FIS Weekly Oil Report

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Market Review:

Crude oil market — Short-term **neutral** with Brent ranging from $91-$95/bbl, as the mood brightens in the financial markets with a weaker dollar and a feeling of the Federal Reserve toning down on interest rate hikes.

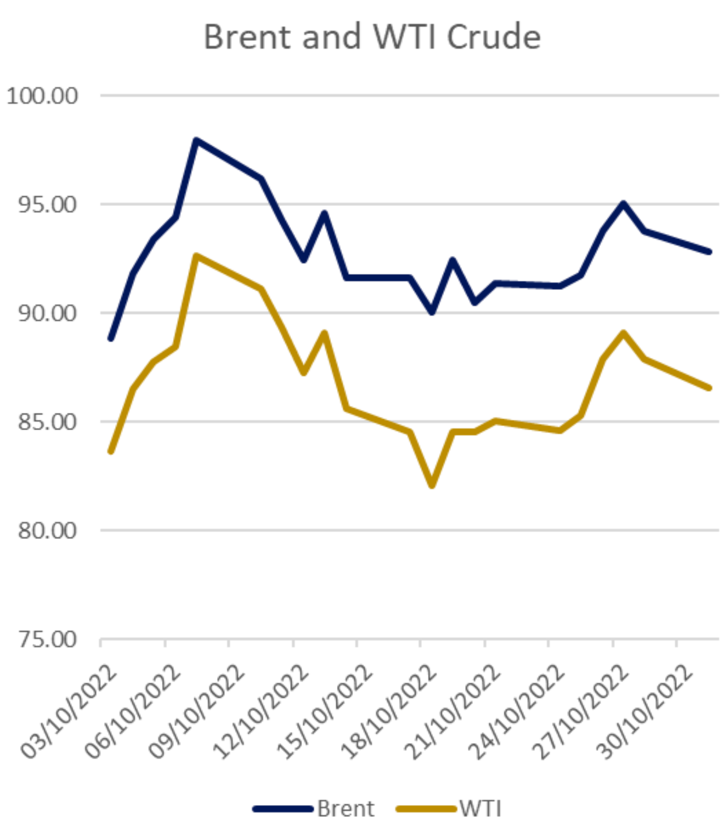
Bunker market — Short-term **neutral** Singapore VLSFO ranges from $628-$673/mt with flat crude levels.

Prices movement	24-Oct	31-Oct	Changes %	Sentiment	
Brent Crude	91.21	92.81	**1.75**	**neutral**	-
WTI Crude	84.58	86.53	**2.31**	**neutral**	-
VLSFO (Singapore)	653.75	636.25	**2.68**	**neutral**	-

Crude Oil Market :

Crude Rises with Dollar

Brent Crude increased slightly by $1.60 or 1.75% to $92.81 17.00 GMT week-on-week (w-o-w) on Monday, 31st October. U.S. West Texas Intermediate crude (WTI) rose by $1.95, or 2.31%, to $86.53, Oil Price reported. The levels have been relatively flat, providing neutral sentiment in the market. This may have been influenced by a weakened dollar and an expectation of the Federal Reserve and Bank of England to tone down on interest rate hikes. The Fed and BoE are still expected to raise their benchmark rates by 75 basis points this week, making it the fourth increase in a row. However, some within the futures markets believe it will move to a 50 basis point increase in December. The U.S. Dollar Index (USDX) measures the USD strength against a basket of six influential currencies, including the Euro, Pound, Yen, Canadian Dollar, Swedish Horner, and Swiss Franc, reduced by 0.6% to 110.86, eating the gains it made on Monday. Even though the feeling is that the Fed will tone down on the rate hikes, the job is not yet done, and inflation remains stubbornly high in developed economies. This was shown by the Eurozone surging more than expected in October, according to the data shown on Monday.



In previous reports, I mentioned that the markets shouted, "$100 is coming!" Even though this has quietened down, some are still confident. Tamas Varga of oil broker PVM said that dwindling oil supply, the possible halt of the Strategic Petroleum Reserve (SPR) release, and reinvigorated oil demand growth could also send oil above $100/bbl again.

