FIS

Weekly Oil Report

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Market Review:

Crude oil market — Short-term **bullish** with Brent ranging from $92-$97/bbl, as recession concerns and worsening COVID-19 outbreaks in China raise fears of lower fuel demand.

Bunker market — Short-term **bullish** Singapore VLSFO ranges from $628-$675/mt with increasing crude levels.

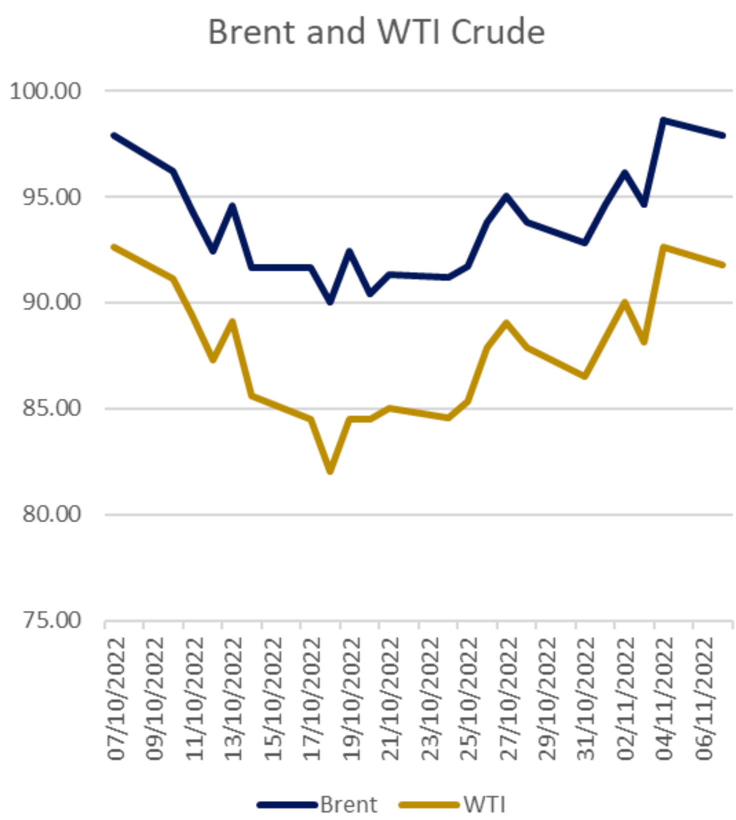
Prices movement	31-Oct	7-Nov	Changes %	Sentiment	
Brent Crude	92.81	97.92	**5.51**	**bullish**	-
WTI Crude	86.53	91.79	**6.08**	**bullish**	-
VLSFO (Singapore)	636.25	671.5	**5.54**	**bullish**	-

Crude Oil Market :

Crude Rises with concerns of China's Demand

Brent Crude advanced by $5.11 or 5.51% to $97.92 17.00 GMT week-on-week (w-o-w) on Monday, 7th November. U.S. West Texas Intermediate crude (WTI) increased by $5.26, or 6.08%, to $91.79, Oil Price reported. Prices have been gradually growing, providing a short-term bullish sentiment in the market.

Both benchmarks hit their highest points since August on Monday as reports that leaders in China were discussing a change in the country's strict COVID-19 restrictions. However, expectations of Chinese demand putting pressure on supply were soon challenged after new coronavirus cases surged in Guangzhou and other Chinese cities. We also saw officials deny the speculation.



The market will be watching the U.S. Consumer Price Index (CPI) data released this Friday due to high inflation and interest rate increases signalling a global economic recession. The market will be focused on the core inflation figures. October numbers may influence whether the U.S. Federal Reserve continues raising interest rates.

The European Union ban on Russian oil is set to start on Dec. 5 and will be followed by a halt on oil product imports in February. Markets will be fully aware of this deadline. Russia's seaborne crude oil exports spiked to a five-month high last week as buyers scrambled to get their hands on as much cheap Russian crude oil as they could ahead of the sanctions, according to Bloomberg.

Source: FIS, ENGINE Online, OilPrice.com, Reuters, Oil Price, Hellenic Shipping News

Crude Oil Market (cont)

Reuters reported that Hedge Funds are buying it in large volumes. India is also jumping in to capitalise on the discount. This was shown by a reduction in its imports from the Middle East, falling to a 19-month low. Russia also overtook Saudi Arabia as India's number two supplier after Iraq. China is part of this team and declared they would not stop after the sanction takes effect. It seems Europe will be missing this party due to its sanctions. An oil analyst from S&P Global mentioned that an option for Europe includes importing more from the U.S. and China and reducing exports to South America and Africa. This has consequences for those continents but is an option, nonetheless.

