FIS

Weekly Oil Report

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Market Review:

Crude oil market — Short-term **neutral bearish** with Brent ranging from $91-$98/bbl, as markets calm down and balanced OPEC+ decision to cut production.

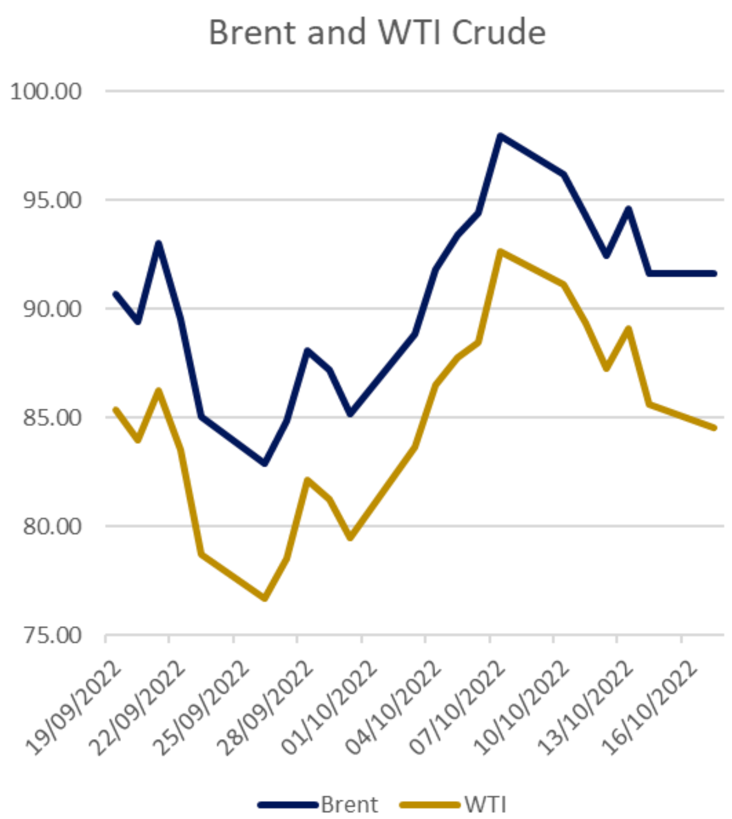
Bunker market — Short-term **neutral bearish** Singapore VLSFO ranges from $719-$784/mt.

Prices movement	10-Oct	17-Oct	Changes %	Sentiment	
Brent Crude	96.19	91.62	**4.57**	**neutral bearish**	↘
WTI Crude	91.13	84.53	**7.24**	**neutral bearish**	↘
VLSFO (Singapore)	784.11	731.84	**6.67**	**neutral bearish**	↘

Crude Oil Market :

Oil slumps despite OPEC cut pledge

Brent Crude slumped by $4.57 or 4.75% to $91.62 17.00 GMT week-on-week (w-o-w) on Monday, 17th October. U.S. West Texas Intermediate crude (WTI) dipped by $6.60, or 7.24%, to $84.53, Oil Price reported. The markets seem to be balancing the oil production cut as we saw multiple headlines screaming, "$100 oil is coming!" This could be an overall neutral sentiment despite prices falling. OPEC's decision would most certainly influence prices to go up; however, several factors still support the fall of prices. Global economic recession, the U.S. counteracting by increasing their production, Russian supply, and Chinese demand.



Starting with the second-largest economy, China. It delayed its anticipated third-quarter critical economic data and gross domestic product growth rate. This was due to be announced at the 20th Chinese Communist Party conference. It is unclear what the reason for the delay is, and the National Bureau of Statistics did not respond to comment, Financial Times reported. The data is supposed to show a continued economic weakness due to the property crisis and covid lockdowns. We expect to see President Xi Jinping land a third term in office, which will mean more of the same approach we have seen over the last few years; zero covid policy and long-term economic growth.

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

Crude Oil Market (cont)

OPEC+ member states had to endorse the cut after the US accused them of supporting Russian foreign earnings and doing it for political reasons. Saudi King Salman bin Abdulaziz said it supported the decision based on supporting stability and balance in oil markets. The Saudi defence minister, King Salman's son Prince Khalid bin Salman also said all OPEC+ member states agreed based on economic factors. “Purely Technical,” some said. As member states backed these statements, the USA claimed Saudi Arabia had pushed other member states to oil cut. This war of words adds to the deteriorating U.S.-Saudi relations since Biden took office.