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

Crude Oil Market (cont)

The Organization of the Petroleum Exporting Countries (OPEC) also released new data showing that they believe the world demand will increase in the long run, as mentioned in their 2022 World Oil Outlook.

Despite these factors influencing a bullish sentiment, demand concerns raised by COVID-19 curbs in China offset them. Despite declining economic growth, Chinese cities continue stepping up zero-COVID curbs as outbreaks widen. Yesterday the curbs forced the temporary closure of Disney's Shanghai resort, and sources say production of Apple iPhone in the Foxconn plant, a major contract manufacturing facility, could drop by 30%, Reuters reported. This is off the back of China's factory activity unexpectedly falling in October. Despite the second-largest economy beating expectations for economic growth in the third quarter of the year, the persistent COVID-19 restrictions, prolonged property slump, and global recession risks continue to cloud demand revival.

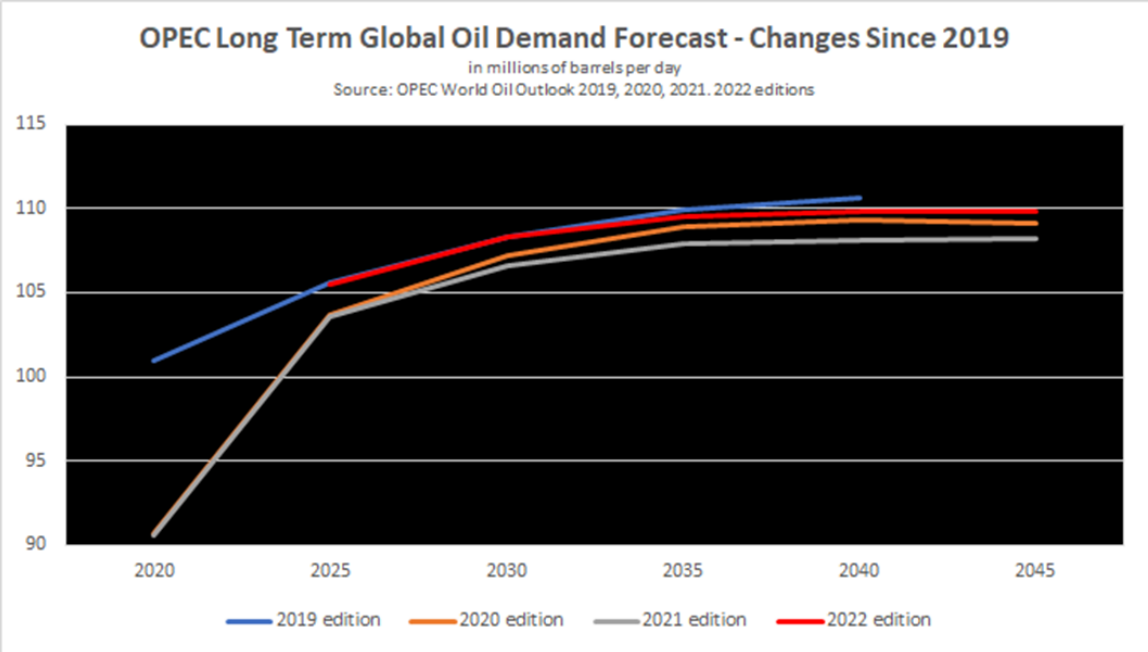


Chart source: Reuters, OPEC World Oil Outlook 2019, 2020, 2021, 2022 editions

Technical view of the Crude Oil Market:

December Futures – We noted on the last report that the futures were bullish but in a corrective phase with key near-term support at USD 90.57; a build in the aggregate open interest (AOI) suggested the market was building to the long side. The futures broke Fibonacci support but held the USD 86.35 fractal, resulting in the price moving higher. The technical is once again considered bullish due to the strength of the recent upside move; however, AOI did level off a little on the back of the original pullback, suggesting there has been some exiting of long positions. The RSI is at 51 and near neutral, whilst the stochastic is in the overbought territory; if the RSI moves below 50, we could see the futures enter a corrective phase. Downside moves that hold above USD 91.53 will warn that the USD 97.27 – USD 98.75 resistance levels could be tested; we target the USD 88.77 fractal support below this level. Technically bullish but vulnerable to a pullback, key support is at USD 90.57 with resistance at USD 98.75.