Both options present their challenges. China has its restraints with its COVID policies but so does the U.S, as the embargo adds to an already tight global oil market. One would think the U.S. can increase their output, but even if it wanted to, it would not be able to boost production too much, no matter how desperate the Biden Administration is to relieve consumer costs. Inflation, labour shortages, supply chain delays and a lack of certainty over the U.S. energy policy are where the limitations for one of Europe's supply options lay.

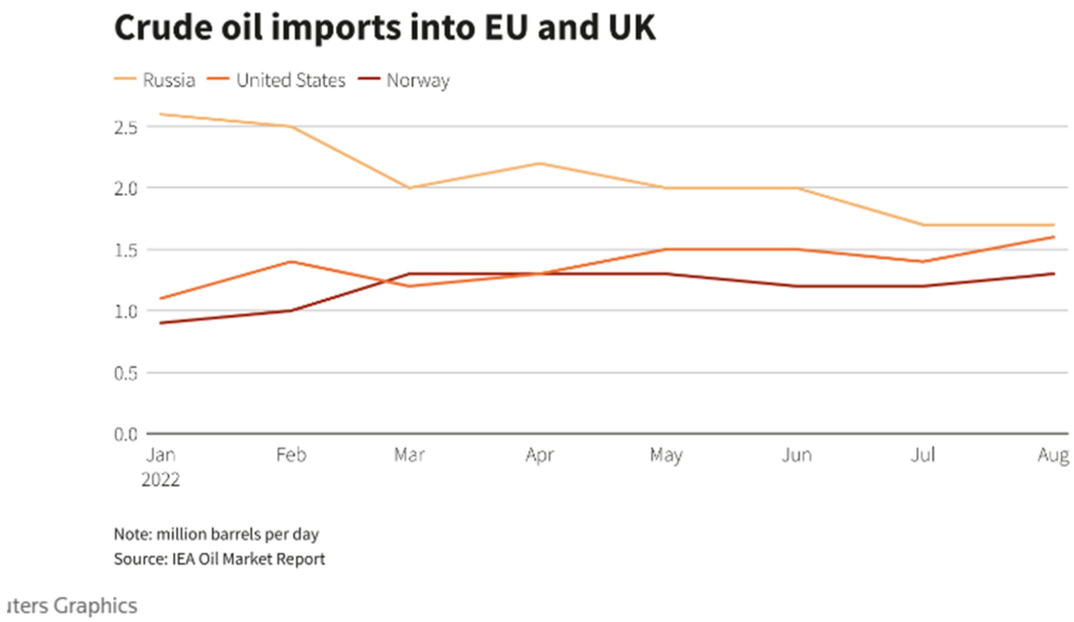


Chart source: Reuters, IEA Oil Market Report

Technical view of the Crude Oil Market:

Jan 23 Futures – Technically bullish but vulnerable to a pullback on the last report; the only downside move we have seen came from the futures roll. The RSI held above 50, meaning the overbought stochastic is considered less relevant, whilst the futures have now traded to a high of USD 98.81. The trend remains technically bullish, with prices above the 8-21 period EMA's and the 55-Period MA, supported by the RSI making new highs. Aggregate open interest had levelled off, suggesting we had seen some profit-taking. It dropped further on the back of the futures expiry with only a slight increase on the USD 5.00 upside move, there is an AOI build, but it has been small. Downside moves that hold at or above USD 94.53 will support a bull argument; below this level, the futures will have a neutral bias, leaving the USD 92.33 fractal low vulnerable. Technically bullish with near-term resistance at the 200-period MA (USD 103.11), we can see a more sustained run if we close above and hold above this level. We remain mindful of the AOI and would like to see further builds on upside moves; if we move higher and the AOI drops, it suggests market longs are exiting, warning of potential exhaustion.

FIS Senior Analyst, Edward Hutton

Source: FIS, ENGINE Online, OilPrice.com, Reuters, Oil Price, Hellenic Shipping News

