sustainability priorities to the side as the possibility of a recession increases. Another example of governments moving is the UK defying climate warnings with new oil and gas licenses. The government promised to increase North Sea production to tackle the energy crisis.

As people continue shouting that $100 oil is coming, whether it comes and continues rising is another story. Every day, a recession could be officially announced. A recessionary economic outlook normally leads to lower oil demand. In the short term, prices may rise due to geopolitical factors such as sanctions on Russia, reducing Russian exports. However, in the long term, lower demand would mean supply at that given time will not be as strenuous as expected.

ICE Brent Crude Oil Front Month - 6 Months

Chart source: Financial Times

Source: FIS, ENGINE Online, OilPrice.com, Financial Times, Reuters

Technical view of the Crude Oil Market:

December Futures – We noted last week that OPEC rhetoric could kill off the bearish Elliott wave cycle. OPEC cut production numbers by 2 Mil bpd resulting in the futures trading above the USD 95.80 and USD 98.06 resistance levels, supported by a build in aggregate open interest. The longer-term wave cycle is bearish neutral, which is a psychological footprint of the market; the aggressive bpd cut would suggest the wave cycle is no longer in play. The futures are bullish based on higher highs and higher lows, supported by the open interest build, suggesting fresh longs have entered the market. Downside moves that hold at or above USD 90.57 will support a bull argument; the technical will have a neutral bias below this level. Only below USD 86.35 is it bearish.

FIS senior analyst, Edward Hutton

Chart source: Bloomberg

FIS Technical – Brent Dec 22

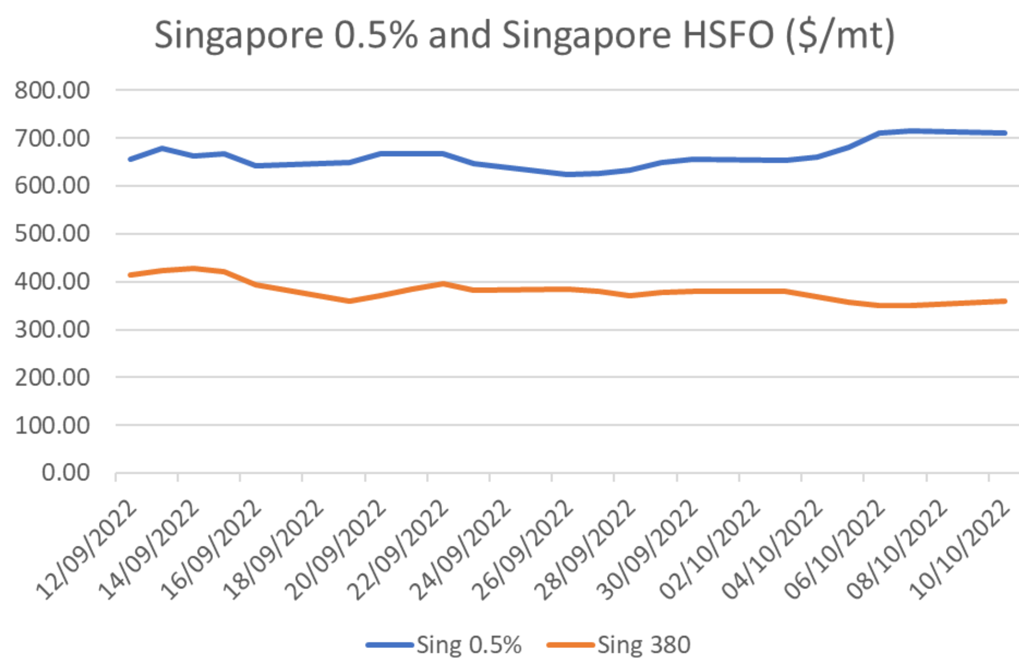
Bunker Market:

Singapore's VSLFO front-month future gained by $68 or 10.99% to $687/mt from Monday, 3rd October to Monday, 10th October, reported on the FIS Live app. Rotterdam's VSLFO front-month future increased by $58 or 10.10% to $632.5/mt. The front-month futures are lower than Singapore and Rotterdam spot prices by $31 - $97 in HSFO and VLSFO. There is a backwardation on the futures curve for VSLFO futures and HSFO futures with a flat forward curve.