The U.S. is expected to counter by raising its supply. Whether this was the plan before the cuts is another story. The biggest U.S. shale oil basin is forecast to rise by 50,000 barrels per day (bpd) to 5.5 million bpd in November, the U.S. Energy Information Administration (EIA) said in its productivity report on Monday. Reuters reported that U.S. crude oil output is expected to rise in major U.S. shale basins by about 104,000 bpd to 9.1 million bpd in November. This will be the highest since the pandemic started. We should expect more activity from the U.S. as the mid-term elections approach. This may also explain the increase in activity and words from the largest oil producer. Some sources have claimed that the Biden administration will release oil from Strategic Petroleum Reserve to dampen fuel prices before the congressional elections. Leadership positions are more volatile than the steadier oil market this week.

Technical view of the Crude Oil Market:

December Futures – Last week, we noted that the OPEC cut and their bullish rhetoric had probably killed off the longer-term wave cycle, as this is based on the psychological footprint of the market. The futures have been in a corrective phase since then! Key support remains intact at USD 90.57; downside moves that hold at or above this level will support a bull argument. If broken, the technical will have a neutral bias. Aggregate open interest (AOI) has been building since 13/09. It continues to do so, suggesting the market is opening new positions to the long side, as the futures have created a higher high whilst AOI continues to rise. Technically we are bullish and supported by increasing AOI. However, we need to hold above the USD 90.57 level; otherwise, fresh market longs could start to get a little nervous.

FIS senior analyst, Edward Hutton

Chart source: Bloomberg

FIS Technical – Brent Dec 22

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

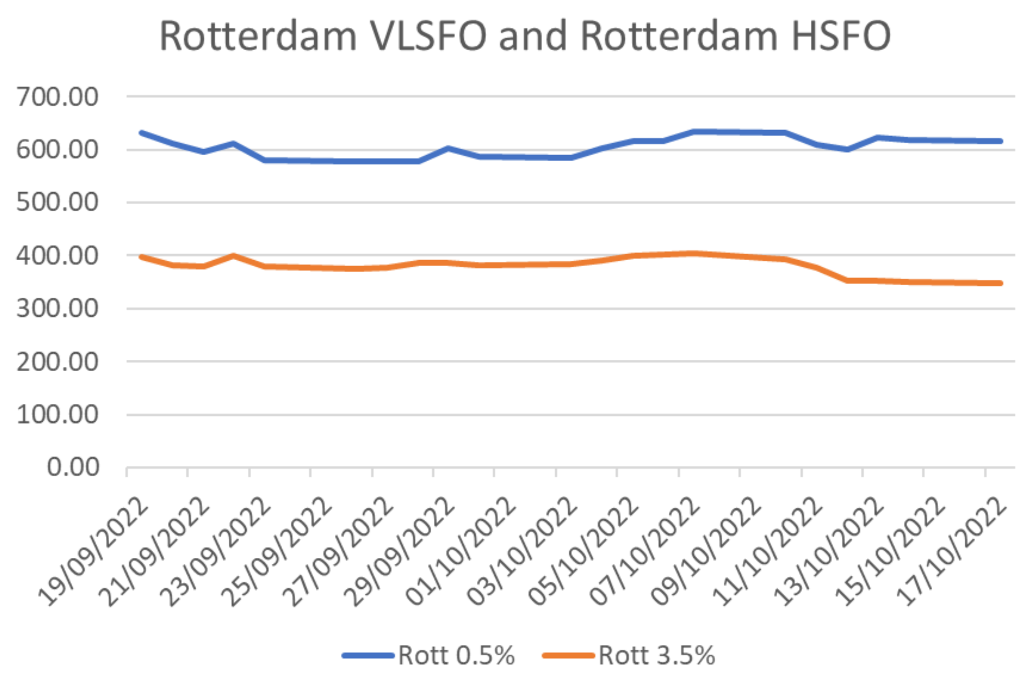
Bunker Market:

Singapore's VSLFO front-month future dipped by $31.75 or 4.62% to $655/mt from Monday, 10th October to Monday, 17th October, reported on the FIS Live app. Rotterdam's VSLFO front-month future decreased by $27.50 or 4.35% to $605/mt. The front-month futures are lower than Singapore and Rotterdam spot prices by $14 - $77 in HSFO and VLSFO. There is a backwardation on the futures curve for VSLFO futures, with Q1-23 and Cal-23 prices rising and HSFO futures with a gentle contango curve with a dip in Q1-23 prices. It is worth noting that the most significant price changes come from the Sing and Rott HSFO, with over 10% reductions in prices wow from Monday 10th October. This could be due to China's oil products export quota increases.