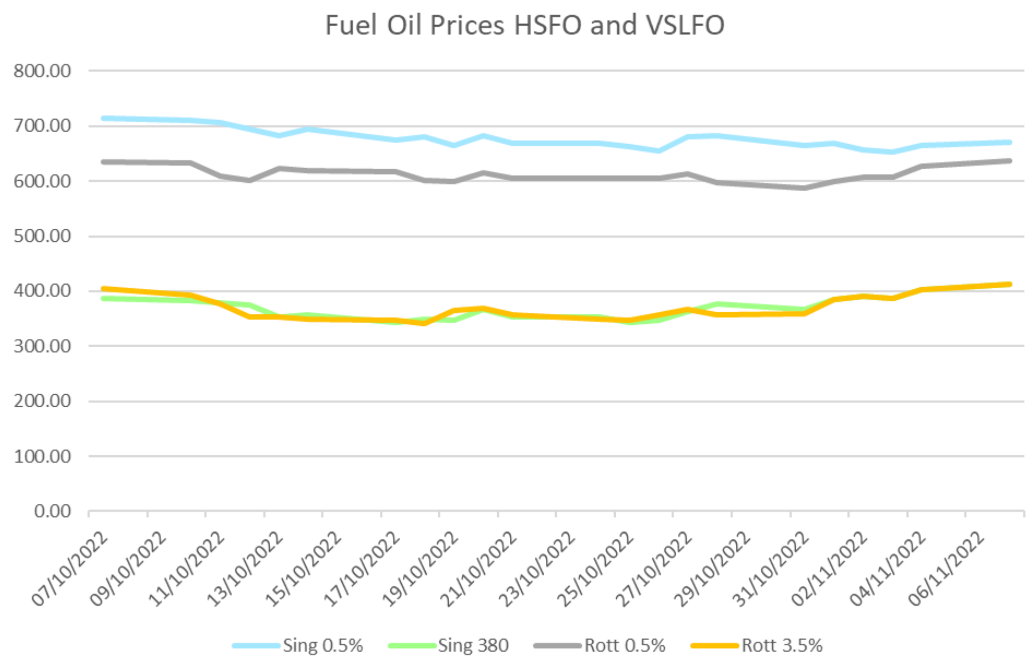
Bunker Market:

Singapore's VLSFO front-month future advanced by $35.25 or 5.54% to $636.25/mt from Monday, 31st October to Monday, 7th November, reported on the FIS Live app. Rotterdam's VLSFO front-month future increased by $39.50 or 6.82% to $618.75/mt. The front-month futures are lower than Singapore and Rotterdam spot prices by $14 - $33 in HSFO and VLSFO, a smaller range than last week. There is a backwardation on the futures curve for VSLFO futures and HSFO futures, with a gentle contango curve appearing to proceed to a flat curve. Fuel oil prices increased with crude prices, as expected. We saw HSFO prices rise more than crude and VLSFO products. HSFO increased by $43 or $11.77%, and Rott HSFO by $42.50 or 11.44% w-o-w.

Although the Eurozone oil demand outlook is being reduced, fuel oil demand has been raised by a substantial 35,000 barrels per day for the year 2023. This might come as the heavily gas-reliant continent switches to fuel oils because the surging gas prices outweigh the rising fuel prices.

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. It was reported by Ship & Bunker that Methanol-fuelled ship orders outnumbered LNG in October. LNG-fuelled ship orders have slowed considerably with rising prices. Eight LNG-fuelled ships were ordered compared to 18 methanol-fuelled container ships last month. After our mention of Ammonia last week as the shipping fuel of the future, it won't be long before we compare numbers to Ammonia, Biofuels, LNG, hydrogen, methanol, and e-fuels. It is said that only Rotterdam provide data on volumes of alternative bunker sales. 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)

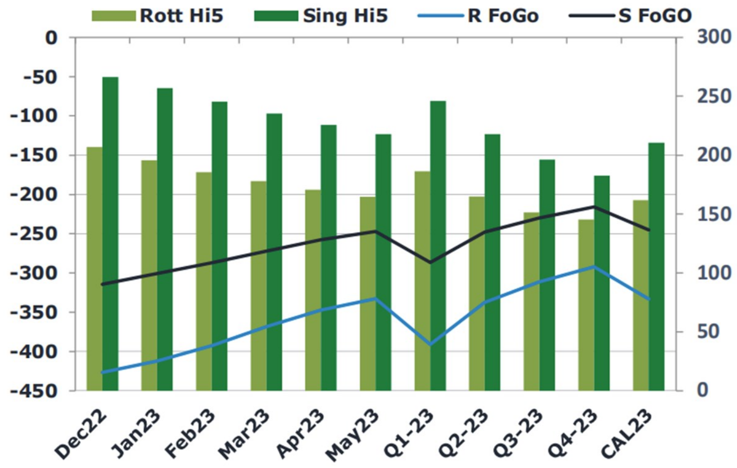
Hi5 and EW Spreads

Brent crude futures have been creeping up since Tuesday last week as worries of supply tightness prevail over the poor demand outlook from China's persistent Covid regulations.

The Sing Hi5 for Dec22 has held relatively firm since last week, with a high/low spread from Tuesday of $4. This is low for a differential that can see wide intraweek swings. Both grades of the differential have become more expensive at a similar rate – the Sing 0.5% marine fuel oil for Dec22 delivery is currently trading around $665.50/mt (+$21 from this time last week), and the Sing 380cst is printing $401.50/mt (+$24), mainly down to the much higher crude.

