# FIS Weekly Oil Report

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## Market Review:

**Crude oil market** — Short-term **bearish** with Brent ranging from $83 - $88/bbl, on hopes that China will relax their strict COVID-19 controls after rare protests in Chinese cities over the weekend.

**Bunker market** — Short-term **neutral** Singapore VLSFO ranges from $563 - $618/mt with decreasing crude levels.

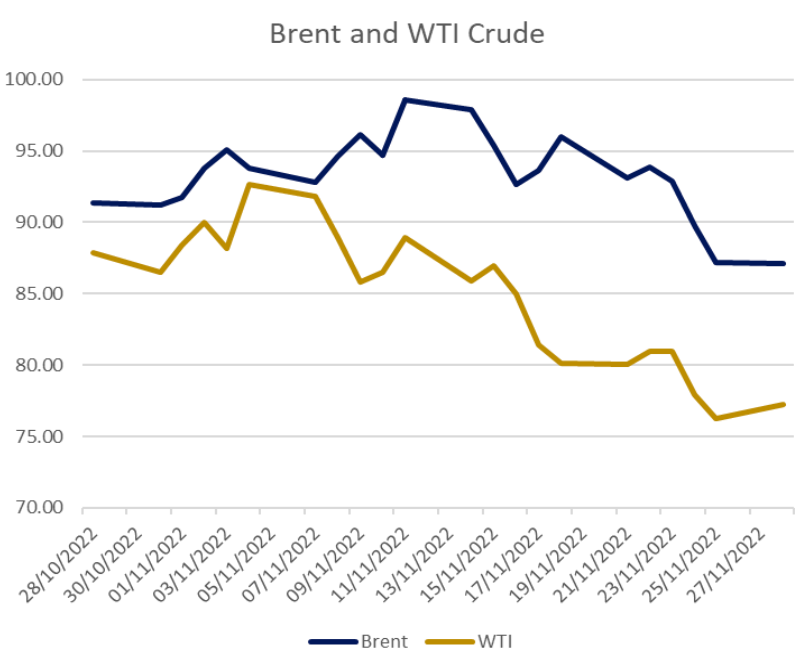
| Prices movement | 21- Nov | 28- Nov | Changes % | Sentiment | |
|---|---|---|---|---|---|
| **Brent Crude** | 87.09 | 83.89 | **3.67** | **Bearish** | ↓ |
| **WTI Crude** | 80.04 | 77.24 | **3.50** | **Bearish** | ↓ |
| **VLSFO (Singapore)** | 594 | 600.25 | **1.05** | **Neutral** | - |

## Crude Oil Market :

### Crude falls ahead of G7 & Opec meeting

Brent Crude fell by $3.20 or 3.67% to $93.89 17.00 GMT week-on-week (w-o-w) on Monday, 28th November. U.S. West Texas Intermediate crude (WTI) decreased by $2.80, or 3.50%, to $77.24, Oil Price reported. Prices fell again week-on-week and pulled down ranges after hitting 10 - month lows last week and three consecutive weekly declines, providing a bearish sentiment in the market. Brent saw a high of $88 on 22nd November and a low yesterday of just over $82, as fuel demand concerns from China continue.

There has been unrest in China as covid cases increased, and China's population seems tired of zero-COVID policies. The rollercoaster of restrictions has been happening for weeks and continues to escalate, further growing concerns about its fuel demand in the global market. The latest response is to speed up vaccinations for the elderly over 80 to ease the unpopular curbs. The world's second-largest economy would impact multiple markets and governments. Russia, another hot topic, would be especially concerned about this as the Europe ban draws nearer. The Economic Times reported that their European customers have reduced, and China and India now purchase two-thirds of all the crude exported by sea from Russia. They also said that at least half of the crude exported by pipeline from Russia goes to China. So Russia's oil supply not having as much consumption could further reduce prices as demand falls. Some also say that China and India are looking to minimise buying of Russian oil as the European ban approaches but also say that is a temporary factor as they also believe they will increase once they find a way to work with or around it.