FIS senior analyst, Edward Hutton

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

Bunker Market:

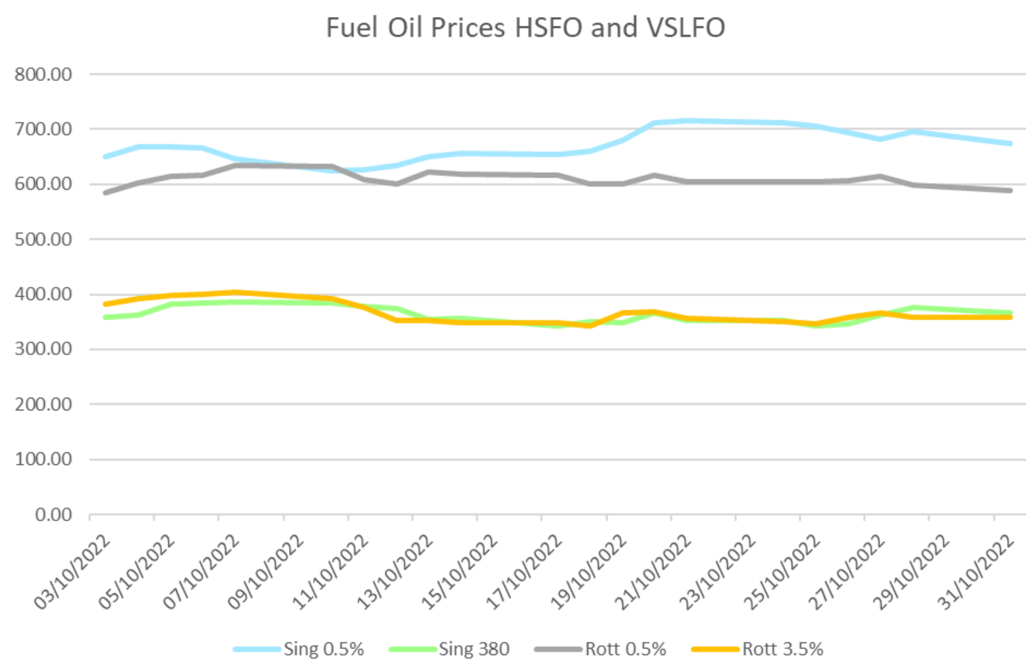
Singapore's VLSFO front-month future dipped by $17.50 or 2.68% to $363.25/mt from Monday, 24th October to Monday, 31st October, reported on the FIS Live app. Rotterdam's VLSFO front-month future decreased by $17.25 or 2.89% to $579.25/mt. The front-month futures are lower than Singapore and Rotterdam spot prices by $13 - $68 in HSFO and VLSFO. There is a backwardation on the futures curve for VSLFO futures and HSFO futures with a gentle contango curve. We usually see fuel oil prices move with crude. This last week, we saw VLSFO prices reduce slightly as crude increases. We also saw HSFO prices increase marginally more than crude, with Sing HSFO rising by $18.26 or $5.26% and Rott HSFO by $16.25 or 4.57% w-o-w.

As the globe continues to worry about fuel supply and demand, some continue to take action to find an alternative fuel to become more energy efficient. Freight Investor Services (FIS) is one of them. In the last week, Ammonia has been mentioned a few times as the shipping fuel of the future. The International Energy Agency (IEA) predicted that Ammonia will be shipping's dominant fuel by 2050, stating that it will meet around 45% of demand in 2050 compared to Bioenergy and hydrogen, meeting 20% mentioned in the World Energy Outlook 2022. Splash24/7 also reported that Amon Maritime, the Norwegian ammonia shipping company launched a new company specialising in the offshore market. They aim to build and operate a fleet of ammonia-powered vessels for the Norwegian Continental Shelf. "This is the next generation. We are combining new technologies with future requirements, enabling capabilities only available for new buildings. Our vessels will be carbon-free, future-proof, and holistically designed for ammonia fuel from the ground up," said André Risholm, founder, and CEO of Amon Maritime.

