FIS Weekly Oil Report

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Market Review：

Crude oil market — Short-term **neutral bullish** with Brent ranging from $82-$88/bbl, as OPEC+ Oil Alliance plan a substantial cut in production to prop up falling prices.

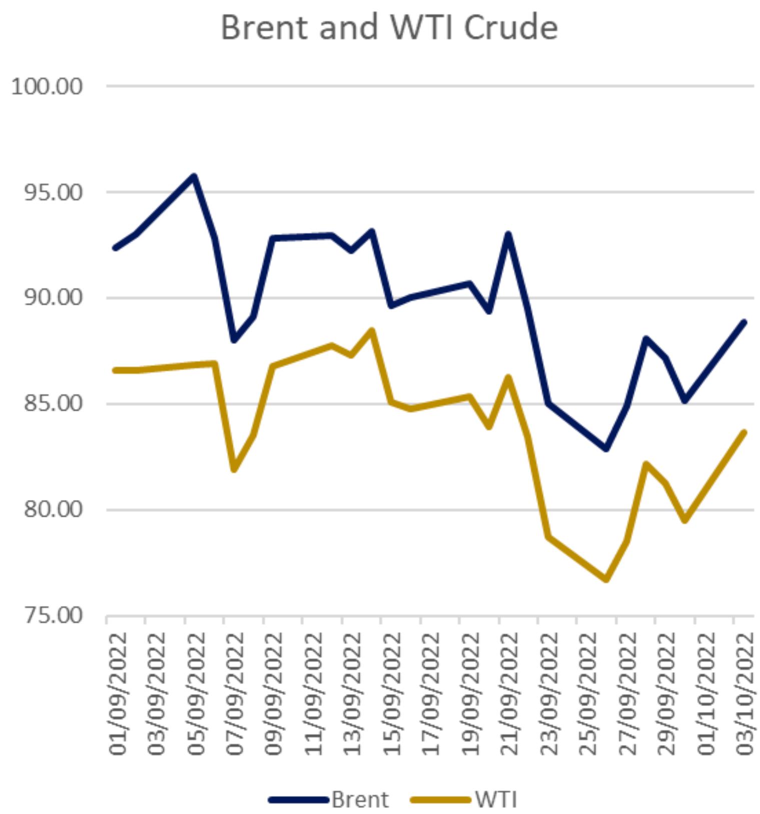
Bunker market — Short-term **neutral bullish** Singapore VLSFO ranges from $646-$700/mt.

Prices movement	26-Sep	3-Oct	Changes %	Sentiment	
Brent Crude	82.86	88.86	**7.24**	**Neutral Bullish**	↗
WTI Crude	76.71	83.63	**9.02**	**Neutral Bullish**	↗
VLSFO (Singapore)	660.22	698.81	**5.85**	**Neutral Bullish**	↗

Crude Oil Market :

Crude rises ahead of production cut

Brent Crude advanced by $6, or 7.24%, to $88.86 17.00 GMT week-on-week (w-o-w) on Monday, 4th October. U.S. West Texas Intermediate crude (WTI) gained $6.92, or 9.02%, to $76.71, Oil Price reported. Oil prices have been dropping for four straight months, with the world's top energy consumer China reducing their demand due to COVID-19 lockdowns, interest rate hikes, a strong U.S. dollar weighing on the financial markets, and a recession looming. In the last week, it has increased with an expected production cut by the Organization of the Petroleum Exporting Countries (OPEC) and its allies, known collectively as OPEC+.



Despite the devastation caused by Hurricane Ian, the markets have not been impacted as much as expected this year. The markets, however, do expect the OPEC meeting on 5th October to have an impact, which has the potential to increase prices. OPEC+ are considering cutting oil supply by 1 million barrels per day (b/d) at its meeting in Vienna, Austria. The most significant cut since the beginning of the COVID-19 pandemic. The last one was 9.7 million b/d (10% of global production). "The OPEC ministers are not going to come to Austria for the first time in two years to do nothing. So, there's going to be a cut of some historic kind," Dan Pickering, CIO of Pickering Energy Partners, said, referring to the group's first in-person meeting since 2020. This will be the second consecutive monthly cut after reducing output by 100,000 bpd last month. Some expect the actual number to be around 50% of what is rumoured. Some believe there is hope and potential for oil prices to increase after heavy losses over the last few months. Analysts at Goldman Sachs see Brent reaching triple digits over the next three months and WTI over the next six months. And others believe it will not be enough.