***Source:*** *FIS, ENGINE Online, OilPrice.com, Reuters, Oil Price, Financial Times, Bloomberg, Ship & Bunker,Refinitiv Datastream and Eikon*

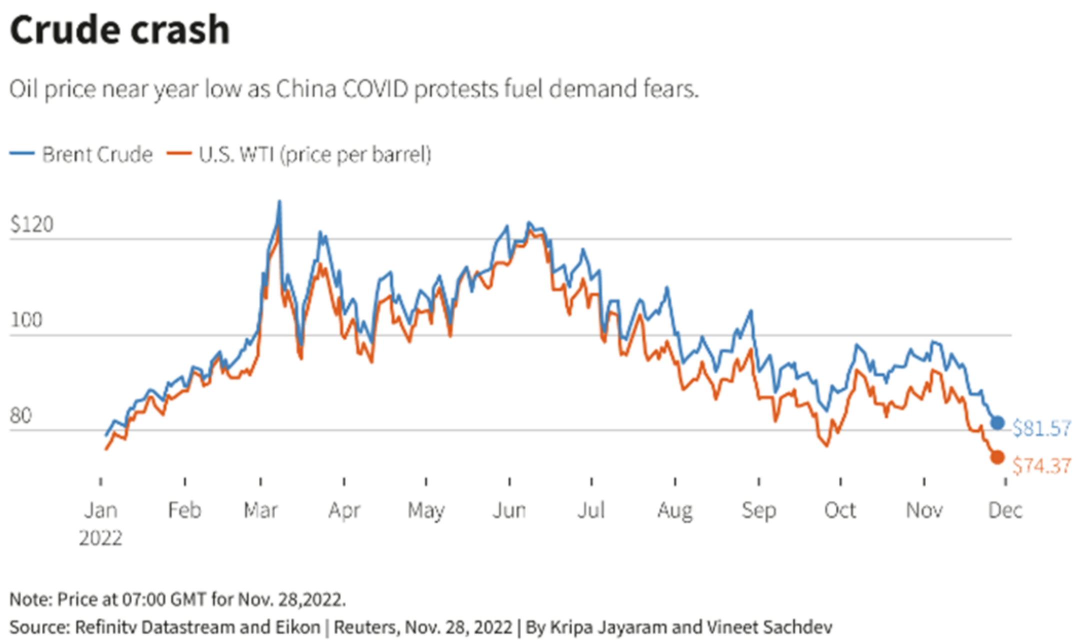
## Crude Oil Market (cont)

OPEC will be concerned about the impact on prices, and it comes as no surprise that they are rumours of them reducing their output at their next meeting on 4th December. Reuters reported that they would reduce production by 2 million barrels per day through 2023.

There is also the G7 price cap on Russian oil to consider. As the cap draws closer to the date it takes effect, govts finalise their battle plans. Some are split on how much Russia should be capped and require Russian flows to continue, e.g., Hungary and Poland. Others have run straight to Russia to negotiate ways around their domestic struggles, e.g., Pakistan. Others, like the U.S. oil industry vet and commentator David Blackmon, think the cap is a joke. He said Russia is already selling its oil to China and India at prices in the proposed range, so the cap will not, in fact, cap anything at all. Others think the caps band between $65 and $70 per barrel is too low; some think it's too high. It reminds us of the standoff for carbon emissions transition. Developed economies are asking developing economies to transition to carbon emissions offset commitments and projects they can't afford, ironically, when they contribute less to carbon emissions.

This week could unravel the global oil market. It will be interesting to see how the G7 and the OPEC+ meeting unfolds. Price caps, sanctions, and OPEC's reaction could unravel the global oil market.

**Brent and WTI 2022 Prices**




Reuters Graphics Reuters Graphics

***Chart data:*** *Refinitiv Datastream and Eikon, Reuters*

***Source:*** *FIS, ENGINE Online, OilPrice.com, Reuters, Oil Price, Financial Times, Bloomberg, Ship & Bunker,Refinitiv Datastream and Eikon*

## Technical view of the Crude Oil Market:

January 23 futures - Technically bearish last week based on the weekly close, supported by the EMA's, which pointed downwards, suggesting we could be in the early stages of a bearish trending environment. The futures initially traded to a low of USD 82.31 before producing a strong rejection candle on the back of production comments from Saudi Arabia, leading us to believe that resistance levels could come under pressure; however, the upside moved rejected key resistance levels with the futures trading to new lows this morning (28/11, low USD 80.61). Technically we remain bearish with the futures in a trending environment, based on the EMA's now pointing lower whilst well-spaced. We are, however, showing a positive divergence with the RSI, warning that we have the potential to see a momentum slowdown; the divergence will need to be monitored from now on. The intraday technical, however, implies that upside moves should be considered, as we have the potential to trade back below the USD 80.61 low, as intraday wave analysis has a downside target of USD 79.23. Technically we are a cautious bear as we are in divergence but targeting the USD 79.23 level.