Physical VSLFO bunker prices had bullish movement over the last week, following crude oil prices and OPEC+ announcements of crude oil production cuts. ENGINE Online's prices showed Sing 0.5% increase in its price range to between $669 - $787/mt in the last week. VSLFO prices in major ports (Singapore, Rotterdam, & Houston) increased from the early hours of Monday, 3rd October, as rumours of OPEC cutting production grew. Prices continued rising as expected to Friday, 8th October, late evening, when they settled for the weekend. Prices then started falling Monday the 10th as China opened again after the Golden Week holiday. This may not influence prices as we know China has also had COVID cases go up again in major cities like Shanghai.

As the markets prioritise security and prices over sustainability in a looming recession, it is always worth keeping an eye out for the future. Singapore, the world's largest bunkering port, will soon be offering multi-fuel bunkering in the future, S&P Global Commodity Insights reported. It has been said that biofuels will play a key role in Singapore's sustainability goals. Vitol Bunkers account for half the sales and operations of biofuel so far in 2022. 70,000 mt of biofuel was supplied to vessels in Singapore, Senior Minister of State for Finance and Transport Chee Hong Tat said and reported on S&P Global. That is higher than total LNG marine fuel sales of 50,000mt in 2021. As we wait to see the data for 2022, it will be worth keeping an eye on whether this will be cost-effective. This is a challenge all sustainable alternatives seem to face in the initial phases.

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



Sources: *FIS, ENGINE Online, S&P Global Commodity Insights / IHS Markit Commodities at Sea Service,*

Bunker Market (cont)

Hi5 and EW Spreads

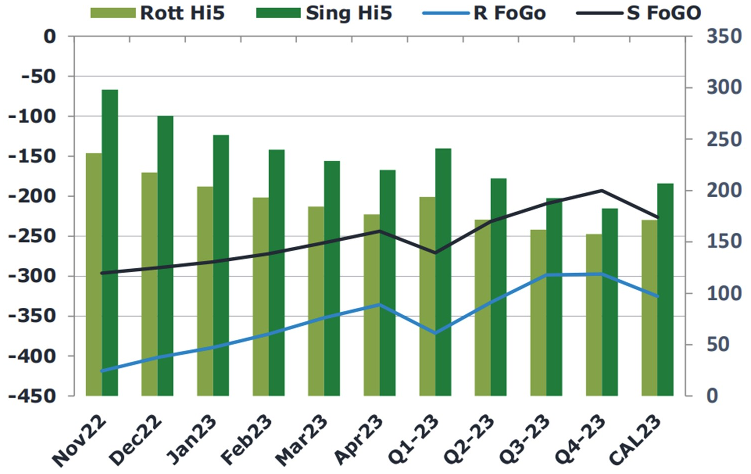
Although down today on recession fears, Brent crude has seen five consecutive days of gains off the back of OPEC's production cut announcement; thus, flat prices of fuel oil refined products have strengthened.

Sing 0.5% Nov22/Dec22 spreads have had a dramatic upward squeeze over the course of the week, closing at $15/mt last Tuesday to jump by $5.50/mt into Wednesday and finish the week high at $23.75/mt on close for 10th October.

The Sing Hi5 spread has widened gradually from last Tuesday – incrementally increasing every day from 04/10/22 at $259/mt to yesterday's $298/mt (prices of the Nov22 contract). The low sulphur Singapore marine fuel oil grew in price to widen this differential whilst the high sulphur grade remains relatively flat with last week.

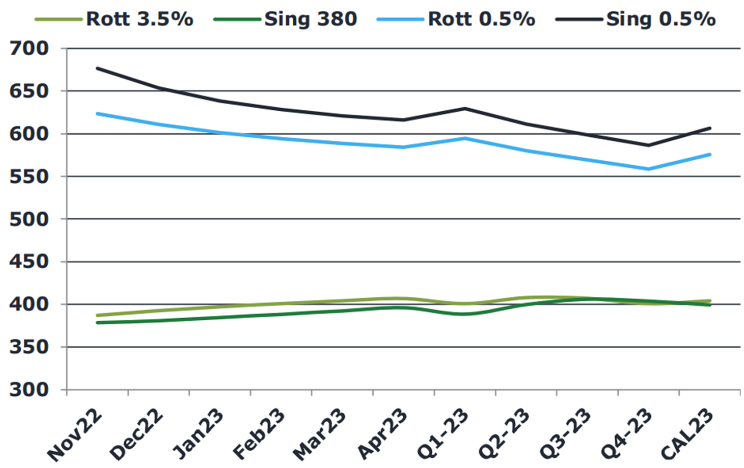
The high sulphur EW Nov22 has seen two massive jumps since my last weekly report – from -$21/mt to -$13.50- last Wednesday, trading fairly steadily until Friday. It strengthened drastically in yesterday's trading to close at -$8.50/mt from -$16.00/mt.