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

Crude Oil Market (cont)

Saxo Bank's Ole Hansen was asked whether a massive output cut from OPEC+ would likely be enough to send oil prices back to their June high. He responded, "I don't think it is because we have to consider that OPEC+ has been struggling for months to produce the quota levels they had agreed. If they do cut by 1 million or by 1.5 million, they will have to change the quota system for that number actually to be a real cut in the market," Hansen told CNBC's "Worldwide Exchange" on Monday. Regardless of the amount, this will act against the interests of most of the planet as they fight to bring down energy costs. Some tension would also be added with the US, where President Joe Biden has been trying to lower fuel prices for Americans ahead of the midterm elections next month.

As winter approaches, distrust is ramping up between Russian and Europe. Europe is investigating major leaks that suddenly erupted in the Nord Stream gas pipelines that run from Russia to Europe under the Baltic Sea. Markets also looked to the horizon as the EU ban on Russian oil takes effect on Dec 5th. S&P Global Commodity Insights forecasts Russian disruptions peaking at 1.5 million b/d in Q1 2023 due to the EU import bans, which the price cap could temper. This is the eighth package to be discussed, which Hungary claims they would block. This will only lead to further worry in an already tight energy market. However, as we mentioned in our report last week, there could be a significant trade-off or global shift in where oil goes.

We know Europe is looking elsewhere for oil supply, and Russia for alternative consumers, but this may be disrupted by shipping constraints. If Russia can overcome these constraints, India and China will likely continue to be the leading destinations of Russian oil. India and China now account for over half of all Russia's seaborne oil exports. Western nations have criticised both countries for these purchases. India's Foreign Minister S Jaishankar said his country had little choice "when the price of oil is breaking our back". The G7 group of nations (UK, US, Canada, France, Germany, Italy, and Japan) have been planning a proposal to cap the price of Russian oil to limit Russia's revenue. The sanctions so far have been affecting payment transactions for Russian customers, and their counter is to avoid paying US dollars or euros. It currently feels like a lose-lose scenario for all sides. The question remains whether the global shift in oil supply will affect oil prices. This all depends on the constraints of changing suppliers and consumers on things like shipping and infrastructure. If this reduces the amount of oil from Russia in the global market, we expect prices to change significantly.

Another big question mark is the demand outlook of China as it experiences slower economic growth. China's Golden Week is from Saturday, 1st October to Friday, 7th October. This will mean markets will be quieter on the east side. However, Bloomberg reported China's most significant fuel-export quota this year, increasing its total allocation to 37.25 million tons. This attempts to revive the economy after being hit with Covid lockdowns. As mentioned before, this may be a concern for an already tight market, but we also expect a flood of fuel in Asia because of Russia.

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

Technical view of the Crude Oil Market:

December Futures – This technical is getting a little interesting as OPEC and its allies are making sounds regarding heavier production cuts; this could potentially kill off our bearish Elliott wave cycle. As we stand, the technical is bearish in what looks to be a countertrend move; upside moves that fail at or below USD 98.06 will leave the technical vulnerable to further tests to the downside. However, above USD 95.80, it will warn that there could be an issue relating to the wave count, as this is an important fractal for the lower timeframe. Technically bearish but with momentum to the buy side, the sabre rattling from OPEC would suggest keeping an eye on the commitment of trader's report for any signs that an aggressive production cut could be on the cards, as the next move has the potential to not be linked to the technical.