*FIS Senior Analyst, Edward Hutton*

**Brent Intraday 4-Hour Chart**


***Chart data:*** *FIS*

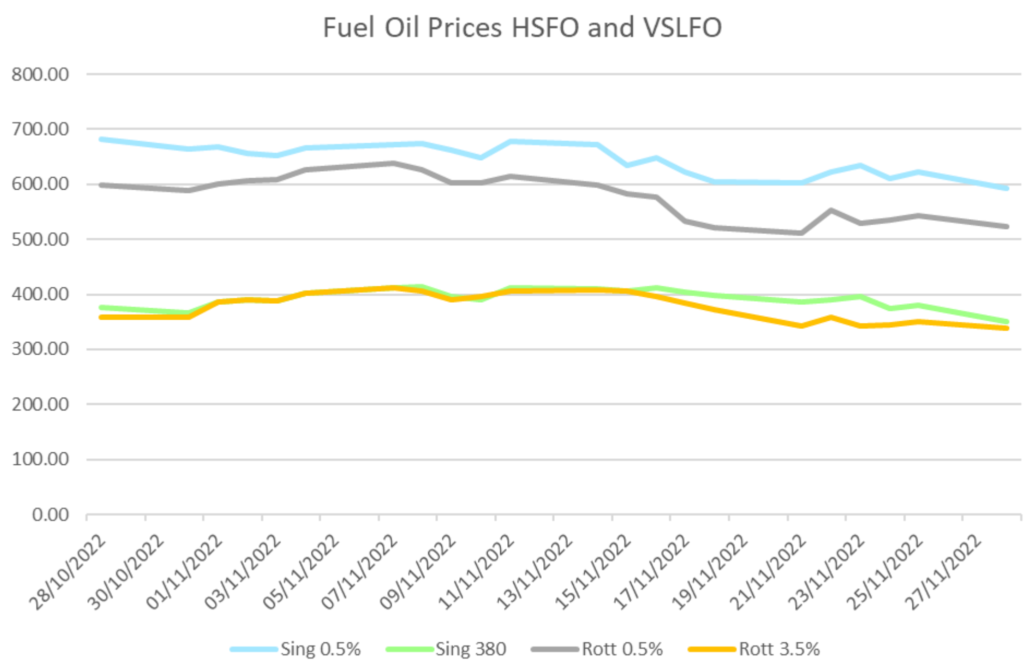
***Source:*** *FIS, ENGINE Online, OilPrice.com, Reuters, Oil Price, Financial Times, Bloomberg, Ship & Bunker,Refinitiv Datastream and Eikon*

## Bunker Market:

Singapore's VLSFO front-month future did not follow crude levels and rose slightly by $6.25 or 1.05% to $600.25/mt from Monday, 21st November, to Monday, 28th November, reported on the FIS Live app. It experienced highs of $618 on Wednesday 23rd, and lows of $563.5 on Monday 21st. Rotterdam's VLSFO front-month future reduced slightly by $10.50 or 1.98% to $520.25/mt. With highs of $546 and lows of $498 on Tuesday 22nd, and Monday 28th. The front-month futures are lower than Singapore and Rotterdam spot prices by $13 - $54 in HSFO and VLSFO, an increase in range but a lower low compared to last week. There is a small backwardation on the futures curve for VSLFO futures, with a bump pushed up on Q1-23 and Cal-23. There is a flat curve for HSFO futures with a slight drop in Q1-23. VLSFO Fuel oil prices seemed to show a neutral sentiment by rebounding from 11 month lows and not falling with crude prices across the board, whereas HSFO prices did. Sing 380 declined by a smaller $24 or 6.25%, and Rott HSFO by $30.75 or 8.15% w-o-w.

Bunker prices, specifically Singapore VSLFO, have been ranging between a percentage cost of 60-80% vessel operating costs since this time last year. Freight prices have been falling with fuel prices, and more recently, HSFO has fallen more than VSLFO. Our FIS broker said that HSFO sales in Singapore were up 18% on the month and 11% on the year. Could HSFO be reclaiming some of its lost market share? Even though HSFO has continued to flow into Singapore, other Asian countries like India expect exports to drop soon. S&P Global Commodity Insights reported that Kpler forecasted Russian exports to fall from 728,000 mt to 141,000 mt as the EU ban takes effect. Long-term solutions for alternative fuels are a low-priority discussion at the moment. Mikkel Kannegaard, CEO of the container line's bunker supply arm, Maersk Oil Trading said that shipping companies need to step up and take action in the short term rather than talking more, Ship & Bunker reported. One way to do this would be data transparency on alternative fuel volumes, sales, availability and prices. Then compare the numbers as we currently compare the HSFO and VSLFO.