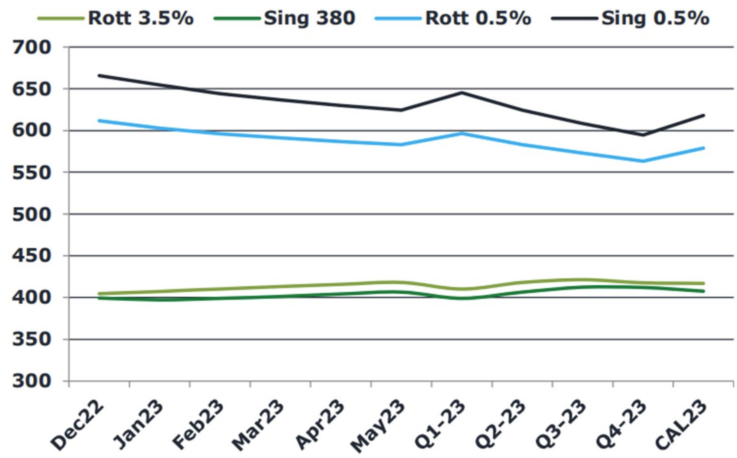
High sulphur EW is also trading steadily, seemingly leaving behind the $10 intraday swings. Low sulphur EW for Dec22 is trading down $6 from last week, gradually tightening each day to now. This is from a stronger recovery in the Euro grade against the Sing grade as some bunker demand across Europe seems to have recovered, although still at low levels.

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	207	266
Jan-23	196	257
Feb-23	186	246
Mar-23	178	235
Apr-23	171	226
May-23	165	218
Q1-23	186	246
Q2-23	165	218
Q3-23	151	196
Q4-23	146	183
CAL23	162	211

HSFO and 0.5% East-West Spread

	EW380	EW0.5%
Dec-22	-5.25	54.00
Jan-23	-10.00	51.50
Feb-23	-11.50	48.50
Mar-23	-11.75	45.50
Apr-23	-11.75	43.25
May-23	-11.50	41.50
Q1-23	-11.05	48.50
Q2-23	-11.42	41.42
Q3-23	-9.17	35.67
Q4-23	-5.50	31.50
CAL23	-8.00	39.27

Table Sources: FIS

Tanker Market:

TC2 spot market spent most of the week lingering around the mid-270s mark until a jump in activity to finish the week at ws312.87. In the paper market, the front month (Nov) remained stagnant between 300 and 305. MR levels have been stable this week in the US Gulf, with just enough enquiry to keep freight levels steady and at an apparent floor for the moment. TC14 front month (Nov) fell from 220 to 206 last done; further out, Cal23 was paid up to $35.50/mt from $33.75/mt seen earlier in the week. The MR Atlantic Triangulation Basket TCE gained $52 to $32,554. In the LR1 sector, the TC5 spot endured an unspectacular week, with rates opening at ws213.21 and closing for the weekend a touch higher at ws215. The FFA market came softer, with Nov drifting 10ws down to close the week at 230 and Dec after hitting 290, printing as low as 270, ending the week at 277 as Cal23 traded within a range of $50-$51/mt. In the Handysize sector, the cross-med TC6 spot continued to decline at ws265.94, becoming ws238.75, reflected as November came off heavily, opening the week at 315 and finishing at 260.

VLCC market rebounded, TD3C spot bouncing back from ws97.95 up to ws107.27, as Nov FFA travelled from 100.75 seen on Monday up to 112 by the end of the week and Cal23 hitting the $14/mt mark. TD20 spot dipped to around 10ws to 183.86 as the Aframax market fell from its highs. USGC/UKC route closing out the week at ws300 after 307.86 was seen on Monday and was reflected in the paper market, as November fell from 308 to 295.

Technical view of the Tanker Market:

Tankers TD3

December Futures – Technically bullish on the last report, potentially creating a negative divergence with the RSI on a new high. The futures traded to new highs, but so did the RSI, meaning we did not get a negative divergence, implying we see a form of a wave extension. The futures have entered a corrective phase. Downside moves that hold at or above USD 20.3010 will support a bull argument. Below this level, the technical will have a neutral bias. Only below USD 19.3480 is the technical bearish. Upside moves above USD 22.1510 have further resistance at USD 23.4076. Technically bullish, the new high on the RSI is a warning that downside moves have the potential to be countertrend from here.

FIS Senior Analyst, Edward Hutton

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Chart Source: Bloomberg