Physical VSLFO bunker prices had a neutral bearish movement over the last week, following the markets calming down after OPEC+ production cuts and more rollercoaster news on Chinese demand. ENGINE Online's prices showed Sing 0.5% have a price range of $719 - $784/mt in the last week. VSLFO prices in major ports (Singapore, Rotterdam, & Houston) decreased from the early hours of Monday, 10th October, as the world waited on Chinese economic data. Prices continued falling until midnight Wednesday 12th October, late evening, when they settled. They have shown signs of a neutral sentiment and continue to do so.

As the globe continues to worry about where fuel supply will come from, some continue to take action to find an alternative fuel to become more energy efficient. Sinopec, a Chinese energy firm and one of the world's largest oil refining organisations, carried out the country's first methanol bunkering operation. Companies like AP Moller-Maersk intend on using methanol propulsion for its first carbon-neutral vessels, Ship & Bunker reported. There is a lot of news about pilot experiments, future orders, and research. There isn't enough data or evidence to show that the markets are moving in large enough volumes to meet global sustainable goals. We heard the Ports of Rotterdam and Gothenburg signed a green corridor deal to help realise more sustainable shipping in support of the Paris Agreement without any clear explanation of what this corridor entails. We have heard of recycled bunker fuel having a lower carbon footprint. Others, like the German oil and plastics recycling firm Biofabrik, say they can produce viable bunker fuels from waste oil products. In the end, we need more action and less talk. Two members of the European Parliament said they would like to see the FuelEU Maritime directive provide more support to alternative marine fuels. But until the recession passes, we remain at energy security first, price second, and sustainability third.

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)

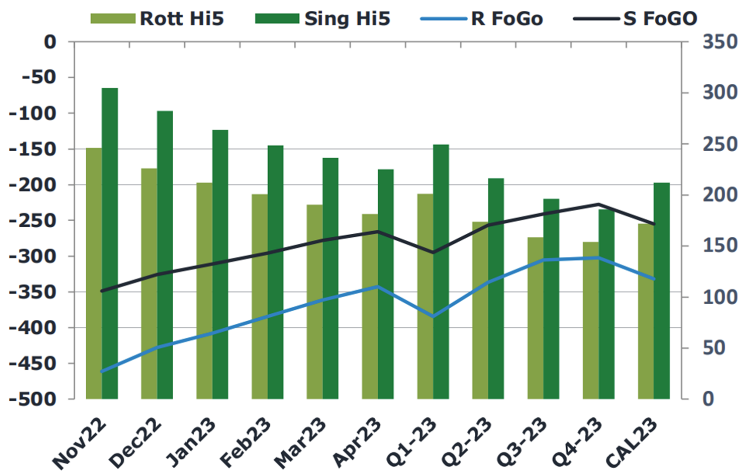
Hi5 and EW Spreads

The Sing Hi5 has widened compared to last Tuesday – from 11/10/22 at $291/mt to yesterday's $306/mt (prices of the Nov22 contract). Both grades in this differential have fallen on the week. However, the widening has come from a substantially more significant drop in the 380cst Sing grade than in the 0.5% sulphur marine fuel. This likely boils down to the high supply of 380cst oil due to Chinese production quotas.

High sulphur EW jumped $6 to 0 flat last Wednesday but has since weakened gradually to last print -$7.00/mt in the OTC market for the front month. Low sulphur EW is currently valued at around $51.70/mt in the front month – only a dollar below the value at this time last week, not a major shift for an EW differential.

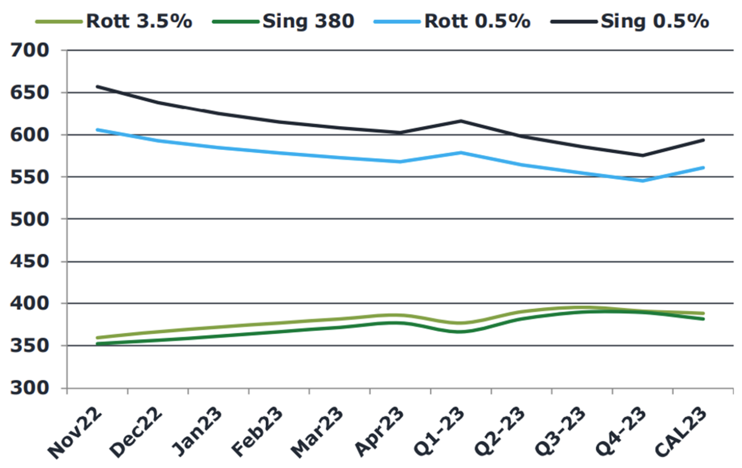
3.5% Rotterdam barges crack is at historically low levels. For perspective, the front month average of this crack from 2019 to now is -14.51/bbl; the last settlement was -$34.55/bbl. There's no clear answer for this collapse. However, one possibility is that the Chinese production quotas result in higher fuel exports to the West, thus increasing supply in this region and weakening the high sulphur euro crack.