Ammonia is one of the fastest growing 'next generation' fuels with multiple uses, including electricity generation, vessel fuel, and fertiliser. Ammonia does not require cooling to extreme temperatures and has a higher energy density than liquid hydrogen, making it more efficient to transport and store. Where does FIS come in? FIS has a liquidity pool in the new ammonia market, with counterparties ranging from Oil majors to Chemical companies to Utility companies and power generators and ammonia merchants. FIS's mature fertiliser business and its dominant position in the freight market gives it access to an unparalleled range of counterparties and a diversity of interests

Despite the markets prioritising pricing and security over sustainability, alternative fuel will only grow.

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)

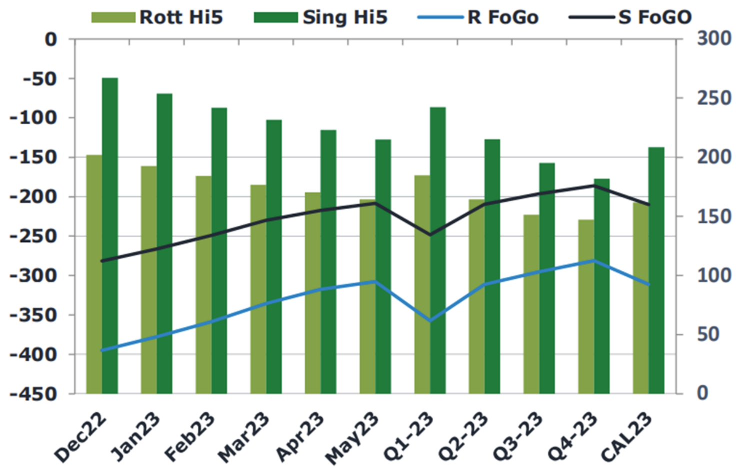
Hi5 and EW Spreads

High sulphur EW Nov22 traded steadily last week across a range of only -$2.25, closing at -$4.75/mt on Friday before tightening to -$0.50/mt yesterday afternoon after the Sing 380cst grade grew in price for Nov futures. The front-month EW is now Dec22 as we turn the month, which is currently printing -$6.75/mt, up from Friday's intraweek low of -$9.50/mt.

The Sing Hi5 for Dec22 has tightened a fair amount from last week's high of $284 to where it is currently valued at $267. The high sulphur component of the differential has grown by over $10/mt on the week – compared with a $5 drop in the low sulphur grade, thus shrinking the differential.

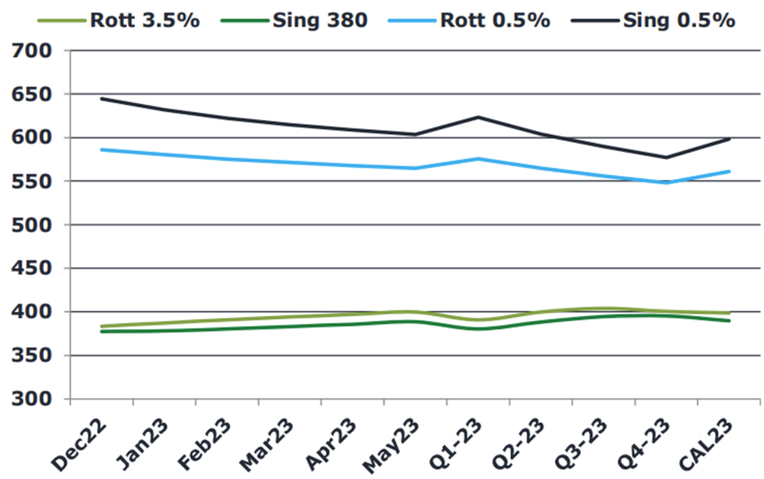
Another notable mention in the fuel oil markets this week was the low sulphur Euro crack falling into negative territory. Both the Nov22 and the Dec22 contracts are trading below 0 at -$0.40/bbl and -$0.15/bbl, respectively.