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



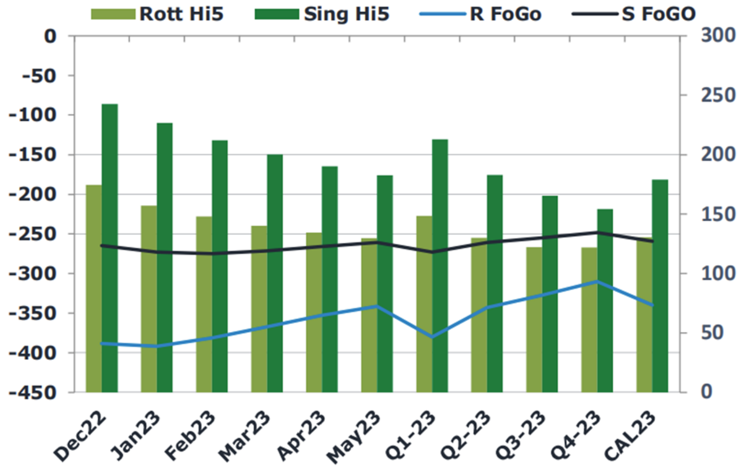

***Source:*** *FIS, ENGINE Online, OilPrice.com, Reuters, Oil Price, Ship & Bunker, Bloomberg*

## Bunker Market (cont)

### Hi5 and EW Spreads

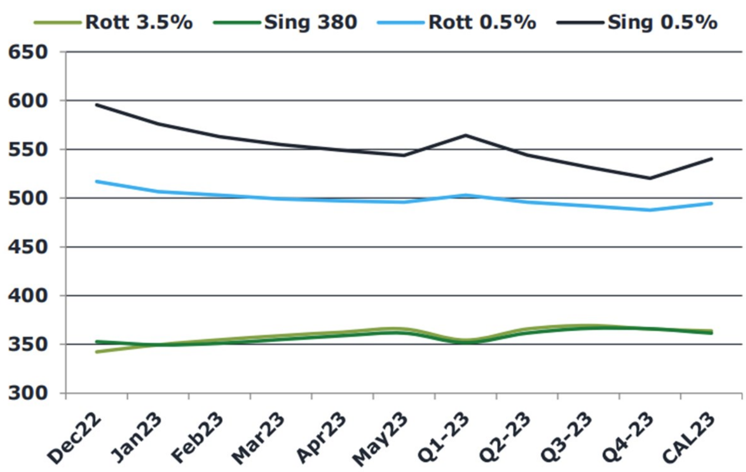
A combination of Russian oil price cap talks and Civil unrest in China over persistently strict COVID regulations saw crude oil finish on a third consecutive weekly drop on Friday. When crude prices come off, fuel oil prices follow.
The Sing Hi5 for Dec 22 is currently at the widest it's been all week, at $247/mt. Today, high sulphur Sing crack has weakened drastically against the low sulphur Sing crack, thus widening the Sing Hi5. Weakening Sing 380 crack most likely boils down to the high supplies going East from Russian vessels diverted from Europe.
Low sulphur EW for Dec 22 continues to widen to historical differences with a current value around the $81.00/mt mark, from $69.00/mt this time last week. The disparity between the 0.5% Sing and Euro grades is down to the Euro crack trading reasonably flat on the week, whilst the Sing crack equivalent has strengthened by about $3 from last Tuesday.