FIS senior analyst, Edward Hutton

Chart source: Bloomberg

Brent Dec 22 Morning Technical Comment – 60 Min

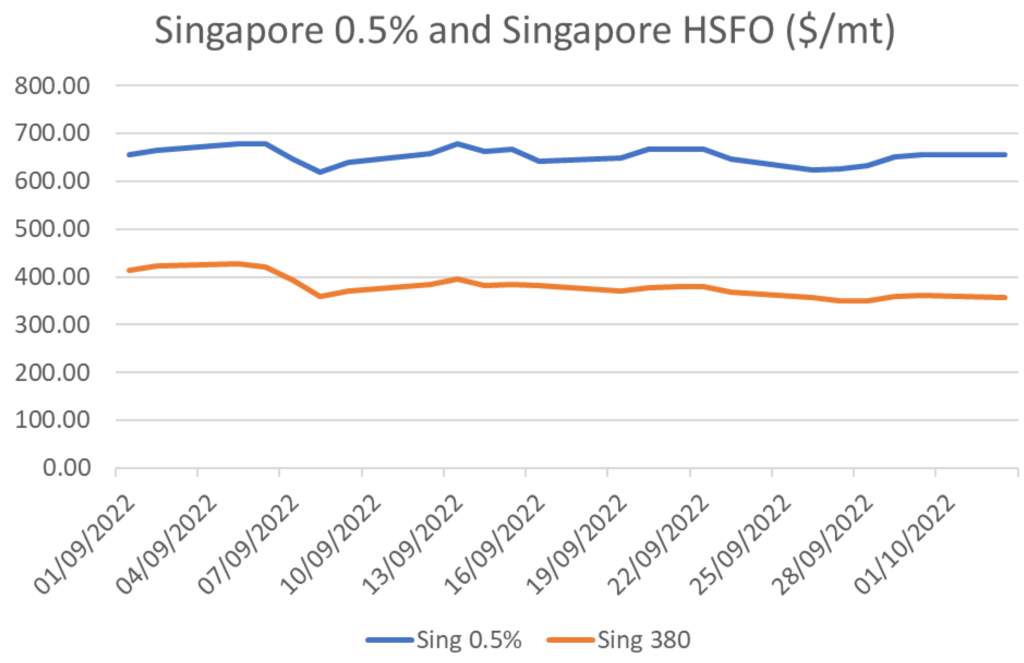
Bunker Market:

As reported on the FIS Live app, Singapore's VSLFO front-month future advanced by $38.59 or 5.85% to $698.81/mt from Monday, 26th September to Monday, 3rd October. Rotterdam's VSLFO front-month future increased by $13.27 or 2.19% to $620.43/mt. The front-month futures are lower than Singapore and Rotterdam spot prices by $28 - $80 in HSFO and VLSFO. There is a gentle backwardation on the futures curve for VSLFO futures. HSFO futures are moving from a subtle contango forward curve to a flat curve structure, as the market waits for a more solid indication of where prices are going to move.

Physical VSLFO bunker prices had a neutral bearish movement over the last week, following crude oil prices. ENGINE Online's prices showed bunker prices kept a similar price range at $646-$700/mt in the last week in major ports (Singapore, Rotterdam, and Houston), with the top of the range dropping by $7 compared to last weeks. The week started with prices falling from Monday 26th to midnight and then rising afterwards to neutral bearish sentiment. Prices in all regions rose between 6%-8% from Tuesday 27th early hours to Thursday 29th midnight. Since the early hours of Monday 3rd, October prices again increased, with Sing 0.5% having the biggest price increase. Sing 0.5% saw its price jump from $669.19/mt 7 am GMT to $698.81 5 pm GMT. This was likely due to talks of OPEC+ cutting production.

Over the last six months, Singapore's VLSFO has increased its premium over Rotterdam and Houston by almost $200/mt at specific time intervals. Due to lockdown changes in China, there was a premium from the end of May to the end of July. Sing 0.5% is usually more expensive than its counterparts. Since August, this premium changed to a discount to Houston's VSLFO, and all three regions have been competitive until September. China's situation would be worth keeping an eye on as the last week has seen the Sing 0.5% increase into a premium again. As well as whether we officially enter a recession and the impact of Russian supply to the global market; with OPEC+ crude oil production cuts expected to boost prices, fuel oil prices tend to follow.