Rotterdam and Singapore Hi5 and FOGOs



Source: FIS

Rotterdam and Singapore FO Futures



Source: FIS

Hi5 Forward Curve Values

	Rott Hi5	Sing Hi5
Dec-22	202	267
Jan-23	193	254
Feb-23	184	242
Mar-23	177	232
Apr-23	170	223
May-23	164	215
Q1-23	185	242
Q2-23	165	215
Q3-23	151	195
Q4-23	147	182
CAL23	162	209

HSFO and 0.5% East-West Spread

	EW380	EW0.5%
Dec-22	-6.00	59.05
Jan-23	-9.25	51.80
Feb-23	-10.50	47.05
Mar-23	-11.00	43.80
Apr-23	-11.25	41.30
May-23	-11.25	39.30
Q1-23	-10.25	47.55
Q2-23	-11.33	39.38
Q3-23	-9.58	33.97
Q4-23	-5.17	29.30
CAL23	-8.50	37.55

Table Sources: FIS

Tanker Market:

On the back of a lengthening list and modest activity, TC2, after closing over ws300, slipped to ws280 by the close of play. In a relatively poor week for MRs, TC14 also shed 24.17 points to end the week at ws172.5. The MR Atlantic triangulation TCE basket lost $5,369 from $38,732 to $33,363.

TC5 continued to see week-on-week steady improvements in the physical market, finishing at ws210.36 as reflected in the paper market. November FFA saw a pool of liquidity, with an early week low of 240, last seen on Friday PM, the peak of the week at 255 and also saw strong size in the Cal24 contract, around 150kt/m combined across the week, 2x 50kt/m at $40.90/mt before an end of week slide to $40.80/mt.

In the Handysize sector in the Mediterranean, there was relatively little enquiry, allowing tonnage to build and rates to slide as TC6 lost 27.5 points to ws275.5, a low not seen for over a month. This was evident in the paper market, as despite limited activity front-month (November), FFA fell from 341 to 325 last seen.

TD3C regressed a touch last week in the physical marker, with ws105.03 becoming ws98.59. Front-month (Nov) FFA, though, hit 107 again, finishing the week at 104.5 after seeing lows of 101.

Suezmax TCE assessment jumped more than $6,500 over the last week and more than $14,000 in the previous nine days, to bring them above $78,200 per day on Friday. TD20 spot climbed from ws172.5 to ws189.09; front-month (Nov) opened at 178.5 and hit a peak of 185 in the paper market as sentiment remained strong.

Aframaxes finished the week on a sour note, dropping $204 to $65,902 per day on Friday, but were up roughly $300 from the start of the week, the Baltic Exchange TCE assessment showed. The biggest gain came on the US-Caribbean route, which cooled toward the end of the week, but still jumped $5,440 to $65,925 per day on a TCE basis. USGC Aframax FFA saw increased activity, November opening at 285 and trading up to 308, Cal23 trading within a tight range of $39.10-$39.20/mt.

Technical view of the Tanker Market:

Tankers TD3

November Futures – Technically bullish on the last report in what looked to be an Elliott wave 5 of this phase of the cycle. The downside move held above the Fibonacci support zone resulting in the futures trading above our upside target at USD 20.4918 (high of USD 21.1590). We remain technically bullish, but the futures now have the potential to diverge with the RSI above USD 21.1590; not a sell signal; it is a warning that we have the potential to see a momentum slowdown on a new high. Downside moves that hold at or above USD 17.4960 will support a bull argument; the technical will have a neutral bias below this level. However, if we trade to a new high, the technical will be bearish below USD 19.9400. Technically bullish, the divergence, if achieved, will need to be monitored, as it is a warning that we have the potential to enter a corrective phase.

FIS senior analyst, Edward Hutton

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Chart Source: Bloomberg