**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 | 175 | 243 |
| Jan-23 | 157 | 227 |
| Feb-23 | 148 | 212 |
| Mar-23 | 140 | 200 |
| Apr-23 | 134 | 190 |
| May-23 | 130 | 182 |
| Q1-23 | 148 | 213 |
| Q2-23 | 130 | 183 |
| Q3-23 | 122 | 165 |
| Q4-23 | 122 | 154 |
| CAL23 | 131 | 179 |

*Table Sources: FIS*

**HSFO and 0.5% East-West Spread**

| | EW380 | EW0.5% |
|---|---|---|
| Dec-22 | 10.50 | 78.40 |
| Jan-23 | -0.25 | 69.15 |
| Feb-23 | -3.50 | 60.15 |
| Mar-23 | -4.00 | 55.65 |
| Apr-23 | -3.75 | 51.90 |
| May-23 | -4.25 | 48.40 |
| Q1-23 | -2.60 | 61.65 |
| Q2-23 | -4.08 | 48.57 |
| Q3-23 | -3.00 | 39.73 |
| Q4-23 | 0.33 | 32.65 |
| CAL23 | -2.75 | 45.65 |

## Tanker Market 21/11/22 - 25/11/2022

On the UK-Continent, MRs have been consistently active throughout the week resulting in the inevitable uptick in freight. TC2 has added 16.94 points to ws380. Dec saw little change in the paper market, with decent volume trading at the ws400 level across the week, with occasional prints coming lower at ws396 and ws397 levels. Towards the back of the curve, Cal23 declined from $35.5/mt seen on Tuesday to $34.95/mt last Thursday. The Middle East Gulf has seen a surge in activity in all sectors; TC5 LR1s has climbed a significant 99.29 points to ws312.86.

The Dec FFA reflected this gaining as the week continued. Dec saw good volume at ws304 level on Monday, good volume at ws330 on Wednesday and then rounded out the week with last done at ws337 on Friday. The Cal23 also climbed, opening the week at $56.5/mt and trading last at $58.75; it saw a high at $60/mt on Tuesday. As the larger vessels saw a return to strength this week TC17 index jumped 74.28 points to ws412.14. Dec FFA traded 15 points higher than the previous week at ws490. MRs began the week strong in the US Gulf, with rates starting to climb. However, as the Thanksgiving weekend approached, activity looked to trail off, and freight levels dipped before the long weekend. TC14 lost 23.34 points by Wednesday. In the paper market, Dec also fell from ws307 seen on Monday to ws283 last seen Thursday. The Mediterranean TC6 gathered steam, fuelled by a lack of tonnage availability, up to ws406.88 (+46.25). The Dec FFA ticked up a touch with the last done at ws455.

The VLCC market took a downturn this week, with charterers quelling the freight level highs reached last week. 270,000mt TD3C Middle East Gulf to China lost 21.24 points to ws109.75. This was demonstrated in the paper market, with Dec FFA tumbling from ws120 to ws95 over the week. Q1(23) saw similar declines slipping from $19.4/mt to $16.25/mt last done. The back end of the curve also suffered a drop, with Cal23 moving from $15/mt seen on Monday to $13.55/mt last done on Friday. TD22 US Gulf/China has, by comparison, remained relatively stable at around the $14,400,000 - $14,750,000 region. It saw little activity on the paper market. For the Suezmax 130,000mt voyage from Nigeria to Rotterdam, rates steadily peaked at ws225 midweek. It then returned down to ws211.8 by Friday. In the paper market, TD20 moved lower over the week, with Dec finding good volume at ws206 on Thursday, 19 points lower than the first prints on Monday (ws225). On the longer-haul 70,000mt US Gulf/ Rotterdam voyage, charterers were also able to chip away at freight early in the week, and the run was pegged at ws393.57 by the close on Wednesday - a 37.14 point drop from last week. The USGC/AFRA paper market fell similarly in the lead-up to the long weekend; Dec FFA lost 40 points from ws360 to trade at ws320 before recovering slightly, with the last done at ws334 on Thursday. Q1(23) and Q2(23) FFA's also decreased by Wednesday.

***Sources:*** *FIS*

## Technical view of the Tanker Market:

### Tankers TD3

December Futures – Technically bullish last week, with price trading above the 161.8% Fibonacci extension, meaning we remained on an Extended wave 3 of this cycle phase. The futures have had a strong move to the downside with price trading below the USD 21.6831 support; we are now testing USD 19.1101 level; if broken, the longer-term technical will have a neutral bias (current price USD 19.1320). Near-term price action is bearish due to the futures making lower lows, but the longer-term Elliott wave cycle remains bullish above USD 19.1101 and neutral below. Upside moves that fail at or below USD 23.8047 will leave the futures vulnerable to further tests to the downside; above this level; we target the USD 26.2160 high. The futures look to be in a corrective wave 4; if we move any lower, this technical becomes neutral.

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*Chart Source: Bloomberg*