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)

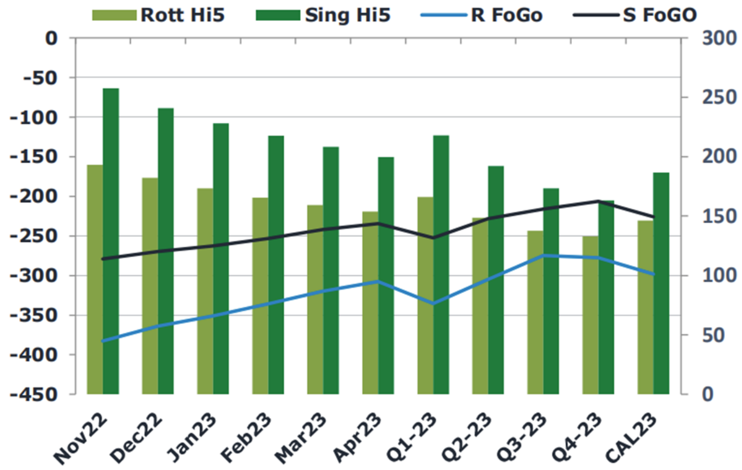
Hi5 and EW Spreads

This week, the fuel oil markets have endured less volatility than the previous week as crude oil prices have somewhat stabilised after receiving support from proposed OPEC production cuts.

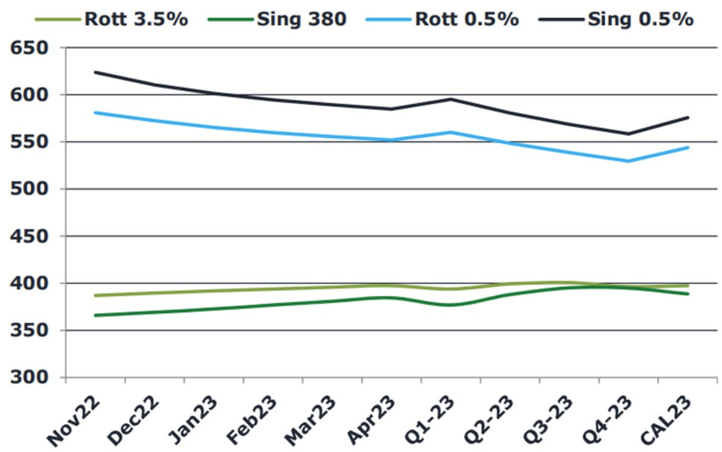
The Sing Hi5 has widened gradually from last week – incrementally increasing every day from 27/09/22 at $237/mt to today, valued at around $258/mt. The low sulphur Singapore marine fuel oil grew in price to widen this differential whilst the high sulphur grade remains relatively flat with last week.

Sing 0.5% Nov22/Dec22 spreads have traded fairly steadily with an intraweek low to high of $3. Bearing in mind that on Monday 1st October, this rolled to the front month contract. A similar thing can be said for the equivalent spread in the Euro 0.5% grade – currently printing $8.50/mt, from $6.25 at close on Tuesday last week.

Nov22 0.5% EW differential has widened over the week, the last trading at $46.75/mt OTC compared to closing at $41.90/mt this time last week.



Source: FIS



Source: FIS

Hi5 Forward Curve Values

	Rott Hi5	Sing Hi5
Nov-22	193	258
Dec-22	182	241
Jan-23	173	228
Feb-23	166	218
Mar-23	159	208
Apr-23	154	200
Q1-23	166	218
Q2-23	149	192
Q3-23	138	173
Q4-23	133	163
CAL23	146	187

Table Sources: FIS

HSFO and 0.5% East-West Spread

	EW380	EW0.5%
Nov-22	-21.00	43.15
Dec-22	-20.50	38.15
Jan-23	-19.00	35.90
Feb-23	-17.00	34.90
Mar-23	-15.00	33.90
Apr-23	-13.00	32.90
Q1-23	-17.00	34.90
Q2-23	-11.25	32.15
Q3-23	-5.58	30.15
Q4-23	-1.42	29.07
CAL23	-7.25	31.57

Tanker Market:

The week ended with more positive news for the Tanker market, as the indicator of second-hand vessel pricing reached nearly 59,600 points, a 1% gain over the prior week and the highest level since 9th February 2009, according to data from the Baltic Exchange's Sale-and-Purchase Index. Vessel Value's Tanker Index also reached a similarly lofty number, rising to $458 per dwt, the highest reading since 9th March 2009. The valuation platform's index on Friday represented a 1% gain on the prior week and an 8.8% monthly gain, not to mention a 61% rise on the same time last year.