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	246	305
Dec-22	226	282
Jan-23	212	264
Feb-23	201	249
Mar-23	191	236
Apr-23	181	225
Q1-23	201	250
Q2-23	174	216
Q3-23	159	196
Q4-23	154	186
CAL23	172	212

Table Sources: FIS

HSFO and 0.5% East-West Spread

	EW380	EW0.5%
Nov-22	-7.00	51.75
Dec-22	-10.25	46.00
Jan-23	-10.75	41.00
Feb-23	-10.50	37.25
Mar-23	-10.00	35.75
Apr-23	-9.25	34.75
Q1-23	-10.40	38.00
Q2-23	-8.42	34.00
Q3-23	-5.83	31.83
Q4-23	-1.75	30.33
CAL23	-7.50	33.54

Tanker Market:

LR1s continued to show momentum; TC5 has gained 20 points to ws191.43, though the November contract fell from ws305 to ws285 amidst another week of increased volatility, but with sentiment opposite to the week prior. The MR market again saw increased productivity on the spot, especially on the continent. TC2 Spot moving from ws247.22 up to 278.89, a level not seen since mid-September, as was mirrored with the Balmo contract opening in the mid-260s and pushing ws300 levels before the weekend began. US Gulf volatility continued, TC14 rebounding, opening ws170.83 to ws194.17 split with a peak on Wednesday at 206.67. The MR Atlantic Triangulation Basket TCE gained $5495 from $29,722 to $35,667. On the Handymax, in the Mediterranean, after a positive start on TC6 - and the index rising over 16 points, we seem to have again plateaued, around the mid-330s mark.

Last week bought more positivity for VLCCs, as speeds reached 12knots for the first time since February 2021, according to research by the Signal Group. Strong demand for tonnage taking oil to China and India has seen speeds increase, with the seven-day moving average in October reaching nearly 12 knots (22 kph) for loaded vessels. TD3C spot market rebounded after opening ws81.09 to closing on Friday at ws93.86, a two-and-a-half week high. Paper market volumes were strong, especially in the second half of the week, as we saw over 100ws in the Balmo contract, and the Cal23 moved up to $13.20/mt, a level not seen for a month.

Suezmax rates also saw positive movement, TD20 closing on Friday 31.02ws higher at 156.25. Baltic forward assessments supported this, with a $4.47 (around 29ws) gain on the Oct contract throughout the week, and the Cal23 gained almost a dollar to over $17/mt.

The Aframax sector also continued an upward trajectory, USGC-UKC ws207.5 became ws235, and with the front month (Oct) entering the weekend $7.27/mt (just shy of 39ws) above Monday's closing assessment. DPP FFA volumes were 6407 lots higher than the week prior at 15,423 lots.

Euronav found a buyer for the world's biggest tanker, for a handy gain, after 18 years under Euronav ownership. The debt-free vessel will generate a profit of $34.7m.VesselsValue assesses the huge ship as worth $43.55m, having been acquired from Greece's Hellespont Steamship in 2004 for $112m. (Tradewinds)

Technical view of the Tanker Market:

Tankers TD3

November Futures – Technically bullish last week, the rejection of the USD 17.6401 resistance warned that support levels could be vulnerable, as the futures were potentially in a corrective wave 4. However, an upside move above this level signalled that the futures would target the USD 18.6050 high. The futures broke resistance and have now traded to a new high, indicating we are on an Elliott wave 5 of this phase. Downside moves that hold at or above USD 16.7908 will support a bull argument; below this level, the technical will have a neutral bias. Wave analysis would suggest we now have a potential upside target of USD 20.4918; however, the new high has created a negative divergence with the RSI, not a sell signal it is a warning that we have the potential to see a momentum slowdown and will need to be monitored.

FIS senior analyst, Edward Hutton

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Chart Source: Bloomberg