Rotterdam and Singapore Hi5 and FOGOs



Source: FIS

Rotterdam and Singapore FO Futures



Source: FIS

Hi5 Forward Curve Values

	Rott Hi5	Sing Hi5
Nov-22	193	298
Dec-22	218	273
Jan-23	204	254
Feb-23	193	240
Mar-23	184	229
Apr-23	177	220
Q1-23	194	241
Q2-23	172	212
Q3-23	162	193
Q4-23	158	183
CAL23	171	207

Table Sources: FIS

HSFO and 0.5% East-West Spread

	EW380	EW0.5%
Nov-22	-8.75	53.35
Dec-22	-11.75	43.10
Jan-23	-12.50	37.60
Feb-23	-12.50	34.10
Mar-23	-11.75	32.85
Apr-23	-10.75	32.60
Q1-23	-12.25	34.85
Q2-23	-8.17	31.93
Q3-23	-1.00	29.68
Q4-23	3.17	28.10
CAL23	-7.50	31.14

Tanker Market:

Wednesday's announcement from Vienna dominated headlines after OPEC called a larger-than-expected output reduction of 2m barrels per day. However, analysts believe this translates to half that amount or as low as 300,000 to 400,000 bpd lower than this due to quota 'cheating' - the equivalent of 10 VLCCs fewer coming out of the Middle East Gulf in November. Despite this analysis, the VLCC route TD3C fell from WS82.59 to 78.14 on Wednesday and but did recover to WS81.64.

It is no surprise that with the OPEC announcement that the FFA market saw substantial volumes throughout the week, TD3C front month (Oct) trading between WS75.75 and 85.5 and the Nov + Dec Strip a popular trade in the range of WS77.50 to 85.50. TD20 on the other hand, as another crude route it shed 3.73 points down to WS124.68 as the whole Suezmax sector ticked softer. The Cal23 gapped lower to open this week at $15.60/mt, before recovering to $16.10/mt.

After a slump for most of the second half of September, TC2 spot rates remained relatively stable for most of last week, within a range of WS255 to WS250. However, they dipped to WS248.33 by close of business on Friday, though rumours of a healthier-looking list are expected to give owners fresh positivity into the new week. Front-month paper contract (Oct) gained to WS270 by the end of the week after opening with a trade at WS258 and a low of WS250.

With increased supply and availability TC14 spot continued to drop, albeit much sharper at the start of last week, opening at WS285.83 and ending the week at WS176.67. The Caribbean route TC21 lost almost 50% of its value, from $1.645 million to $830k. This was reflected in the FFA market, as TC14 October began the week trading at WS236 and ending at WS200.

The MR Atlantic Triangulation Basket TCE lost $17,720 from $49,825 to $32,105. LR1s came softer after a week of limited activity, with the TC5 spot index down 7.14 points to WS171.43. The paper market continued to be volatile, with the November contract trading between 287 and 310 and the Cal23 fluctuating $1 between $50/mt and $51/mt. TC6 generally remained in a tight range again with a solid supply/demand balance as rates held between WS316.88 and WS321.88.

Technical view of the Tanker Market:

Tankers TD3

November Futures – The near-term technical was bullish last week but with a neutral bias due to the depth of the pullback; the longer-term Elliott wave cycle remains bullish above USD 13.3903. The upside move is rejecting the USD 17.6401 resistance, warning the technical is vulnerable to a test to the downside, suggesting we are potentially in a more complex corrective wave 4. Upside moves above USD 17.6401 will target the USD 18.6050 high; likewise, downside moves below USD 15.6090 will warn that the USD 15.2283 and USD 14.3090 support levels are vulnerable. Technically bullish, the current rejection of the USD 17.6401 resistance would suggest that support levels could be tested soon.

FIS senior analyst, Edward Hutton

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Chart Source: Bloomberg