In the Middle East Gulf this week, all Baltic TC sectors suffered a decline in freight levels with an obvious lack of activity. In the LR1 sector, TC5 came off to WS216.43 (-67.86), and a run west (TC8) dropped from $4,250,000 to around $3,500,000. Similarly, the MRs of TC17 lost 90.83 points to end up at WS266.67 by the end of the week. MR Supply has continued to outweigh demand; subsequently, TC2 lost 32.22 points to WS267.22; MRs in the USGC have continued to bounce back and forth. TC14 TCE is still around $30,000 - $35,000 /day at present freight levels; MR Trans-Atlantic TCE lost $4,936 to $51.350. TC6 Spot climbed around 20 points to close the week at ws320.63.

VLCC rates slid from their peak throughout last week, declining daily. USGC to China fell $668,750 to $9,618,750, a round trip TCE of $41,500 per day. TD3C spot dipped from the highs of WS103.82(23/09) to the closing last week down at WS84.14 on Friday, a TCE round trip estimated below $50,000 per day. Front-month contract (Oct) in the paper market gapped lower on Monday after closing the previous week at WS91, having opened the week at WS88.5. We continued to trade in a limited range, with a midweek-high of WS90 and a low, last done on Friday 30th at WS86, albeit in strong volumes (over 200kt.) TD3C Cal23 contract also gapped lower and dipped under $12/mt for the first time since early September, though it ended the week 5c stronger than the week's first print at $12.45/mt. Suezmax rates also slid; on TD20, WS139.55 became WS129.32, though the paper market was generally subdued. Despite this, we saw some fluctuation in the Cal23 FFA contract after closing $16.70/mt the previous Friday (23/09) and a clip as low as 15.60/mt. USGC/UKC Aframax spot market bounced after opening at WS214.36, softening to 205.36, then recovering and finishing the week at WS211.07. The Mediterranean market made further gains this week, with the rate for 80,000mt Ceyhan/West Mediterranean 14 points firmer at WS201 (a round-trip TCE of $53,600 per day). In Northern Europe, a flurry of activity enabled owners to push the rate up, and the latest assessment for the 80,000mt Hound Point/UK Continent trip is up 31.5 points between WS195-197.5 (a daily round trip TCE of $65,500 per day).

Clean Tanker FFA volumes fell 2,422 lots, almost 50% down to 2,591 lots owing to APPEC week. However, DPP FFA volumes gained 1,230 lots to 9,738, perhaps rescued by an active Friday.

Technical view of the Tanker Market:

Tankers TD3

November Futures - Technically bullish last week with downside moves considered countertrend, the October futures have entered a corrective phase. We have seen a similar downside move in the November contract, with the pullback considered deep into the last bull move that started on 07/09/22; the near-term technical is bullish but with a neutral bias. The longer-term wave cycle remains bullish with key support at USD 13.3903; corrective moves that hold at or above this level will support the larger bull cycle; however, if broken, the larger cycle will have a neutral bias. Upside moves that fail at or below USD 17.6401 will leave the futures vulnerable to further tests to the downside, suggesting we could be in a more complex corrective wave 4. Technically bullish but with momentum based on price currently to the downside, the 21-period RSI is near neutral at 49 with the stochastic in oversold territory; if the RSI moves above 50, then resistance levels could be tested; however, if the RSI holds below 50 the fractal support at USD 14.3090 will be a target for market sellers.

FIS senior analyst, Edward Hutton

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Chart Source: Bloomberg